Archi Indonesia (ARCI IJ)

Shining Brighter

	BUY(Maintained)
Share Price	Rp850
Target Price	Rp1,280
Upside	50.59%

Analyst(s)
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Highlights

- **Global gold prices provide a strong catalyst for ARCI at US$3,500/oz, whose production is expected improve further in 3Q25, supported by higher grades. Investor traction has strengthened with rising domestic institutional ownership, while the potential IPO of Pani Gold (~7Moz resource vs. ARCI's ~5Moz) could boost sector-wide sentiment. We maintain BUY with a TP of Rp1,280, based on 2025F 10x EV/EBITDA.**

Analysis

- **Global gold prices reached US$3,500/oz,** driven by economic uncertainty and the downward trend in interest rates. This rally serves as a strong catalyst for Archi Indonesia (ARCI), whose core business is gold production. Following the substantial 52.3% qoq increase in production in 2Q25, ARCI's output is expected to improve further in 3Q25, supported by higher gold grades. Looking ahead, the company is well-positioned for strong earnings growth in 2025, underpinned by a solid 28.3% increase in sales volume and continued strength in gold prices. United Overseas Bank maintains a positive outlook on the metal, projecting quarterly price targets of US$3,400 in 3Q25, US$3,500 in 4Q25, US$3,600 in 1Q26, and US$3,700 in 2Q26.
- **Improved investor traction.** Since our initiation report in late-Jul 25, ARCI's 3-month average trading volume has increased by 51.3%, reflecting stronger investor traction. On the ownership front, domestic institutional investors, particularly insurance companies and mutual funds, have increased their stakes to 0.43% and 0.2%, up from 0.23% and 0%, respectively, over the past three months. In contrast, foreign financial institutions cut their holdings to 0.62% (from 1.32%), which we view as profit-taking following ARCI's 2022 IPO.
- **Potential sector catalyst from Pani Gold IPO.** Market talks suggest a potential IPO of Pani Gold, a subsidiary entity under MDKA that manages one of the most prospective gold assets in Sulawesi with an estimated resource of 7Moz (slightly above ARCI's ~5Moz). While details remain unconfirmed, we believe such an IPO, if materialised, could attract stronger investor attention toward Indonesian gold producers and generate positive sector-wide sentiment that may also benefit ARCI.

Key Financials

Year to 31 Dec (US$m)	2023	2024	2025F	2026F	2027F
Net turnover	250	288	524	582	659
EBITDA	81	78	236	268	318
Operating profit	56	57	208	239	288
Net profit (rep./act.)	15	10	90	106	136
Net Profit	15	10	90	106	136
EPS (Rp)	9.3	6.6	58.6	70.5	93.2
PE (x)	91.2	129.2	13.0	10.8	8.2
P/B (x)	5.2	4.9	3.2	2.4	1.8
EV/EBITDA (x)	21.7	22.4	6.7	5.6	4.1
Dividend yield	n.a	n.a	n.a	n.a	n.a
Net margin (%)	27.9	21.0	40.5	41.8	44.4
Net debt/(cash) to equity (%)	150.8	146.0	108.6	74.0	33.7
Interest cover (x)	1.8	1.5	4.9	5.2	7.2
ROE (%)	11.3	7.1	32.4	34.4	38.9
Consensus net profit	-	-	n.a.	n.a.	n.a.
UOBKH/Consensus (x)	-	-	n.a.	n.a.	n.a.

Source: Archi Indonesia, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Mining
Bloomberg ticker	ARCI IJ
Shares issued (m)	24,835
Market cap (Rpb)	21,109.8
Market cap (US$m)	1,285.2
3-mth avg daily t'over (US$m)	3.2

Price Performance (%)

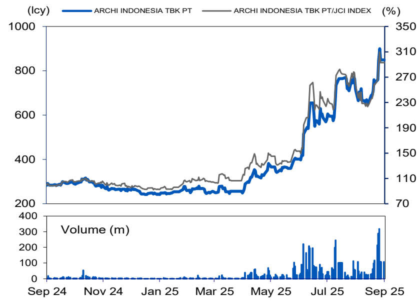
52-week high/low Rp935/Rp228

1mth	3mth	6mth	1yr	YTD
11.8	109.4	242.7	199.3	242.7

Major Shareholders

Major Shareholders	%
Rajawali Corpora	85.0
FY25 NAV/Share (Rp)	244
FY25 Net Casht/Share (Rp)	n.a.

