

30 March 2021
Tins mining, Equity

Price IDR. 1640
Target Price IDR. 2005
JKSE Index 6166,82

Price data is provided by PT Bina Artha Sekuritas
Tins Mining Tbk (Persero) Tbk



Investment Consideration

Production decreases

In 2020, TINS produced 39,757 tons of tin ore, down 51,79% yoy, 71,35% came from in land mining, while the remaining 28,65% came from offshore mining. Tin metal production was 45,698 tons, down 40,18% yoy. While production was low, TINS used up its tin metal inventory, so TINS managed to record sales of tin metal of 55,782 tons down 17,61% yoy. The average selling price was USD17,215 down by 8,72% yoy. In 2021F, TINS targets tin ore production of 30,000 tons down -24,5% YoY and tin metal production 34,000 tons or -25,6% YoY due to weather changes and to help maintain a higher tin price which will help maintain TINS performances. With lower production, TINS inventory is expected to decline further which will reduce operational costs and working capital. With tin prices expected to be at an average USD 17,000/MT in 2021, we estimate revenue this year will be lower by -24% YoY.

Ausmelt Furnace progress

To date, the Ausmelt furnace smelter project located in Muntok Bangka Barat, has reached 39% completion with a capacity target of 40,000 MT / year of crude tin. This project is expected to be commercial by Feb 2022. In addition to Ausmelt, TINS is also working on rare earth projects. Currently, the company is looking for strategic partners to work on the projects.

Reducing borrowing cost

TINS is improving their financial health and reducing interest expenses. During 2020, TINS de leveraged to reduce interest payments. As a result, in 2020, TINS managed to reduce bank debt to IDR 4.22 trillion, down from IDR 8.79 trillion in 2019. In addition, TINS also managed to pay off bonds and sukuk which matured in September 2020 amounting to IDR 600 billion. Thus, total interest-bearing debt decreased by IDR 4.82 trillion. TINS net loss in 2020 was -Rp 341 billion or lower than the previous year's -IDR 611 billion. Going forward, TINS will continue to reduce bank loans, continue to explore for resources and focus on technology development.

Valuation: 22% upside

We have a target price for TINS within one year of IDR. 2,005 / share or trading at 17x EV/EBITDA, with 22% upside. Our recommendation is BUY.

Stock Code TINS IJ
Bloomberg code TINS IJ
Market cap (IDR.bn) 7857.4
52-Week High (IDR) 2540
52-Week Low (IDR) 402
6-m Avg Daily. Val (IDR) 1485
Free Float (%) 35

