

Central Omega Resources (DKFT IJ)

Remains Resilient Despite Volume Cut

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 (Rp)	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

BUY (Maintained)

Share Price	Rp675
Target Price	Rp820
Upside	+21.4%
Previous TP	Rp900

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Stock Data

GICS sector	Materials
Bloomberg ticker:	DKFT IJ
Shares issued (m):	5,638
Market cap (Rp):	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)	

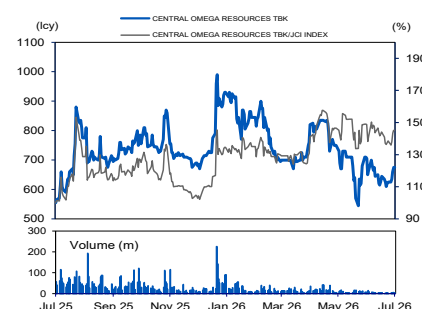
Major Shareholders

	%
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%

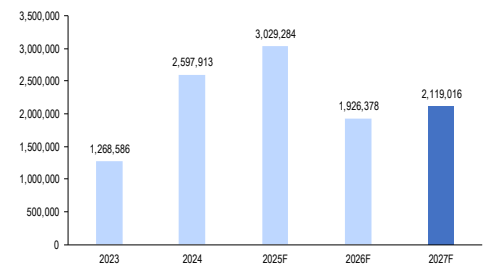
Source: UOB Kay Hian

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

Share Price Catalyst

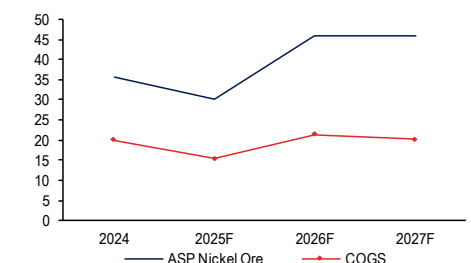
- Approval of the RKAB revision to be filed in Jul 26, pure upside to our forecasts.
- Evidence that limonite buyers are accepting HPM-based pricing.
- Completion of the IUP acquisition or the launch of the MBR joint operation.

Sales Volume Estimate (wmt)



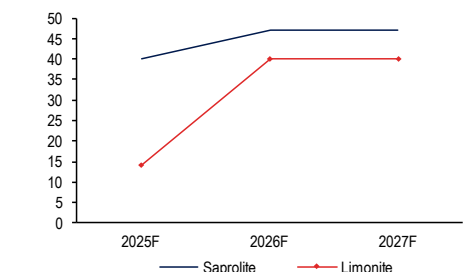
Source: DKFT, UOB Kay Hian

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



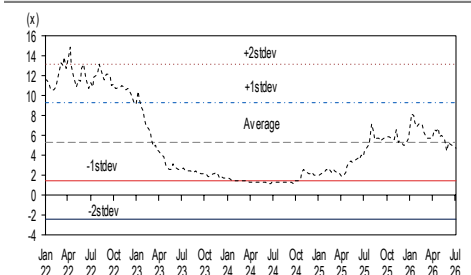
Source: UOB Kay Hian

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

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