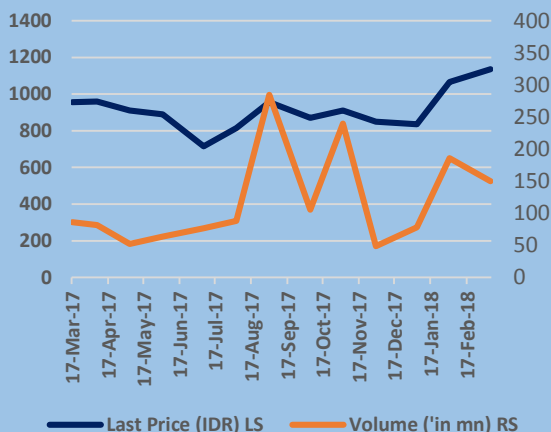


BUY

19 March 2018

Tins mining, Equity

Price IDR. 1020
 Target Price IDR. 1520
 JKSE Index 6304.952



Investment Consideration

Production on progress

As we said previously TINS' plans to expand and grow production through adding two new processing technologies, Fuming and Ausmelt are on progress. Fuming is expected to start production in 2H18. In terms of production for 2018F, we estimate a continued increase following 2017FY performance, where annual production of tin ore grew 29% yoy while tin metal grew 27% yoy. We expect favorable tin prices as supply is still limited while demand is still high. As of 2017FY, tin prices increased 11% yoy to 20249 USD/MT. Based on 2017FY results, we adjust slightly our estimate for top line and bottom line, with bottom line targeted to grow by 77% CAGR 2018F compared to 2016A. 2017A's bottom line doubled from 2016A.

Expecting higher sales from value added downstream

As we said in our previous report, downstream sales from tin chemical and tin solder are growing. As of 2017, the production of Tin chemical and tin solder increased significantly by 174% yoy and 155%yoy. We believe the recent cooperation agreement with Yunnan Tin Group from China helped boost sales from tin chemical. In addition, TINS also plans to develop mineral products associated with tin (mineral ikutan/Logam tanah jarang) in the future.

Valuation: 49% upside

Based on PER, we have a target price for TINS within one year of IDR. 1520/ share or trading at 14.44PER, which gives 49% upside from current price (IDR.1020/share). We recommend to BUY.

Stock Code
 Bloomberg code TINS IJ
 Market cap (IDR.bn) 7745.7
 52-Week High (IDR) 1240
 52-Week Low (IDR) 700
 6-m Avg Daily. Val (IDR) 917
 Free Float (%) 35

