

13 September 2023
Tins mining, Equity

Price IDR. 850
Target Price IDR. 1050
JKSE Index 6915.245

Dipublikasikan pada TradingView.com, Sep 08, 2023 11:27 UTC+7



BUY

Investment Consideration

1H23 tin production decline: -18% YoY

In the first half of 2023, tin production saw large -18% year-on-year decrease. Sales volume also decreased by -16% YoY. Additionally, tin ore production volume decreased by -22% YoY. This drop in production volume can be attributed to adverse weather conditions in the first half of 2023 and the response to a decline in the selling price of tin metal during the same period. Despite these challenges, the company maintains its production target, remaining optimistic about achieving a 19% compound annual growth rate (CAGR) in volume over the next two years. Looking ahead, we anticipate higher production volumes, aligning with the company's production targets.

1H23 revenue down -39% YoY

As of the first half of 2023, TINS' revenue experienced a substantial -39% year-on-year decrease. This decline was primarily driven by a -16% drop in sales volume and a significant 35% YoY decrease in the average selling price (ASP) to USD 26,828 per ton, compared to USD 41,110 per ton in the first half of 2022. The weakened ASP was a result of weak global demand and abundant stock on the LME (London Metal Exchange). Despite a -10% YoY reduction in operating expenses and a big decrease in other income, net profit plummeted by -98% YoY. Based on the first-half results of 2023, we are revising our revenue target for 2023-2024, forecasting a -1% CAGR growth compared to 2022FY due to unfavorable fluctuations in the average selling price of tin. We believe that the focus on low-cost tin ore production from offshore mining will continue to enhance profit margins, even amidst volatility in tin selling prices and uncertainties regarding demand strength.

Leverage decrease continues

Despite a -77% YoY decrease in operational cash flow during the first half of 2023, TINS' total interest-bearing debt also decreased by -13% YoY to IDR 2.725 trillion. This reduction was driven by a -56.6% YoY decline in bonds to IDR 806 billion, offset slightly by higher bank loans of IDR 1.29 trillion, an increase of 0.62% YoY. We anticipate a continued decline in interest expenses for 2023F-2024F due to the reduced liabilities.

Valuation: 24% upside

Based on the results of the first half of 2023, we are revising our one-year target price for TINS to IDR 1,050 per share, with a price-to-earnings ratio (PER) of 10x. This represents a 24% upside potential, and our recommendation is to BUY.

Stock Code TINS IJ
Bloomberg code TINS IJ
Market cap (IDR.bn) 6250
52-Week High (IDR) 1535
52-Week Low (IDR) 875
6-m Avg Daily. Val (IDR) 953
Free Float (%) 35

Major Shareholders (%)
INALUM 65%
Public 35%

USD/IDR-YE
2022A 15592
2023F (Avg) 15300

Key Indicators 2024F
DER (x) 0.16
Debt ratio (x) 0.41

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Financial ratio highlights	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Revenues growth (%)	20%	75%	-21%	-4%	-14%	-5%	3%	8%
Net profit growth (%)	-74%	-562%	-44%	-483%	-20%	-73%	176%	35%
Operating Margin (%)	1%	0%	1%	15%	11%	4%	9%	11%
NET Profit margin (%)	1%	-3%	-2%	9%	8%	2%	6%	8%
Debt/ Total equity (x)	1.00	2.07	1.19	0.37	0.17	0.17	0.16	0.15
Debt Ratio (x)	0.60	0.74	0.66	0.57	0.46	0.43	0.41	0.39

Company Profile

PT Timah Tbk was established on August 2nd, 1976. It is a state-owned enterprise engaged in tin mining and has been listed on the Indonesian Stock Exchange since 1995. TINS' scope of activities includes mining, trading, transportation, and services. The company primarily operates as a holding company, overseeing tin mining operations, and marketing services for the group. TINS has four main business segments, including tin mining, non-tin mining, downstream tin products, and other businesses. The company has several subsidiaries, both directly and indirectly involved in mining, industry, trading, transportation, and related services in the mining sector. It also has diversified its business into non-tin mining to maintain stability during fluctuations in the tin market. The company is located in Pangkalpinang, Bangka Belitung Province. As of 2016, the company holds 128 IUP mining licenses, covering a total area of 473,303 hectares. Tin exploration activities have been ongoing for over 50 years, with continued efforts to expand resources. Approximately 95% of the company's sales are derived from exports, with the remaining 5% from domestic sales. For smelting, the Company operates 6 furnaces located in Kundur, Kepri, and Mentok, Bangka. To support production, as of December 31, 2016, the Company owned 6 dredgers, 18 cutter suction dredgers, and 3 stripping dredgers.