Major Shareholders (%)
INALUM 65%
Public 35%

USD/IDR-YE
2020A 14055
2020F (Avg) 14446

Key Indicators 2021F
DER (x) 1.11
Debt ratio (x) 0.64

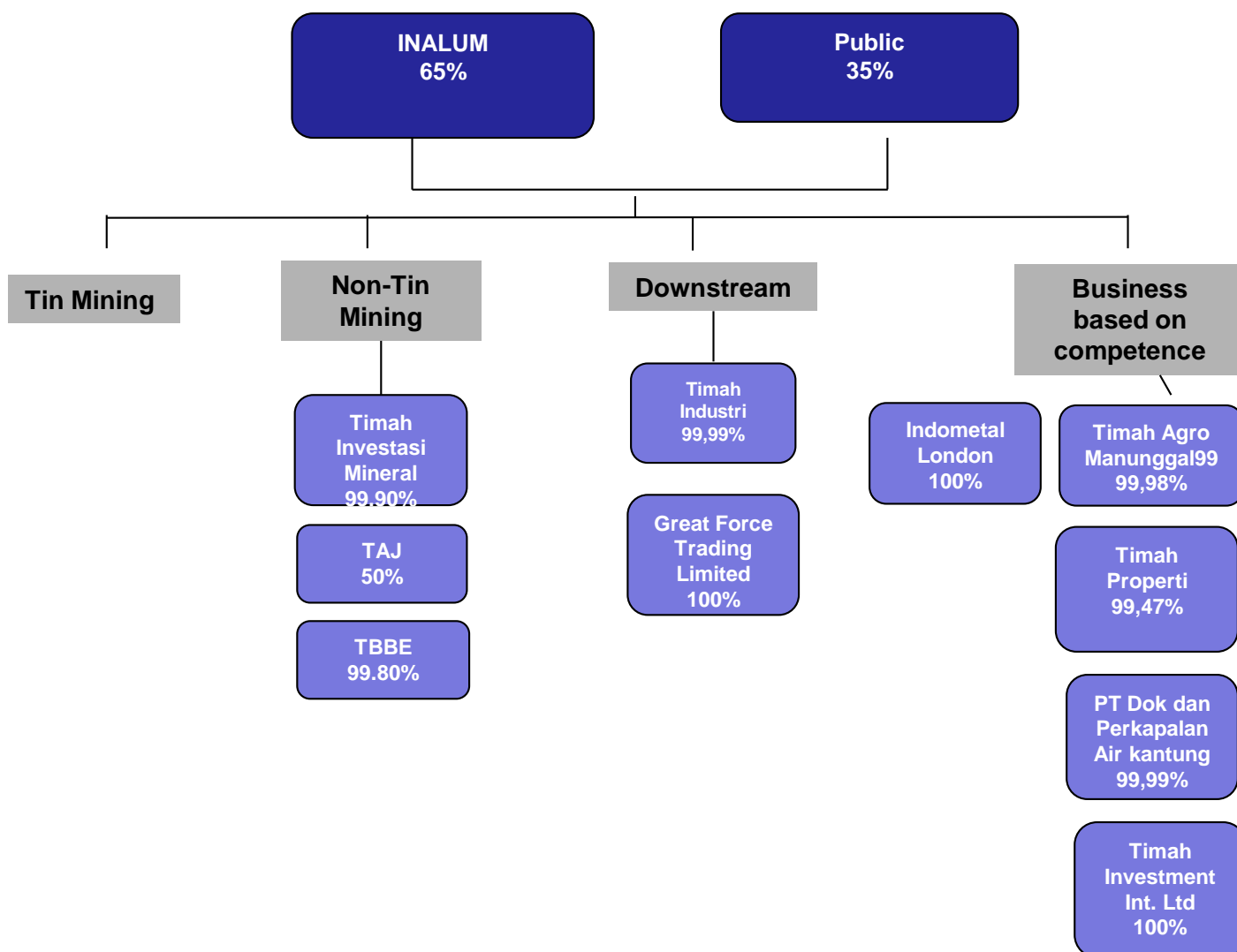
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Profit and Loss (IDR. in bn)	2018A	2019A	2020A	2021F	2022F
Revenues	11.017	19.303	15.216	11.570	15.706
Cost of Revenues	(9.943)	(18.167)	(14.096)	(10.644)	(14.450)
Gross Profit	1.074	1.136	1.120	926	1.257
Operating Expenses	(939)	(1.212)	(902)	(694)	(942)
Operating Income	135	(76)	217	231	314
Other Income	64	(646)	(487)	(347)	(157)
Profit Before Tax	199	(722)	(270)	(116)	157
Tax Expense	(15)	114	(67)	35	(47)
Minority Interest	0,010	0,000	0,003	(0,220)	(0,298)
Net Income	132	(611)	(341)	(86)	105
EPS	18	(82)	(46)	(11)	14
EBITDA	1.148	907	1.160	1.161	1.449