Major Shareholders (%)
 INALUM 65%
 Public 35%

USD/IDR-YE
 2017A 13558
 2018F (Avg) 13517

Key Indicators 2018F
 DER (x) 0.90
 Debt ratio (x) 0.47
 EBITDA Margin (%) 17.18

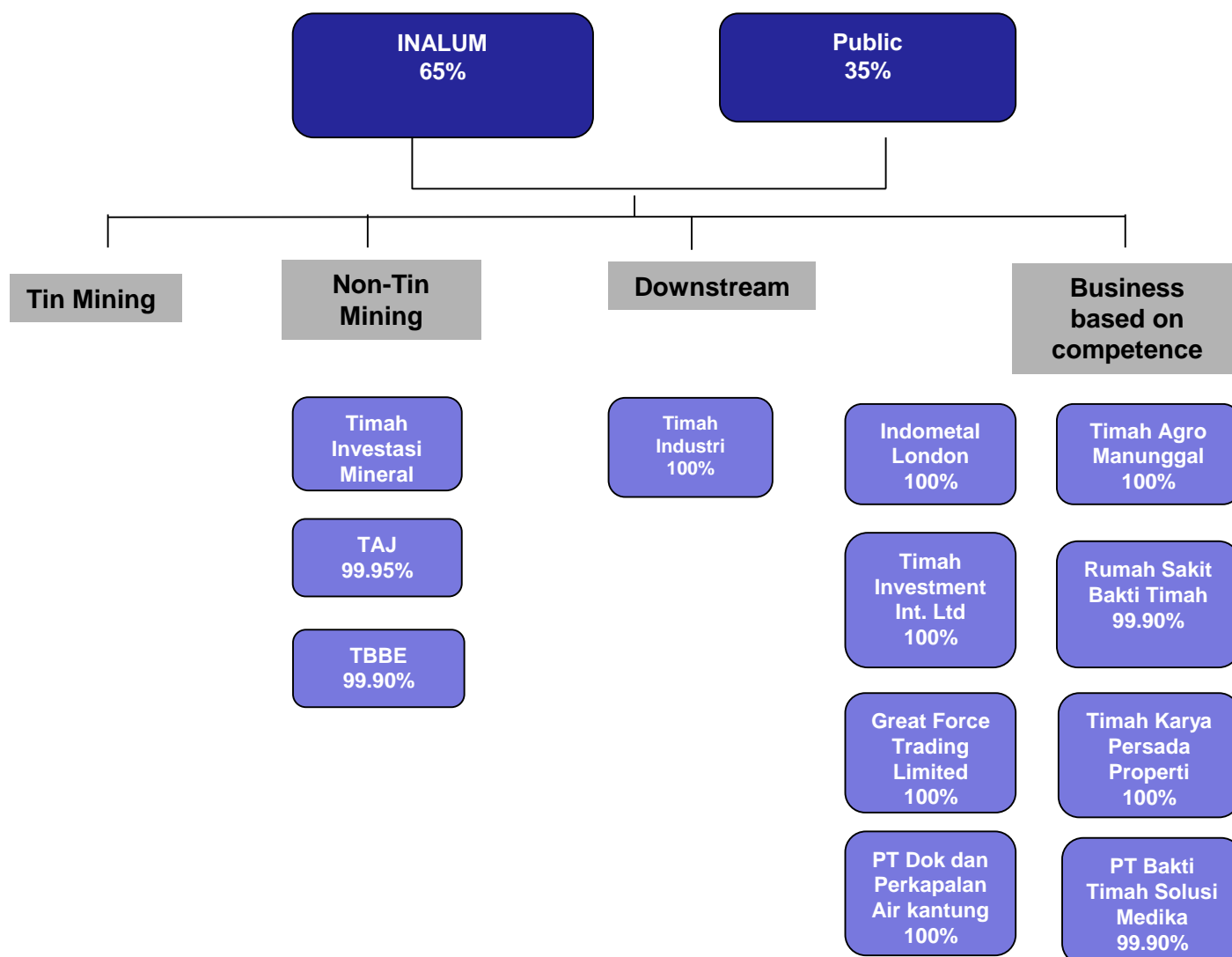
Analyst: Revita Dhiah Anggrainy
 revita.anggrainy@binaartha.com

Profit and Loss (IDR. in bn)	2014A	2015A	2016A	2017A	2018F
Revenues	7,518	6,874	6,968	9,217	10,682
Cost of Revenues	(5,903)	(6,188)	(5,873)	(7,692)	(8,599)
Gross Profit	1,615	686	1,095	1,526	2,083
Operating Expenses	(652)	(605)	(597)	(795)	(748)
Operating Income	963	81	498	731	1,336
Other Income	62	87	(83)	(15)	(214)
Profit Before Tax	1,025	168	415	716	1,122
Tax Expense	(352)	(67)	(132)	(207)	(337)
NIAT	673	102	283	509	785
Loss after tax from discontinued operations	0	0	(31)	(6)	0
Minority Interest	0.014	0.022	(0.137)	0.013	(0.203)
Net Income	673	102	252	502	785
EPS	90	14	34	67	105
EBITDA	1,541	757	1,057	1,432	1,836

Company Profile

PT Timah (Persero) 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 activity includes mining, trading, transportations and services. The company's main activity is as a holding company that performs tin mining, operations, and marketing services for the group. Based on Business pillars, TINS has four business pillars including Tin mining, non tin mining, downstream Tin products and other businesses. The company has several subsidiaries either directly or indirectly engaged in the mining, industry, trading, transportation and services related to the mining business, as well as businesses in the construction sector, property, hospital services and agro-industrial enterprises. The company has diversified its business into non tin mining to maintain the performances of the company during tin business fluctuations. The company is domiciled in Pangkalpinang, Bangka Belitung Province. As of 2016, the company owned 128 IUP mining licenses with a total areas of 473,303 Ha. Tin exploration activity has been conducted for more than 50 years and is now being expanded to increase resources. Around 95% of the company's sales come from export sales while the rest are from domestic sales. For smelting, the Company operates 6 furnaces located in Kundur, Kepri and Mentok, Bangka. To Support Production, As of 31 December 2016, the Company owned 6 dredgers, 18 cutter suction dredgers and 3 stripping dredgers.