Company Structure

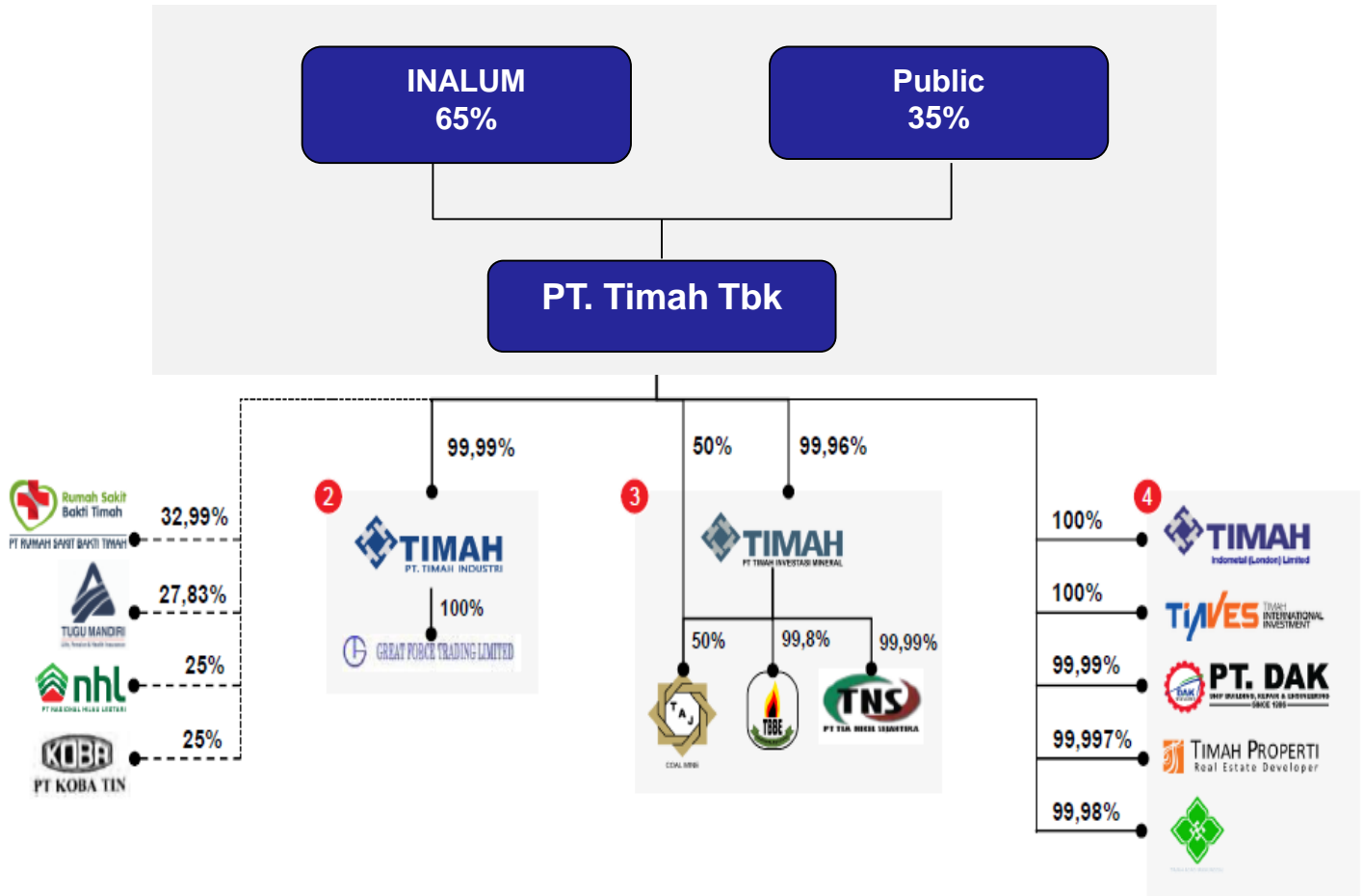


Chart: Tin metal production vs sales metal (Mtons) yoy

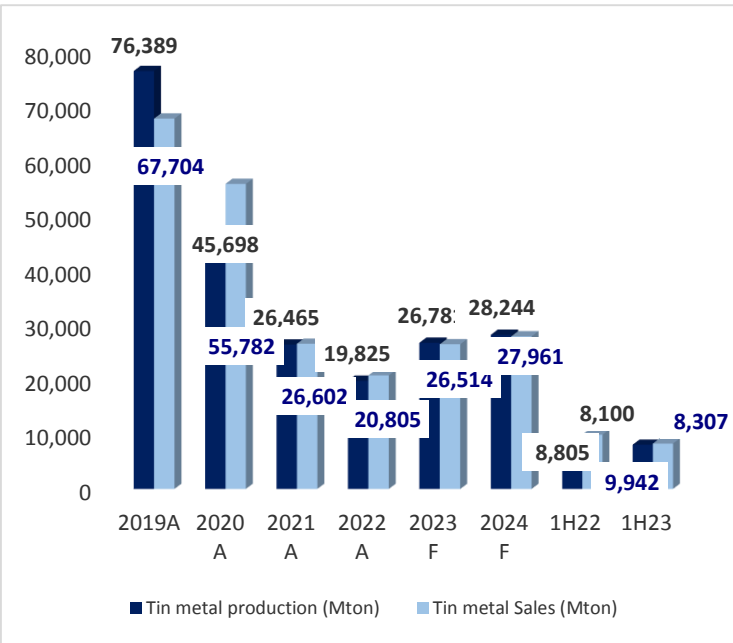