Price Chart



Source: Bloomberg

Company Description

Archi Indonesia explores and develops gold and silver projects. The mining company serves customers worldwide.

- **ARCI's subsidiary, PT Tambang Tondano Nusajaya (TTN), signed a Rp350b, 34-month underground mining development services contract** with Macmahon Indonesia for the Kopra project. The scope covers mine development, blasting, material loading and hauling, and tunnel maintenance. The partnership is expected to support stronger production at the latest 2027
- **Earnings CAGR of 102.3% in 2024-28.** We forecast net profit growing at a four-year CAGR of 103.3% over 2024-28, driven by a 10.2% CAGR in gold sales volume to 143,300 oz and a conservative 12.3% CAGR in gold prices assumption to US$3,885/oz by 2028 that support strong operational leverage. On an annual basis, we project a net profit growth of 766.3% in 2025, 17.8% in 2026, 28.2% in 2027 and 30.5% in 2028.

Valuation/Recommendation

- **Maintain BUY with target price of Rp1,280** based on 2025F 10x EV/EBITDA, or a four-year mean. ARCI appeals with its strong earnings growth in the next three years and potential for reserve addition and monetisation of its underground mine. Our target price multiple is cheaper compared with that of its domestic gold peers' and higher than gold-related peers' average of 5.9x EV/EBITDA, given ARCI's significant growth potential.

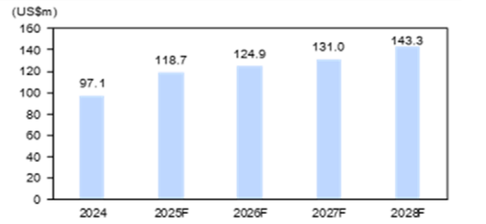
Earnings Revision/Risk

- **Risk includes:** a) Project delays and operational disruptions from natural disasters, b) regulatory uncertainty, and c) commodity price volatility.

Share Price Catalyst

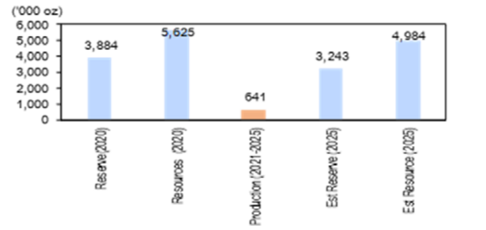
- **Stronger production volume expected 2H25**, supported by higher gold grade and drier weather.
- **Reserves poised for a major upgrade.** ARCI's current gold reserves are estimated at 3.2m oz, based on the latest Joint Ore Reserves Committee (JORC) compliant statement in Dec 20. The estimate was made when gold prices were around US$1,800/oz, over 50% below current levels. Key contributions come from Toka (0.8-1.0 g/t), Araren (2.0-3.0 g/t), and Marawuwung (~300,000 oz at 1.0-1.5 g/t). With rising gold prices and ongoing exploration at Marawuwung, Kopra,and Araren, a JORC update is expected by year-end. The developments are likely to unlock significant reserve upside.
- **Production upside from Kopra underground project.** ARCI's subsidiary, PT Tambang Tondano Nusajaya (TTN), signed a Rp350b, 34-month underground mining development services contract with Macmahon Indonesia for the Kopra project. The scope includes mine development, blasting, material loading and hauling, and tunnel maintenance. This development is expected to unlock production potential, with meaningful contribution anticipated by 2027 at the latest.