Company Structure As of 2017

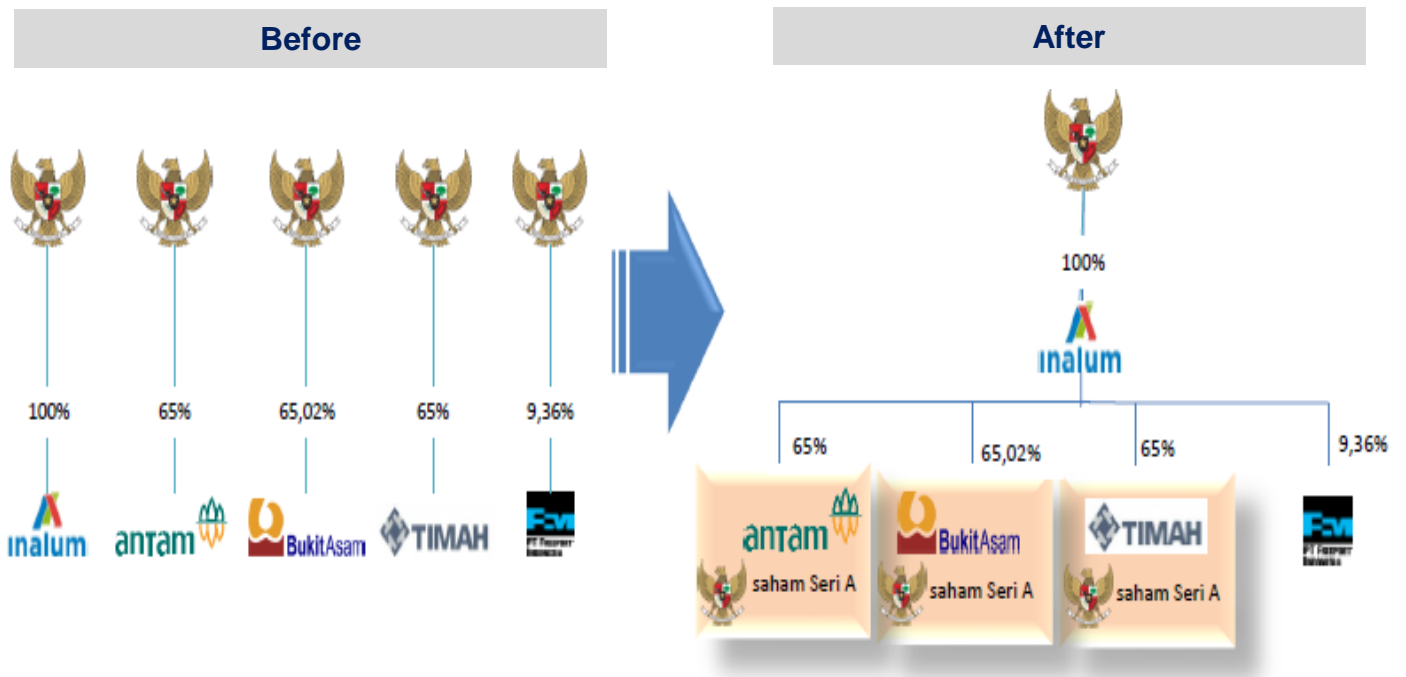


Source: company

SoE Holding:

The government's 65% ownership of shares in mining companies TINS (PT Timah Tbk), ANTM (PT Aneka Tambang Tbk), and PTBA (PT Tambang batubara Bukit Asam Tbk) are being transferred to Inalum, which is 100% owned by the Government. The government will still own the series A golden shares in these three companies., therefore there is no need for a tender offer. As they will be no longer be majority owned by the government, the three issuers will not be called State Owned enterprise companies but subsidiaries of SOE, Inalum. The government still has control over this three issuers indirectly from previous directly. The purpose of establishment of this holding company includes to increase the capacity of funding for expansion, cost efficiency, for greater potential controlled and to better manage the mining reserve and resources. In addition, this holding will improve the value of downstream products for each company through synergy. For PT Timah itself, the development of the smelter for processing Tin ore to Tin Ingot to Tin products targets to increase value added by 10 times. Inalum will be an investment holder and not operational so each company will run their own operations.