Chart: Tin offshore and onshore production (tons) yoy

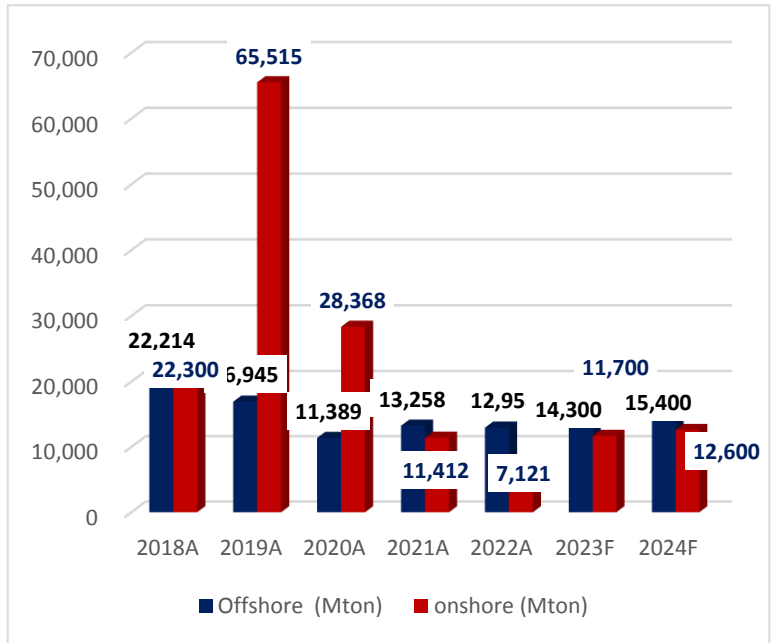


Chart: TINS Average selling price (ASP) yoy (USD/Mton)

