# Central Omega Resources (DKFT IJ)

## Remains Resilient Despite Volume Cut

| BUY (Maintained) | |
|---|---|
| Share Price | Rp675 |
| Target Price | Rp820 |
| Upside | +21.4% |
| Previous TP | Rp900 |

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## Highlights

- Despite a 35% RKAB quota cut limiting 2026 sales to 1.93m wmt, higher nickel ore prices under the new HPM benchmark should support DKFT's earnings, with net profit projected at Rp633b (+10.3% yoy).
- A potential Jul 26 RKAB revision could lift volumes. Meanwhile, Rp300b capex is allocated for IUP acquisitions and JO opportunities through MBR to support longer-term growth.
- Maintain BUY with a lower target price of Rp820.

## Analysis

- **2026 swaps volume for price.** Central Omega Resources (DKFT) delivered 2025 net profit of Rp573b (+56.6% yoy) on revenue of Rp1,576b (+7.9% yoy), with nickel ore sales up 16.6% yoy to 3.03m wmt and gross margin expanding 650bp to 49.7%. The 2026 RKAB quota was cut by around 35%, capping DKFT's own sales target at 1.93m wmt. On the other hand, the new Harga Patokan Mineral (HPM) benchmark, which became mandatory on 15 April, and the limited RKAB quota across the nickel industry have driven the realised nickel ore prices sharply higher. 1Q26 revenue still rose 20.2% yoy to Rp506b and net profit jumped 72.9% yoy to Rp238b despite a 19.0% yoy drop in sales volume.
- **Jul 26 RKAB revision is the swing factor.** Management targets a return towards 4m tonnes for the Jul 26 revision. We forecast 2026 nickel ore sales at 1.93m wmt, in line with the 1.93m wmt RKAB base. Thus, we expect 2026 net profit of Rp633b (+10.3% yoy), slightly above management's Rp629b target, before a step-up to Rp734b in 2027 as volumes are likely to improve.
- **Rp300b earmarked for growth.** Management has budgeted Rp300b of 2026 capex, weighted towards the mining business license (IUP) acquisition and joint-operation schemes in Sulawesi, and describes the budget as flexible given internal cash. The vehicle is Mega Buana Resources (MBR), a mining services entity holding a mining services business license (IUJP), which drew a Rp245b facility from Bank China Construction Bank Indonesia in 1Q26 and is in the final stages of due diligence with a joint operation partner.

### Key Financials

| Year to 31 Dec (Rpb) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 1,461 | 1,576 | 1,668 | 1,881 | 2,123 |
| EBITDA | 533 | 674 | 808 | 963 | 1,108 |
| Operating profit | 375 | 550 | 691 | 851 | 1,001 |
| Net profit (rep./act.) | 366 | 573 | 633 | 734 | 866 |
| Net profit (adj.) | 366 | 573 | 633 | 734 | 866 |
| EPS (Rp) | 32 | 102 | 112 | 130 | 154 |
| PE (x) | 21.3 | 6.6 | 6.0 | 5.2 | 4.4 |
| P/B (x) | 4.5 | 3.1 | 2.6 | 2.2 | 1.8 |
| EV/EBITDA (x) | 7.5 | 5.9 | 4.8 | 3.7 | 3.0 |
| Dividend yield | n.a | n.a | 10.2 | 11.3 | 13.1 |
| Net margin (%) | 25.1 | 36.4 | 37.9 | 39.0 | 40.8 |
| Net debt/(cash) to equity (%) | 25.7 | 11.8 | 3.5 | (11.2) | (23.1) |
| Interest cover (x) | 21.4 | 472.0 | 214.1 | 458.6 | 1,246.2 |
| ROE (%) | 50.1 | 55.1 | 46.9 | 45.5 | 44.7 |
| UOBKH/Consensus (x) | | n.a | n.a | n.a | n.a |

*Source: DKFT, Bloomberg, UOB Kay Hian*

### Stock Data

| | |
|---|---|
| GICS sector | Materials |
| Bloomberg ticker: | DKFT IJ |
| Shares issued (m): | 5,638 |
| Market cap (Rpb): | 3,806 |
| Market cap (US$m): | 212 |
| 3-mth avg daily t'over (US$m): | 0.4 |

### Price Performance (%)

| 52-week high/low | | | | Rp1,055/Rp500 |
|---|---|---|---|---|
| 1mth | 3mth | 6mth | 1yr | YTD |
| (4.9) | (10.0) | (24.2) | 28.6 | (6.9) |

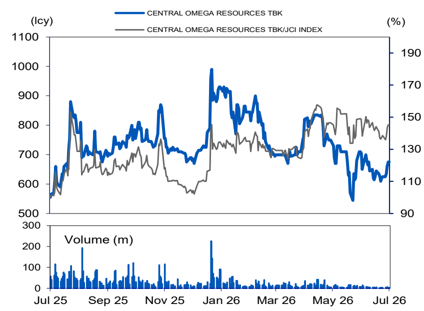
### Major Shareholders

| Major Shareholders | % |
|---|---|
| Jinsheng Mining | 61.6 |

### Balance Sheet Metrics

| | |
|---|---|
| FY26 NAV/Share (Rp) | 262 |
| FY26 Net Debt/Share (Rp) | n.a. |

### Price Chart




*Source: Bloomberg*

### Company Description

Central Omega Resources is involved in the trade and mining of minerals. The company deals with minerals such as manganese, nickel, and coal. Central Omega Resources holds interests in various copper and nickel properties located in Halmahera Timur, Petasia, south Bungku, East Halmahera, South Amfoang, Lembo, Bumi Raya, and Sawa, Indonesia.