Sales Volume



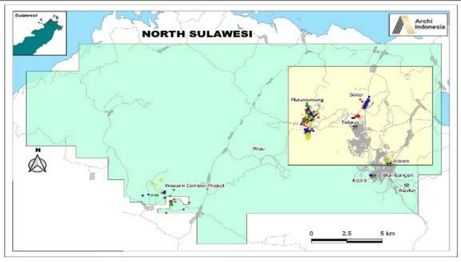
Source: Bloomberg

Estimated Reserve



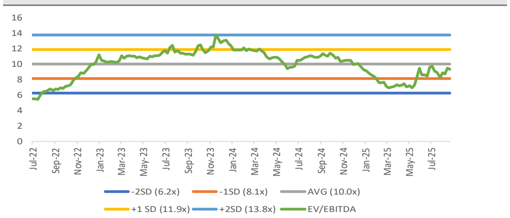
Source: Bloomberg

Production Sites



Source: ARCI, UOB Kay Hian

EV/EBITDA



Source: Bloomberg, UOB Kay Hian

ARCI'S Investor Breakdown

Type of Investors	Jun 25	Jul 25	Aug 25
Local Insurance	0.23	0.24	0.43
Local Corporate	92.35	92.29	92.22
Local Pension Fund	0	0.01	0.03
Local Individual	3.11	3.35	3.34
Local Mutual Fund	0.07	0.05	0.2
Local Securities	2.88	2.9	2.92
Total Local (%)	98.6	98.8	99.1
Foreign Corporate	0.01	0.01	0.01
Foreign Financial Institution	1.14	0.87	0.62
Foreign Individual	0.02	0.02	0.02
Foreign Mutual Fund	0.02	0.02	0.02
Foreign Securities	0	0.06	0.01
Foreign Others	0.18	0.18	0.18
Total Foreign (%)	1.4	1.2	0.9

Source: KSEI, UOB Kay Hian

Profit & Loss

Year to 31 Dec (US$m)	2024	2025F	2026F	2027F
Net turnover	**288**	**524**	**582**	**659**
EBITDA	78	236	268	318
Deprec. & amort.	21	27	29	30
EBIT	57	208	239	288
Total other non-operating income	0	0	0	0
Associate contributions	1	2	2	2
Net interest income/(expense)	(37)	(40)	(41)	(34)
Pre-tax profit	**21**	**170**	**200**	**256**
Tax	(10)	(80)	(94)	(120)
Minorities	(0)	(0)	(0)	(0)
Net profit	**10**	**90**	**106**	**136**
Core Profit	10	90	106	136

Balance Sheet

Year to 31 Dec (US$m)	2024	2025F	2026F	2027F
Fixed assets	650	713	774	775
Other LT assets	89	163	180	204
Cash/ST investment	5	123	132	176
Other current assets	121	227	245	264
Total assets	**865**	**1,225**	**1,332**	**1,419**
ST debt	142	259	287	309
Other current liabilities	0	0	0	0
LT debt	339	400	350	250
Other LT liabilities	112	203	226	256
Shareholders' equity	273	363	469	605
Minority interest	0	0	0	0
Total liabilities & equity	**865**	**1,225**	**1,332**	**1,420**

Cash Flow

Year to 31 Dec (US$m)	2024	2025F	2026F	2027F
Operating	**101**	**3**	**115**	**143**
Pre-tax profit	21	170	200	256
Tax	(10)	(80)	(94)	(120)
Deprec. & amort.	21	27	29	30
Working capital changes	35	(41)	(2)	2
Non-cash items	34	(73)	(18)	(24)
Investing	**(128)**	**(90)**	**(90)**	**(31)**
Capex (growth)	(138)	(29)	(31)	(32)
Others	10	(61)	(59)	1
Financing	**22**	**206**	**(15)**	**(69)**
Dividend payments	0	0	0	0
Issue of shares				
Proceeds from borrowings	(2)	114	(37)	(99)
Loan repayment				
Others/interest paid	24	92	22	30
Net cash inflow (outflow)	**(5)**	**118**	**10**	**43**
Beginning cash & cash equivalent	**9**	**5**	**123**	**132**
Ending cash & cash equivalent	**5**	**123**	**132**	**176**

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.0	44.9	46.1	48.2
Pre-tax margin	7.1	32.4	34.4	38.9
Net margin	3.6	17.1	18.2	20.6
ROA	1.2	8.6	8.3	9.9
ROE	3.9	28.3	25.5	25.3
Growth				
Turnover	15.2	82.3	10.9	13.3
EBITDA	(4.2)	203.3	13.9	18.6
Pre-tax profit	(27.2)	726.2	17.8	28.2
Net profit	(30.6)	766.3	17.8	28.2
Net profit (adj.)	(30.6)	766.3	17.8	28.2
EPS	(30.6)	766.3	17.8	28.2
Leverage				
Debt to total capital	147.6	142.4	102.2	62.8
Debt to equity	147.6	142.4	102.2	62.8
Net debt/(cash) to equity	146.0	108.6	74.0	33.7
Interest cover (x)	0.9	1.4	1.3	1.4

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