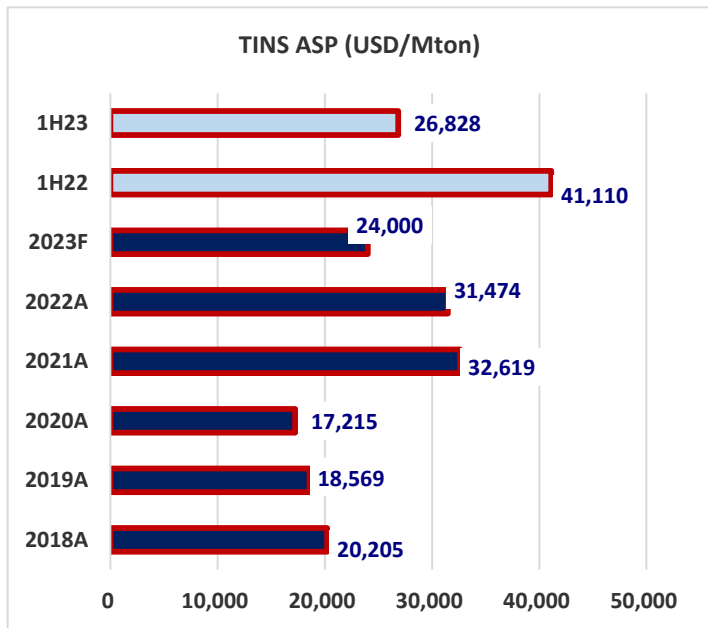
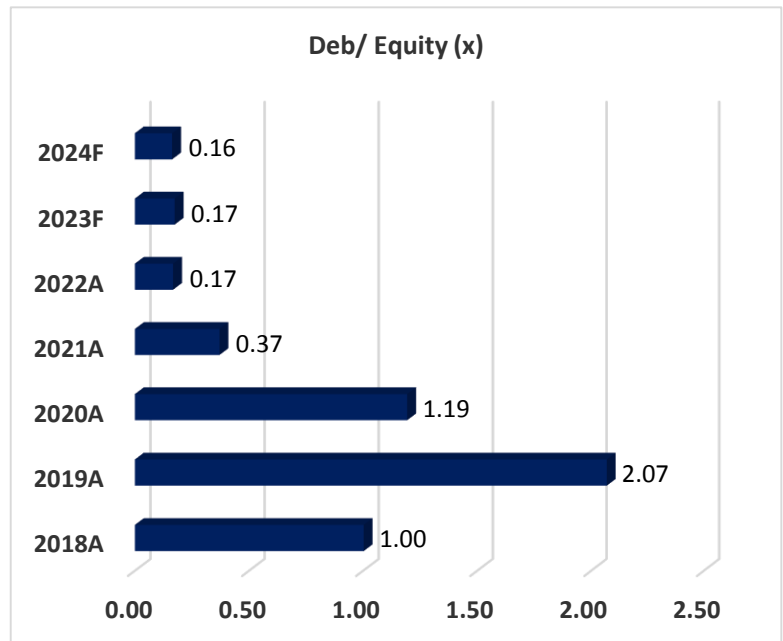


Chart: TINS Total Debt to Equity ratio yoy (x)



Profit and Loss yoy

Profit and Loss (IDR. in bn)	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Revenues	11,017	19,303	15,216	14,607	12,504	11,819	12,223	13,228
Cost of Revenues	(9,943)	(18,167)	(14,096)	(11,173)	(9,978)	(10,637)	(10,389)	(10,979)
Gross Profit	1,074	1,136	1,120	3,434	2,526	1,182	1,833	2,249
Operating Expenses	(939)	(1,212)	(902)	(1,195)	(1,123)	(709)	(733)	(794)
Operating Income	135	(76)	217	2,239	1,403	473	1,100	1,455
Other Income	64	(646)	(487)	(511)	3	(118)	(122)	(132)
Profit Before Tax	199	(722)	(270)	1,729	1,407	355	978	1,323
Tax Expense	(15)	114	(67)	(425)	(365)	(71)	(196)	(265)
Minority Interest	0.010	0.000	0.003	(0.048)	(0.079)	(0.225)	(0.232)	(0.251)
Net Income	132	(611)	(341)	1,303	1,041	283	782	1,058
EPS	18	(82)	(46)	175	140	38	105	142
EBITDA	1,148	907	1,168	2,732	2,221	1,180	1,895	2,265

Balance Sheet yoy

Balance Sheet (IDR. in bn)	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Cash and cash equivalent	785	1,599	807	1,782	1,209	386	699	891
Trade Account Receivable	1,920	1,620	1,198	1,871	985	1,133	1,172	1,305
inventory	4,108	6,501	2,881	3,106	2,910	2,914	2,846	3,038
Other current asset	1,904	2,290	1,480	665	530	591	611	661
asset classified as held for sale	299	297	191	0	0	0	0	0
Current Asset	9,017	12,307	6,557	7,424	5,635	5,024	5,328	5,895
Fixed Asset	3,100	3,601	3,436	3,448	3,513	3,934	4,406	4,891
other long term asset	3,104	4,453	4,524	3,819	3,919	3,546	3,667	3,968
Total non current Asset	6,204	8,054	7,960	7,267	7,432	7,480	8,073	8,859
Total Asset	15,221	20,361	14,518	14,691	13,067	12,504	13,401	14,754
Trade Account Payable	1,322	1,969	885	886	764	745	770	834
Short Term bank loans	4,664	8,791	3,802	1,533	374	442	492	542
liabilities directly associated with assets classified for sale	137	85	47	0	0	0	0	0
Other short term liabilities	513	1,113	1,132	3,266	1,410	1,418	1,467	1,587
Total current liabilities	6,635	11,958	5,865	5,686	2,547	2,605	2,729	2,963
bond and sukuk ijarah	1,500	2,093	2,093	806	806	806	806	806
other long term liabilities	937	1,052	1,619	1,891	2,672	1,935	1,926	1,986
Total long term/ non current liabilities	2,437	3,145	3,712	2,697	3,478	2,741	2,732	2,792
Total Liabilities	9,072	15,103	9,578	8,383	6,025	5,346	5,461	5,755
non controlling interest	0	0	0	0	0	0	0	0
Total Equities	6,148	5,258	4,940	6,308	7,042	7,158	7,940	8,998
Total Liabilities & Equity	15,221	20,361	14,518	14,691	13,067	12,504	13,401	14,754