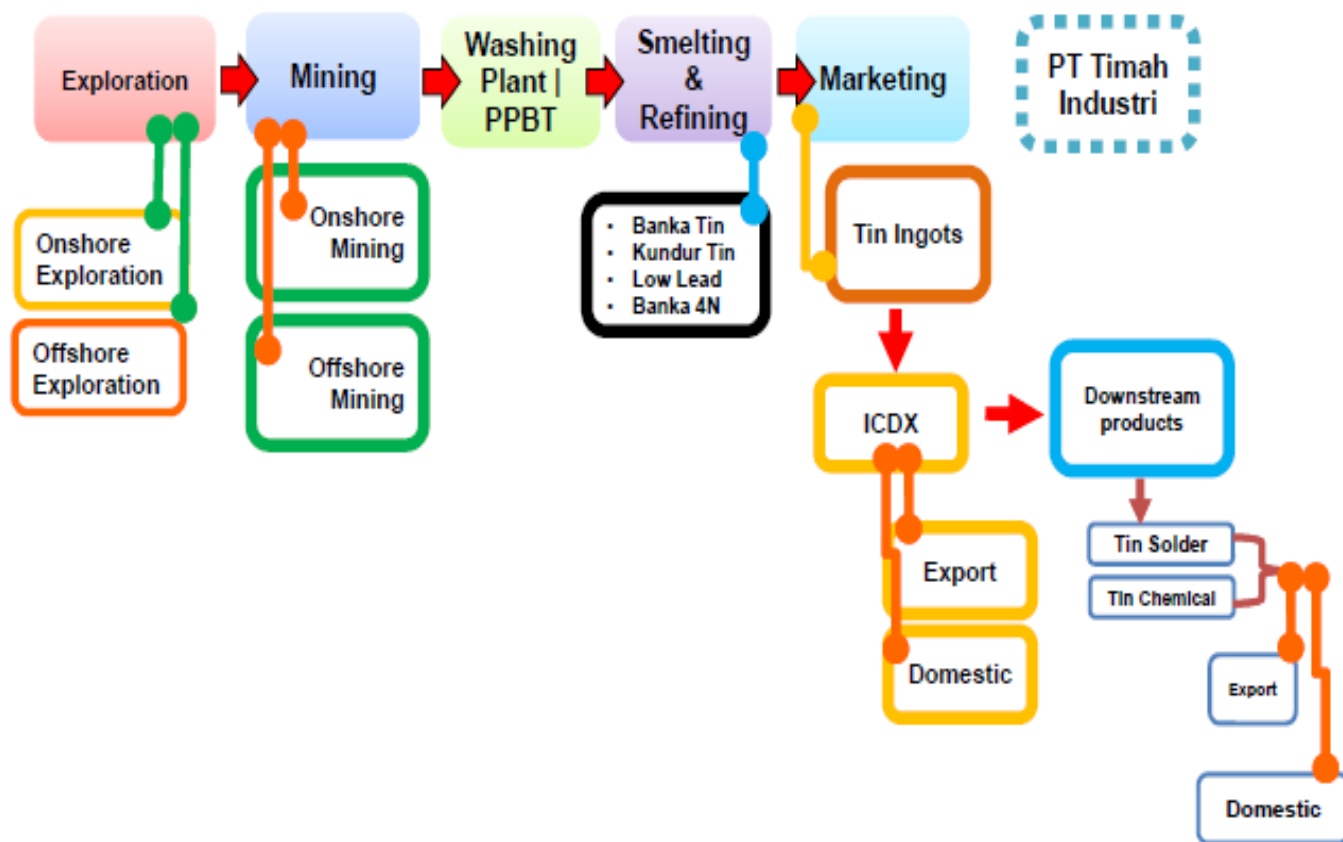
SoE Holding structure



Tin regulation in Indonesia

The Minister of Trade has issued an amendment No. 33/M-DAG/PER/5/2015 to regulation No.44/M-DAG/PER/7/2014 on Tin Exports. This new policy is an evidence of the Government’s seriousness in handling illegal tin mining as well as protecting tin reserves in the country. Referring to the Minister of Trade regulation No. 33 Year 2015, several tin export rules are tightened including the requirement to have a Clear and Clean (CnC) Certificate in order to export and the requirement to sell through the Indonesian Commodity and Derivatives Exchange (ICDX). As for the non-bar tin export products, solder tin, and non solder tin, the company can export without passing through the futures exchange. In addition, in August 2017, the Bangka Belitung Governor announced a moratorium on tin mining licenses to ease the sector’s environmental impact. During the moratorium, the government will not issue new mining licenses or extend existing licenses. This regulation is expected to curb illegal mining and illegal exports of tin ore. The Bangka Belitung government is currently drafting a new mining regulation related to eco friendly tin mining methods.