- **Margin still expanding despite surge in cost.** We conservatively expect COGS per tonne to surge to US$22.5/wmt (+39.2% yoy). Gross margin could expand to 54.0% from 49.7%, as the ASP uplift is roughly twice the size of the cost uplift. Based on our sensitivity analysis, a 10% change in cash cost would affect 2026 earnings by only 6.5%.
- **DKFT is now a dividend stock.** After a decade-long absence from 2014 to 2024, DKFT declared a 2025 DPS of Rp70, representing a 68% payout ratio. On a 68% payout assumption, we forecast DPS of Rp76.3 in 2027 and Rp88.5 in 2028, or yields of 11.3% and 13.1% at the current price.

**Sensitivity Analysis Of Sales Volume & Blended ASP**

| Sales Volume (US$/wmt) | 1.5 | 1.7 | 1.9 | 2.4 | 2.9 | 3.5 |
|---|---|---|---|---|---|---|
| 40.0 | 377 | 431 | 491 | 616 | 749 | 908 |
| 44.0 | 452 | 515 | 586 | 735 | 893 | 1,081 |
| 48.0 | 488 | 556 | 633 | 793 | 963 | 1,166 |
| 53.0 | 619 | 704 | 801 | 1,003 | 1,216 | 1,472 |
| 58.0 | 712 | 809 | 920 | 1,151 | 1,395 | 1,688 |

*Source: UOB Kay Hian*

## Valuation/Recommendation

- **Maintain BUY with a lower target price of Rp820** (previously Rp900) as we downgrade our earnings outlook. Our target price is based on 7.3x 2026F PE, or +0.5SD to its four-year mean.

## Earnings Revision/Risk

- **We cut our 2026-27 net profit forecasts by 6% and 21% respectively** on lower sales volumes.

**Earnings Revision**

| | ------------- New ------------- | | ------------- Old ------------- | | -------------- (%) -------------- | |
|---|---|---|---|---|---|---|
| | 2026F | 2027F | 2026F | 2027F | 2026F | 2027F |
| Nickel Ore Sales Volume (wmt) | 1.9 | 2.1 | 4.0 | 5.0 | -52% | -58% |
| Blended Nickel Ore Price (US$/wmt) | 46.0 | 46.0 | 32.1 | 32.0 | 43% | 44% |
| Revenue (Rpb) | 1668 | 1881 | 2197 | 2819 | -24% | -33% |
| Operating Profit (Rpb) | 691 | 851 | 765 | 1064 | -10% | -20% |
| Net Profit (Rpb) | 633 | 734 | 675 | 926 | -6% | -21% |

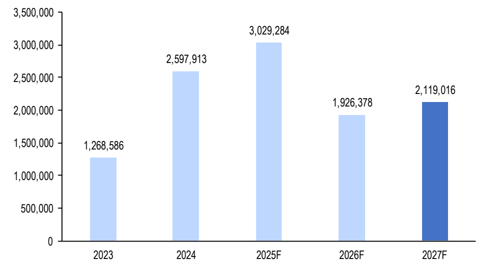
*Source: UOB Kay Hian*

- **Risks to our call** include operational risk and lower-than-expected quota to be obtained in 2027.

## Share Price Catalyst

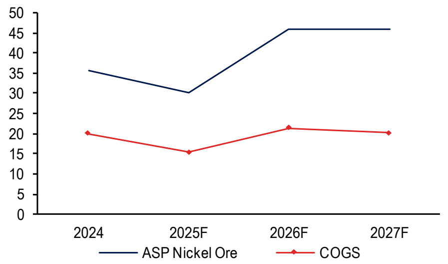
- Approval of the RKAB revision to be filed in Jul 26, pure upside to our forecasts.
- Evidence that limonite buyers are accepting HPM-based pricing.
- Completion of the IUP acquisition or the launch of the MBR joint operation.

