

19 September 2024

Press Metal Aluminium

Venturing 3rd Alumina Refinery

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PMETAL is investing RM1.04b for an 80% stake in a JV project for an alumina refinery in West Kalimantan, Indonesia. We are positive on this venture as the investment aims to secure alumina supply, with two other investments in alumina refinery, ensuring 75% of its alumina requirement is locked in. Given its balance sheet and cashflow generating ability, PMETAL can finance this without taking on debt. However, it has to equity account for this investment. We maintain our estimates, TP of RM5.80 and OUTPERFORM call.

To JV for a 3rd investment in alumina refinery plant. Yesterday, PMETAL announced that it is setting up a strategic JV in PT Kalimantan Alumina Nusantara (KAN) with two Indonesian parties, namely PT Alakasa Alumina Refineri (AAR) and PT Dinamika Sejahtera Mandiri (DSM). PMETAL is expected to subscribe for a total of seven tranches of new KAN shares or 80% equity stake in KAN at a total of USD240.0m (c.RM1.04b). Eventually, the shareholding of KAN will be - PMETAL 80%, AAR 19.77% and DSM 0.23%.

The JV company – KAN will undertake a project in Sanggau, West Kalimantan, covering c.980ha of land to house an alumina refinery plant with an annual production capacity of 1 to 1.2m MT, along with a power plant, jetty and supporting infrastructure. The total cost for Phase 1 is estimated at USD750m (c.RM3.24b). There is potential for capacity expansion in Phase 2 which could add another 1 to 1.2m MT. Meanwhile, KAN is expected to secure bauxite supply from DSM while the final product, alumina will be sold to PMETAL.

Strategic leverage. This venture is not unexpected, as PMETAL also holds a 50% stake in Japan Alumina Associates (Australia) Pty Ltd (JAA) and a 25% stake in PT Bintan. These investments allow PMETAL access to 230,000 MT alumina production capacity at JAA and 500,000 MT at PT Bintan. With the KAN venture, PMETAL has effectively locked in 75% of its alumina requirement, ensuring a stable supply of raw materials, and potentially logistics savings.

Forecasts. Maintained as the new venture is unlikely to affect its near-term earnings. For reference, PT Bintan project took 2.5 years to reach production. Furthermore, PMETAL has no financial constraints in funding the project as it had RM2.01b cash as of Jun 2024 with strong cash flow generating ability.

Valuations. Maintain our DCF-derived TP of RM5.80, based on unchanged WACC of 7.8% and TG of 2%. On these assumptions, we estimate that PMETAL may have to generate savings of c.1 ppt to pre-tax margin annually to justify the USD240m outlay from a NPV perspective. Our TP reflects a 5% premium by virtue of its 4-star ESG rating as appraised by us (see Page 4).

Investment case. We continue to like PMETAL for its: (i) structural cost advantage over international peers given its access to low-cost hydro-power secured under four long-term PPA contracts ending between 2034 and 2040, (ii) strong secured alumina supply with stakes in two alumina miners, i.e., Japan Alumina Associate (40%) and PT Bintan (25%) which supply 40% of its requirements, and (iii) green investment appeal as a clean energy source producer. OUTPERFORM rating maintained.

OUTPERFORM ↔

Price: RM4.85
Target Price: RM5.80 ↔

Share Price Performance



KLCI 1,660.59
YTD KLCI chg 14.2%
YTD stock price chg 0.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PMAH MK Equity
Market Cap (RM m)	39,962.1
Shares Outstanding	8,239.6
52-week range (H)	6.08
52-week range (L)	4.37
3-mth avg daily vol:	9,001,918
Free Float	38%
Beta	1.2

Major Shareholders

Alpha Milestone Sdn Bhd	33.8%
Koon Ming Poh	6.2%
Koon Weng Poh	5.7%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	13803	15778	15636
EBIT	1709	2218	2478
PBT	1632	2169	2426
Net Profit (NP)	1214	1572	1757
Core Net Profit	1254	1572	1757
Consensus (NP)	-	1709	1955
Earnings Rev. (%)	-	-	-
Core EPS (sen)	15.2	19.1	21.3
Core EPS Growth (%)	-12.9	25.4	11.8
NDPS (sen)	7.0	7.6	8.5
BV/Share (RM)	0.90	0.95	1.08
NTA/Share (RM)	0.89	0.95	1.07
PER (x)	31.6	25.4	22.8
PBV (x)	5.41	5.08	4.48
P/NTA (x)	5.46	5.13	4.52
Net Gearing (x)	0.52	0.34	0.14
Net Dividend Yield (%)	1.5	1.6	1.8

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
ENGTEX GROUP BHD	OP	0.630	0.810	28.6%	497.3	Y	12/2024	6.4	12.5	175.0%	96.4%	9.9	5.0	0.3	3.2%	0.8	1.2%
OM HOLDINGS LTD	OP	1.15	1.80	56.5%	881.2	Y	12/2024	17.7	29.8	63.6%	68.6%	6.5	3.9	0.4	7.0%	6.6	5.7%
PRESS METAL ALUMINUM HOLDINGS BHD	OP	4.85	5.80	19.6%	39,962.1	Y	12/2024	19.1	21.3	25.4%	11.8%	25.4	22.7	5.1	20.6%	7.6	1.4%
UNITED U-LI CORPORATION BHD	OP	1.79	2.30	28.5%	389.9	Y	12/2024	18.9	28.8	2.5%	52.6%	9.5	6.2	0.9	10.4%	6.0	3.4%
Sector Aggregate					41,730.5					28.0%	18.2%	23.6	19.9	3.8	16.0%		2.9%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Product Quality & Safety	★	★	★	★	
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★	★	★
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★	★	
	Legal & Regulatory Compliance	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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