Integrated Business of Company



Source: company

Operational Area of company

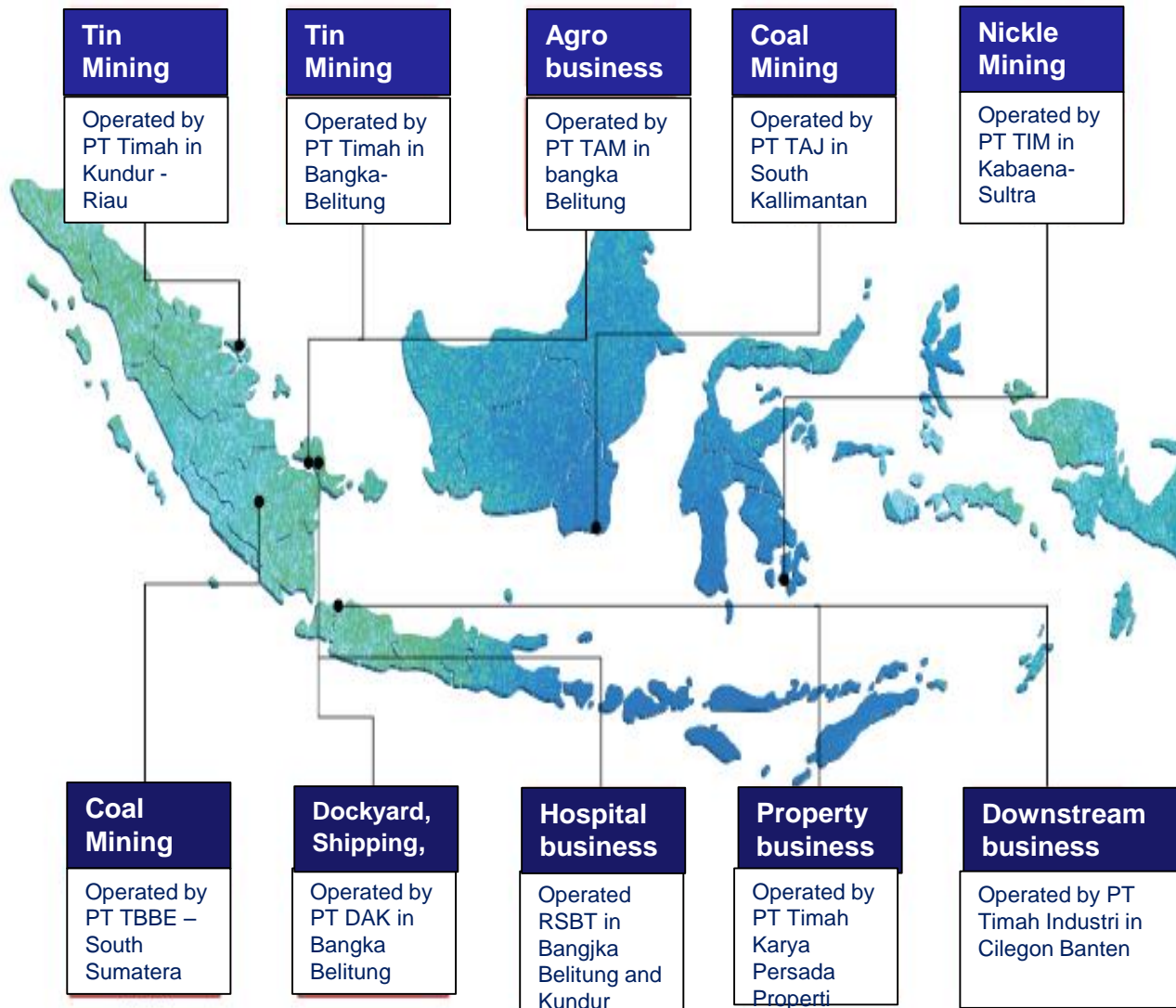


Chart: Global demand compared to supply yoy

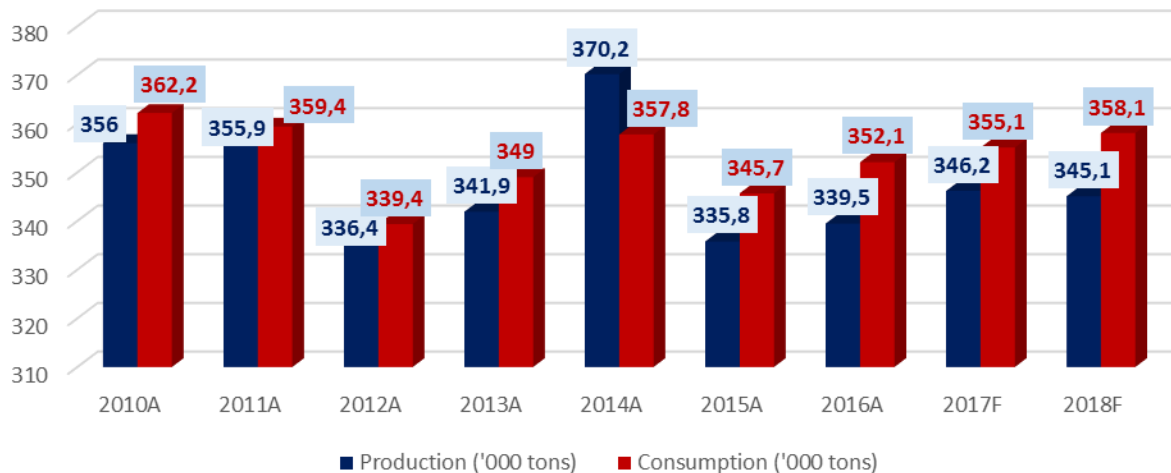