**Sales Volume Estimate (wmt)**



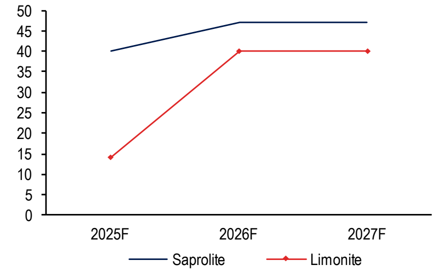

*Source: DKFT, UOB Kay Hian*

**ASP & COGS/tonne (US$/wmt)**



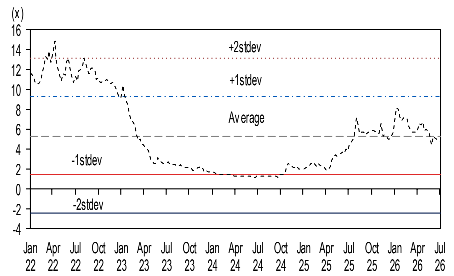

*Source: UOB Kay Hian*

**Saprolite & Limonite ASP (US$/wmt)**




*Source: UOB Kay Hian*

**PE Band**




*Source: Bloomberg, UOB Kay Hian*

## Profit & Loss

| Year to 31 Dec (Rpb) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 1,576 | 1,668 | 1,881 | 2,123 |
| EBITDA | 674 | 808 | 963 | 1,108 |
| Deprec. & amort. | 124 | 118 | 112 | 107 |
| EBIT | 550 | 691 | 851 | 1,001 |
| Total other non-operating income | 27 | 31 | 31 | 31 |
| Associate contributions | 0 | 0 | 0 | 0 |
| Net interest income/(expense) | 71 | 69 | 35 | 51 |
| Pre-tax profit | 648 | 791 | 917 | 1,082 |
| Tax | (75) | (158) | (183) | (216) |
| Minorities | 0 | 0 | 0 | 0 |
| Net profit | 573 | 633 | 734 | 866 |

## Balance Sheet

| Year to 31 Dec (Rpb) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 845 | 837 | 785 | 741 |
| Other LT assets | 792 | 947 | 1,036 | 1,129 |
| Cash/ST investment | 724 | 370 | 518 | 490 |
| Other current assets | 728 | 740 | 771 | 809 |
| Total assets | 3,089 | 2,893 | 3,109 | 3,168 |
| ST debt | 348 | 0 | 0 | 0 |
| Other current liabilities | 346 | 351 | 360 | 369 |
| LT debt | 521 | 421 | 321 | 0 |
| Other LT liabilities | 645 | 658 | 671 | 684 |
| Shareholders' equity | 1,232 | 1,466 | 1,760 | 2,118 |
| Minority interest | (3) | (3) | (3) | (3) |
| Total liabilities & equity | 3,089 | 2,893 | 3,109 | 3,168 |

## Cash Flow

| Year to 31 Dec (Rpb) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 489 | 756 | 836 | 958 |
| Pre-tax profit | 648 | 791 | 917 | 1,082 |
| Tax | (75) | (158) | (183) | (216) |
| Deprec. & amort. | 122 | 118 | 112 | 107 |
| Working capital changes | (42) | (2) | (18) | (24) |
| Non-cash items | (164) | 8 | 8 | 9 |
| Investing | (223) | (263) | (149) | (156) |
| Capex (growth) | (22) | (250) | (135) | (142) |
| Others | (201) | (13) | (14) | (14) |
| Financing | (59) | (847) | (539) | (829) |
| Dividend payments | #REF! | (390) | (430) | (499) |
| Issue of shares | | | | |
| Proceeds from borrowings | 133 | (448) | (100) | (321) |
| Loan repayment | | | | |
| Others/interest paid | 1 | (9) | (9) | (9) |
| Net cash inflow (outflow) | 206 | (354) | 148 | (28) |
| Beginning cash & cash equivalent | 518 | 724 | 370 | 518 |
| Ending cash & cash equivalent | 724 | 370 | 518 | 490 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 42.8 | 48.5 | 51.2 | 52.2 |
| Pre-tax margin | 41.1 | 47.4 | 48.7 | 51.0 |
| Net margin | 36.4 | 37.9 | 39.0 | 40.8 |
| ROA | 20.4 | 21.1 | 24.4 | 27.6 |
| ROE | 55.1 | 46.9 | 45.5 | 44.7 |
| | | | | |
| Growth | | | | |
| Turnover | 7.9 | 5.8 | 12.8 | 12.8 |
| EBITDA | 26.5 | 20.0 | 19.1 | 15.0 |
| Pre-tax profit | 26.2 | 22.0 | 16.0 | 18.0 |
| Net profit | 56.6 | 10.3 | 16.0 | 18.0 |
| Net profit (adj.) | 56.6 | 10.3 | 16.0 | 18.0 |
| EPS | 56.6 | 10.3 | 16.0 | 18.0 |
| | | | | |
| Leverage | | | | |
| Debt to total capital | 70.8 | 28.8 | 18.3 | 0.0 |
| Debt to equity | 70.6 | 28.7 | 18.2 | 0.0 |
| Net debt/(cash) to equity | 11.8 | 3.5 | (11.2) | (23.1) |
| Interest cover (x) | 472.0 | 214.1 | 458.6 | 1,246.2 |