Cash Flow yoy

Cash Flow (IDR. in bn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
+ Net Income	132	(611)	(341)	1,303	1,041	283	782	1,058
+Depreciation	562	819	811	817	726	733	821	842
- Change in WC	640	2,847	(1,135)	(71)	(1,923)	(155)	133	(141)
Cash From Operating Activities	1,334	3,055	(664)	2,049	(155)	861	1,735	1,760
capex	(1,199)	(1,320)	(646)	(829)	(791)	(1,154)	(1,293)	(1,327)
other long term asset	(687)	(1,349)	(71)	705	(101)	374	(121)	(302)
cash from investing activities	(1,886)	(2,669)	(718)	(123)	(892)	(780)	(1,414)	(1,629)
bond & suku ijarah	0	593	0	(1,287)	0	0	0	0
other long term liabilities	25	115	568	271	781	(737)	(9)	61
Equity	(45)	(279)	22	65	(308)	(167)	0	0
cash from financing activities	(1,886)	(2,669)	(718)	(123)	(892)	(780)	(1,414)	(1,629)
Net Changes in Cash	(573)	815	(792)	975	(573)	(823)	313	192
Beginning Balance	1,357	785	1,599	807	1,782	1,209	386	699
Ending balance	785	1,599	807	1,782	1,209	386	699	891

Ratio Highlights

Ratio Highlights	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Growth (%)								
Revenues	19.52%	75.21%	-21.17%	-4.00%	-14.40%	-5.48%	3.42%	8.22%
OP	-81.57%	-156.38%	-386.31%	929.80%	-37.33%	-66.31%	132.69%	32.27%
EBITDA	-19.84%	-21.01%	28.78%	133.88%	-18.69%	-46.86%	60.57%	19.55%
Net profit	-73.67%	-562.06%	-44.28%	-482.50%	-20.06%	-72.79%	175.91%	35.29%
EPS	-73.67%	-562.06%	-44.28%	-482.50%	-20.06%	-72.79%	175.91%	35.29%
Profitability (%)								
Operating Margin	1.22%	-0.39%	1.43%	15.33%	11.22%	4.00%	9.00%	11.00%
EBITDA margin	10.42%	4.70%	7.68%	18.70%	17.76%	9.99%	15.50%	17.13%
NET Profit margin	1.20%	-3.17%	-2.24%	8.92%	8.33%	2.40%	6.40%	8.00%
ROA	0.87%	-3.00%	-2.35%	8.87%	7.97%	2.34%	6.16%	7.63%
ROE	2.15%	-11.63%	-6.89%	20.65%	14.79%	3.96%	9.85%	11.76%
Liquidity								
Current Ratio (X)	1.36	1.03	1.12	1.31	2.21	1.78	1.70	1.69
Cash Ratio	0.12	0.13	0.14	0.31	0.47	0.15	0.26	0.30
Solvability								
Debt/ Total equity (x)	1.00	2.07	1.19	0.37	0.17	0.17	0.16	0.15
Int. Coverage (x)	0.56	-0.92	-0.44	10.29	16.60	3.95	10.49	13.66
Debt Ratio	0.60	0.74	0.66	0.57	0.46	0.43	0.41	0.39
Per Share data (Rp)								
BVS	826	706	663	847	945	961	1,066	1,208
EPS	17.76	-82.08	-45.73	174.92	139.84	38.06	105.00	142.05

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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