Chart: Tin metal production vs sales metal (tonnes) yoy

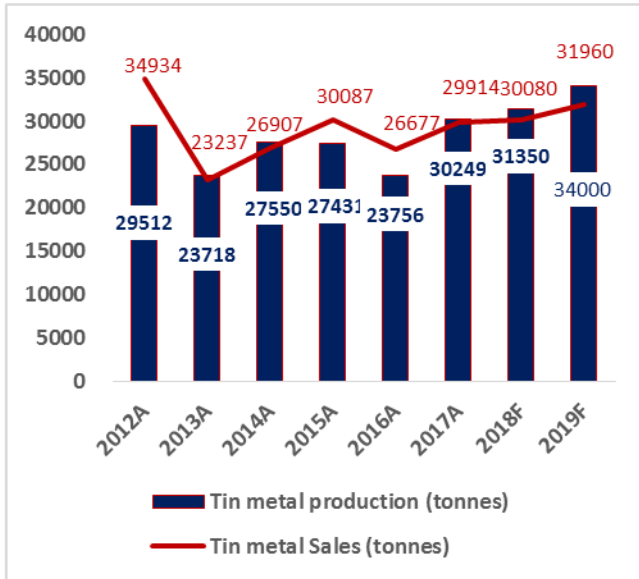


Chart: Tin offshorer and onshore production (tonnes) yoy

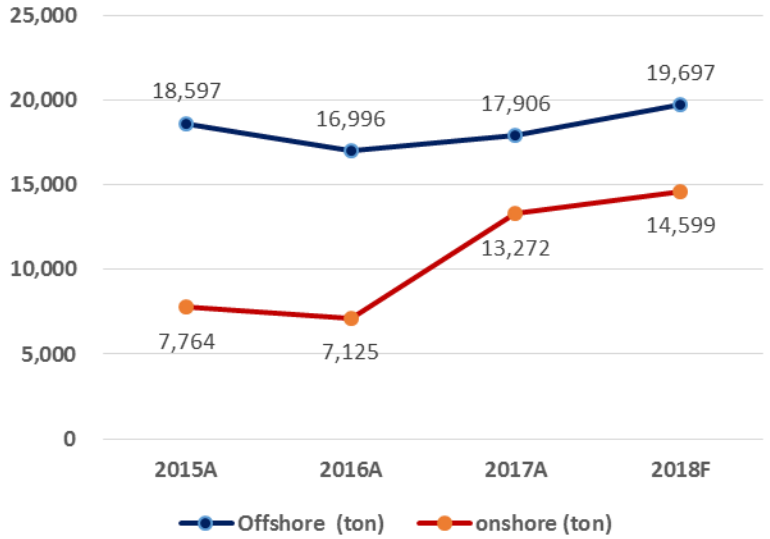


Chart: Tin chemical production and tin solder production (tonnes)