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

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

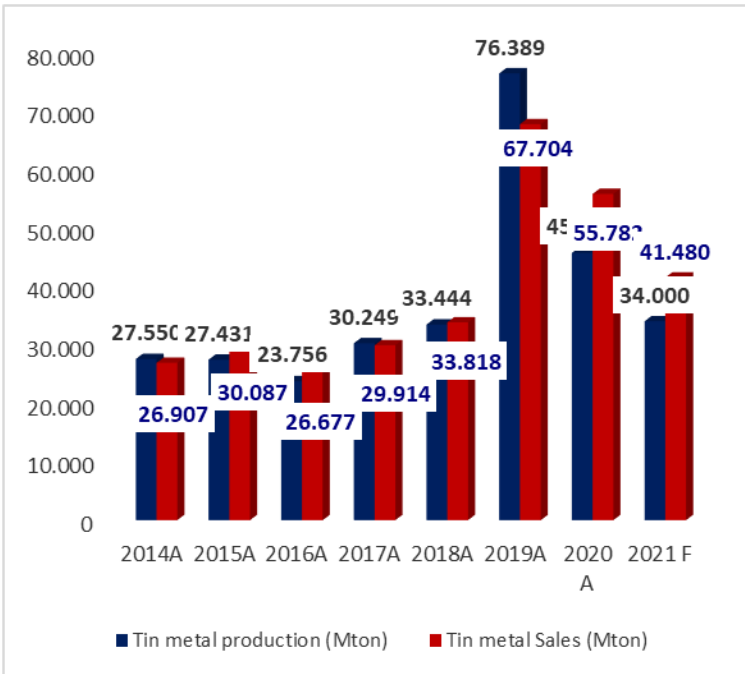


Chart: Tin offshorer and onshore production (tons) yoy

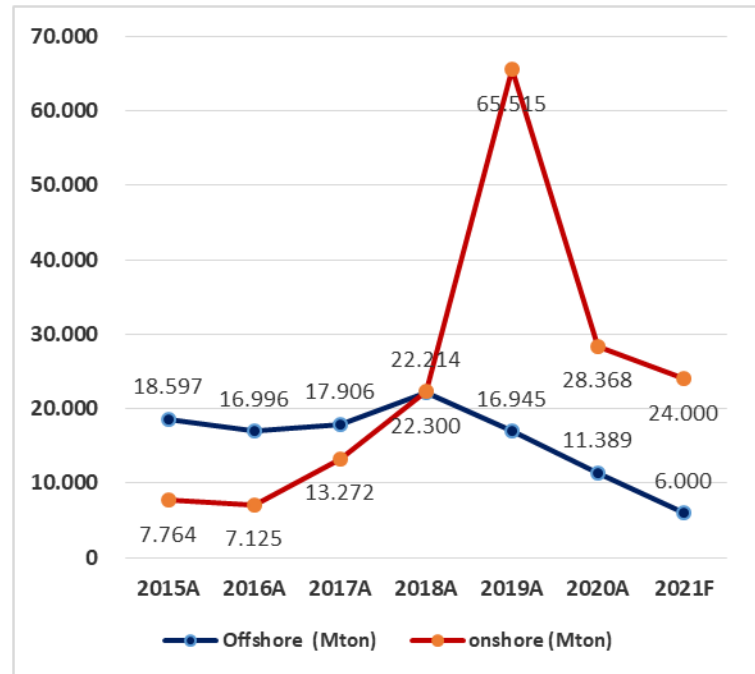


Chart: TINS Average selling price (ASP) yoy (USD/Mton)