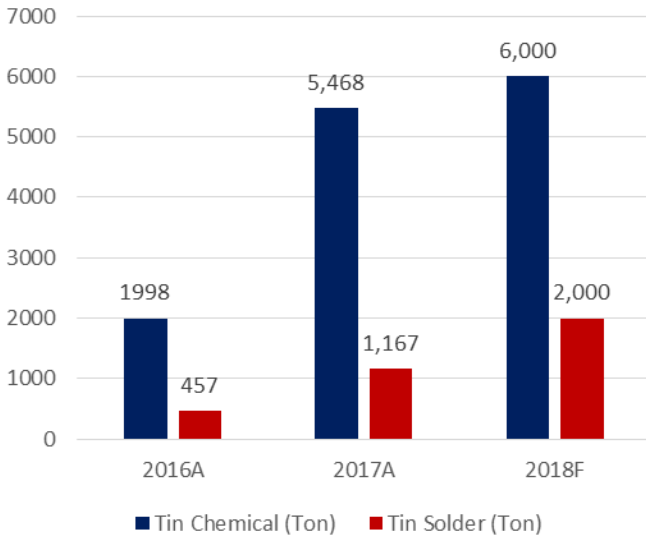
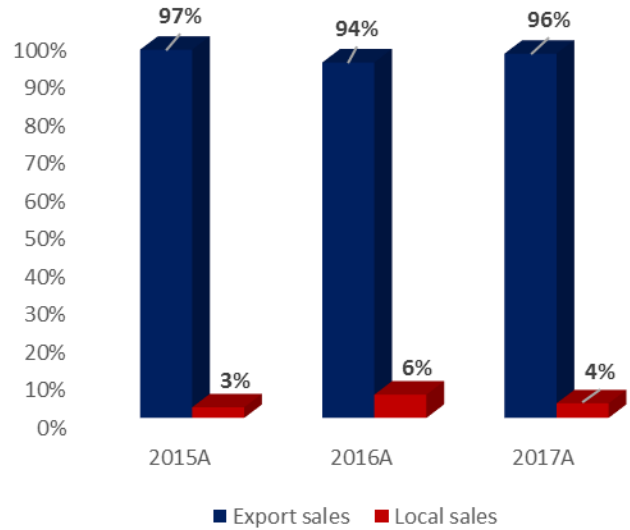


Chart: Tin export sales vs local sales



Profit and Loss (IDR. in bn) yoy

Profit and Loss (IDR. in bn)	2014A	2015A	2016A	2017A	2018F	2019F
Revenues	7,518	6,874	6,968	9,217	10,682	11,572
Cost of Revenues	(5,903)	(6,188)	(5,873)	(7,692)	(8,599)	(9,015)
Gross Profit	1,615	686	1,095	1,526	2,083	2,558
Operating Expenses	(652)	(605)	(597)	(795)	(748)	(775)
Operating Income	963	81	498	731	1,336	1,782
Other Income	62	87	(83)	(15)	(214)	(231)
Profit Before Tax	1,025	168	415	716	1,122	1,551
Tax Expense	(352)	(67)	(132)	(207)	(337)	(465)
NIAT	673	102	283	509	785	1,086
Loss after tax from discontinued operations	0	0	(31)	(6)	0	0
Minority Interest	0.014	0.022	(0.137)	0.013	(0.203)	(0.220)
Net Income	673	102	252	502	785	1,085
EPS	90	14	34	67	105	146
EBITDA	1,541	757	1,057	1,432	1,836	2,371

Balance Sheet (IDR. in bn) yoy

Balance Sheet (IDR. in bn)	2014A	2015A	2016A	2017A	2018F	2019F
Cash and cash equivalent	346	497	564	1,357	1,482	1,804
Trade Account Receivable	1,477	466	883	1,514	1,602	1,736
inventory	3,384	3,102	2,309	2,509	2,838	2,975
Other current asset	1,060	1,379	1,121	1,264	1,282	1,389
asset classified as held for sale	230	0	361	352	347	352
Current Asset	6,498	5,444	5,238	6,997	7,550	8,256
Fixed Asset	2,017	2,224	2,221	2,462	2,758	3,089
other long term asset	1,329	1,611	2,090	2,417	2,671	2,893
Total non current Asset	3,346	3,835	4,311	4,879	5,428	5,982
Total Asset	9,844	9,280	9,549	11,876	12,979	14,237
Trade Account Payable	851	583	661	733	855	926
Short Term bank loans	2,334	2,115	1,733	2,192	2,212	2,192
liabilities directly associated with assets classified for sale	54	0	100	95	95	94
Other short term liabilities	275	301	567	382	443	479
Total current liabilities	3,515	2,999	3,061	3,403	3,604	3,692
bond	0	0	0	1,200	1,200	1,200
sukuk ijarah	0	0	0	300	300	300
other long term liabilities	1,829	910	834	912	1,028	1,114
Total long term/ non current liabilities	1,829	910	834	2,412	2,528	2,614
Total Liabilities	5,344	3,909	3,895	5,815	6,132	6,305
non controlling interest	0	0	0	0	0	0
Total Equities	4,500	5,371	5,653	6,061	6,847	7,932
Total Liabilities & Equity	9,844	9,280	9,549	11,876	12,979	14,237

Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2014A	2015A	2016A	2017A	2018F	2019F
+ Net Income	673	102	252	502	785	1085
+Depreciation	381	442	508	497	521	583
- Change in WC	(441)	689	335	(624)	(228)	(295)
Cash From Operating Activities	613	1232	1095	375	1079	1374
capex	(393)	(649)	(505)	(738)	(816)	(914)
other long term asset	(339)	(282)	(479)	(327)	(254)	(223)
cash from investing activities	(732)	(931)	(983)	(1066)	(1070)	(1137)
bond	0	0	0	1200	0	0
sukuk ijarah	0	0	0	300	0	0
other long term liabilities	1278	(920)	(76)	79	116	86
Equity	(1426)	770	31	(95)	0	0
cash from financing activities	(148)	(150)	(45)	1484	116	86
Net Changes in Cash	(267)	151	66	794	124	323
Beginning Balance	614	346	497	564	1357	1482
Ending balance	346	497	564	1357	1482	1804

Ratio Highlights

Growth (% YoY)	2014A	2015A	2016A	2017A	2018F	2019F
Revenues	28.46%	-8.56%	1.37%	32.27%	15.89%	8.33%
OP	16.15%	-91.54%	510.80%	46.84%	82.73%	33.43%
EBITDA	24.65%	-50.87%	39.59%	35.53%	28.14%	29.15%
Net profit	15.93%	-84.91%	147.91%	99.51%	56.28%	38.22%
EPS	-21.66%	-84.91%	147.91%	99.51%	56.28%	38.22%

Profitability (%)

Operating Margin	12.81%	1.19%	7.14%	7.93%	12.50%	15.40%
EBITDA margin	20.50%	11.01%	15.17%	15.54%	17.18%	20.49%
NET Profit margin	8.95%	1.48%	3.61%	5.45%	7.35%	9.38%
ROA	6.84%	1.09%	2.64%	4.23%	6.05%	7.62%
ROE	14.96%	1.89%	4.45%	8.29%	11.47%	13.68%

Liquidity

Current Ratio (X)	1.85	1.82	1.71	2.06	2.10	2.24
Cash Ratio	0.10	0.17	0.18	0.40	0.41	0.49

Solvability

Total debt/ Total equity (x)	1.19	0.73	0.69	0.96	0.90	0.79
Int. Coverage (x)	9.15	1.30	3.51	3.57	6.46	7.13
Debt Ratio	0.54	0.42	0.41	0.49	0.47	0.44

Per Share data (Rp)

EPS	90.36	13.64	33.81	67.46	105.43	145.72
BVPS	604.17	721.16	759.08	813.84	919.27	1064.99

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.

**RESEARCH TEAM
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