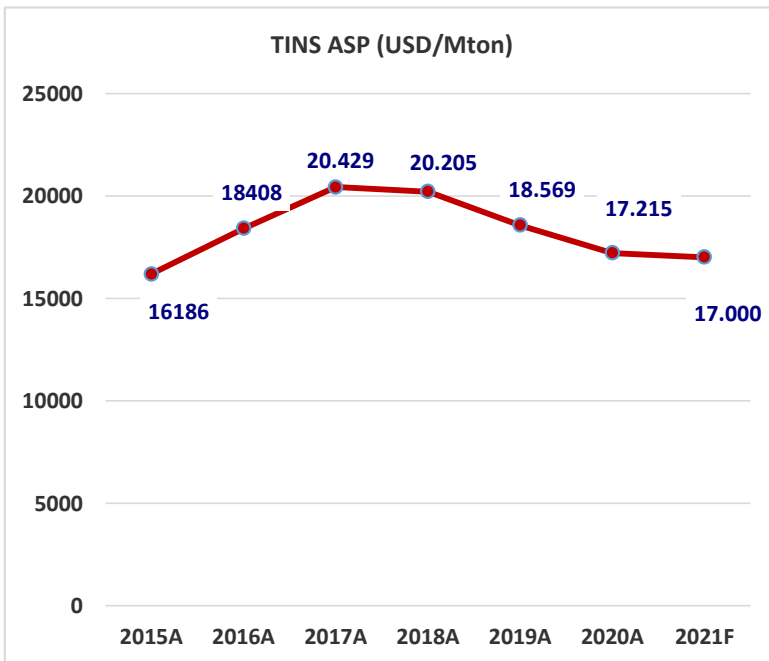
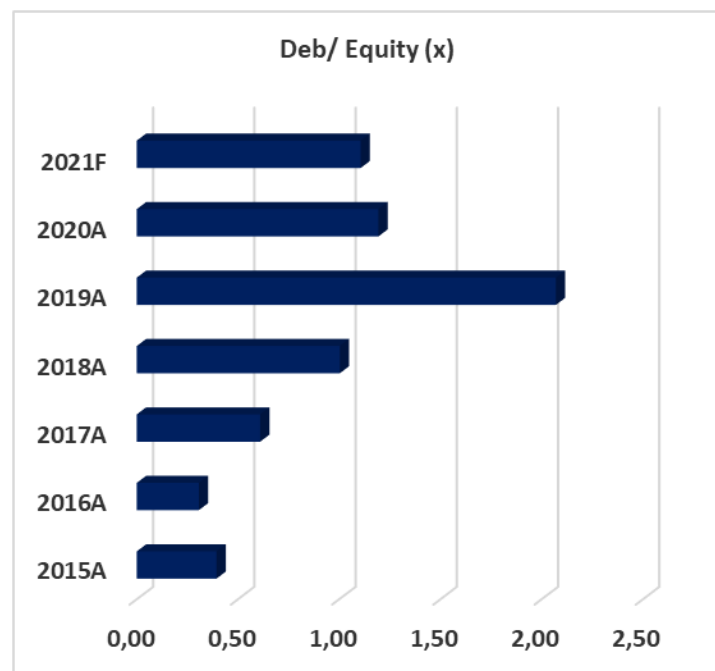


Chart: TINS Debt to Equity ratio yoy (x)



Profit and Loss (IDR. in bn) yoy

Profit and Loss (IDR. in bn)	2017A	2018A	2019A	2020A	2021F	2022F
Revenues	9.217	11.017	19.303	15.216	11.570	15.706
Cost of Revenues	(7.692)	(9.943)	(18.167)	(14.096)	(10.644)	(14.450)
Gross Profit	1.526	1.074	1.136	1.120	926	1.257
Operating Expenses	(795)	(939)	(1.212)	(902)	(694)	(942)
Operating Income	731	135	(76)	217	231	314
Other Income	(15)	64	(646)	(487)	(347)	(157)
Profit Before Tax	716	199	(722)	(270)	(116)	157
Tax Expense	(207)	(15)	114	(67)	35	(47)
NIAT	509	184	(609)	(336)	(81)	110
Loss after tax from discontinued operations	(6)	(52)	(3)	(4)	(4)	(5)
Minority Interest	0,013	0,010	0,000	0,003	(0,220)	(0,298)
Net Income	502	132	(611)	(341)	(86)	105
EPS	67	18	(82)	(46)	(11)	14
EBITDA	1.432	1.148	907	1.160	1.161	1.449

Balance Sheet (IDR. in bn) yoy

Balance Sheet (IDR. in bn)	2017A	2018A	2019A	2020A	2021F	2022F
Cash and cash equivalent	1.357	785	1.599	807	606	700
Trade Account Receivable	1.514	1.920	1.620	1.198	1.268	1.291
inventory	2.509	4.108	6.501	2.881	2.158	2.890
Other current asset	1.264	1.904	2.290	1.480	1.388	1.257
asset classified as held for sale	352	299	297	191	201	212
Current Asset	6.997	9.017	12.307	6.557	5.621	6.349
Fixed Asset	2.462	3.100	3.601	3.436	3.540	3.361
other long term asset	2.417	3.104	4.453	4.524	4.512	4.712
Total non current Asset	4.879	6.204	8.054	7.960	8.053	8.072
Total Asset	11.876	15.221	20.361	14.518	13.673	14.421
Trade Account Payable	733	1.322	1.969	885	1.080	1.549
Short Term bank loans	2.192	4.664	8.791	3.802	3.302	2.802
liabilities directly associated with assets classified for sale	95	137	85	47	46	46
Other short term liabilities	382	513	1.113	1.132	1.157	1.414
Total current liabilities	3.403	6.635	11.958	5.865	5.586	5.811
bond	1.200	1.200	1.793	1.793	1.793	1.793
sukuk ijarah	300	300	300	300	300	300
other long term liabilities	912	937	1.061	1.616	1.122	1.521
Total long term/ non current liabilities	2.412	2.437	3.145	3.712	3.207	3.605
Total Liabilities	5.815	9.072	15.103	9.578	8.792	9.415
non controlling interest	0	0	0	0	0	0
Total Equities	6.061	6.148	5.258	4.940	4.881	5.006
Total Liabilities & Equity	11.876	15.221	20.361	14.518	13.673	14.421

Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2017A	2018A	2019A	2020A	2021F	2022F
+ Net Income	502	132	(611)	(341)	(86)	105
+Depreciation	497	562	819	803	870	920
- Change in WC	(624)	640	2847	(1135)	455	(409)
Cash From Operating Activities	375	1334	3055	(673)	1239	617
capex	(738)	(1199)	(1320)	(638)	(974)	(741)
other long term asset	(327)	(687)	(1349)	(71)	12	(200)
cash from investing activities	(1066)	(1886)	(2669)	(710)	(962)	(940)
bond	1200	0	593	0	0	0
sukuk ijarah	300	0	0	0	0	0
other long term liabilities	79	25	115	568	(506)	398
Equity	(95)	(45)	(279)	22	27	20
cash from financing activities	1484	(21)	429	590	(479)	418
Net Changes in Cash	794	(573)	815	(792)	(202)	95
Beginning Balance	564	1357	785	1599	807	606
Ending balance	1357	785	1599	807	606	700

Ratio Highlights

Ratio Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Growth (%)						
Revenues	32,27%	19,52%	75,21%	-21,17%	-23,96%	35,75%
OP	46,84%	-81,57%	-156,38%	-386,31%	6,41%	35,75%
EBITDA	35,53%	-19,84%	-21,01%	27,92%	0,10%	24,78%
Net profit	99,51%	-73,67%	-562,06%	-44,28%	-74,86%	-222,67%
EPS	99,51%	-73,67%	-562,06%	-44,28%	-74,86%	-222,67%
Profitability (%)						
Operating Margin	7,93%	1,22%	-0,39%	1,43%	2,00%	2,00%
EBITDA margin	15,54%	10,42%	4,70%	7,62%	10,04%	9,23%
NET Profit margin	5,45%	1,20%	-3,17%	-2,24%	-0,74%	0,67%
ROA	4,23%	0,87%	-3,00%	-2,35%	-0,63%	0,73%
ROE	8,29%	2,15%	-11,63%	-6,89%	-1,75%	2,10%
Liquidity						
Current Ratio (X)	2,06	1,36	1,03	1,12	1,01	1,09
Cash Ratio	0,40	0,12	0,13	0,14	0,11	0,12
Solvability						
Debt/ Total equity (x)	0,61	1,00	2,07	1,19	1,11	0,98
Int. Coverage (x)	3,57	0,56	-0,92	-0,44	-0,30	0,45
Debt Ratio	0,49	0,60	0,74	0,66	0,64	0,65
Per Share data (Rp)						
BVS	814	826	706	663	655	672
EPS	67,46	17,76	-82,08	-45,73	-11,50	14,10

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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