

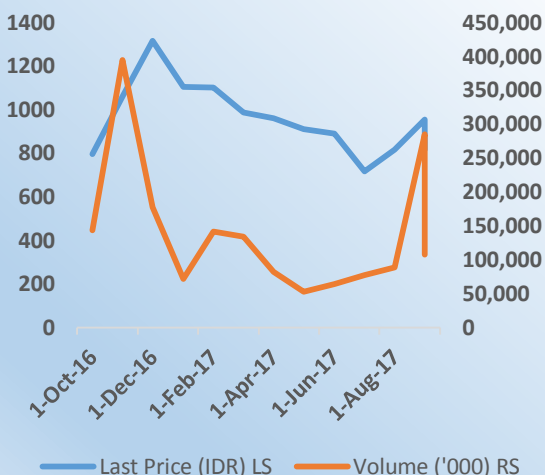
**BUY**

7 December 2017  
Tins mining, Equity

Price IDR. 775

Target Price IDR. 1,200

JKSE Index 6,035.508



Stock Code TINS IJ  
 Bloomberg code TINS IJ  
 Market cap (IDR.bn) 6,405.1  
 52-Week High (IDR) 1,360  
 52-Week Low (IDR) 700  
 6-m Avg Daily. Val (IDR) 847  
 Free Float (%) 35

Major Shareholders (%)  
 The Government of RI 65%  
 Public 35%

USD/IDR-YE  
 2016A 13,436  
 2017F (6M Avg) 13,329

Key Indicators 2018F  
 DER (x) 0.94  
 Debt ratio (x) 0.48  
 EBITDA Margin (%) 16.63

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### Investment Consideration

#### Production and margin expansion

TINS' plans to expand and grow production through adding two new processing technologies, Fuming and Ausmelt is on progress. Fuming helps to process tin slag faster, and the capacity of 85 tons per day, will be completed by 1H18. An Ausmelt smelter, which can increase production by processing tin ore with a grade below 60% will have production capacity of 45,000 tons pa and is to be completed in 2020. In addition to smelter capacity expansion, TINS will also increase mining capacity by acquiring 2 new cutter suction dredgers in 2017, and opening new inland mining in Bangka. In terms of production for 2017-2018F target, based on 9M17, we maintain our estimation of tin production where as of 9M17, TINS has produced tin ore and tin metal of 23,854 tons and 22,837 tons or 74% and 77% of our target respectively. With expectation of favorable tin prices as supply is still limited while demand is still high particularly demand for electronic goods from China as shown in 9M17, we maintain our top line target. For the bottom line, based on 9M17 result, which shows an increase in higher margin production from offshore QoQ vs the production growth of onshore, we are adjusting our bottom line growth target higher to 55% CAGR in 2017-2018F.

#### Higher sales from value added downstream

TINS plans to increase its downstream sales from tin chemical and tin solder to 10-30% from currently below 10%. As of 9M17, the contribution of Tin chemical and tin solder was 11.2% of sales with tin chemical revenue increasing significantly by 207% yoy. We believe the recent cooperation agreement with Yunnan Tin Group from China will help boost sales from tin chemical .

#### Valuation: 55% upside

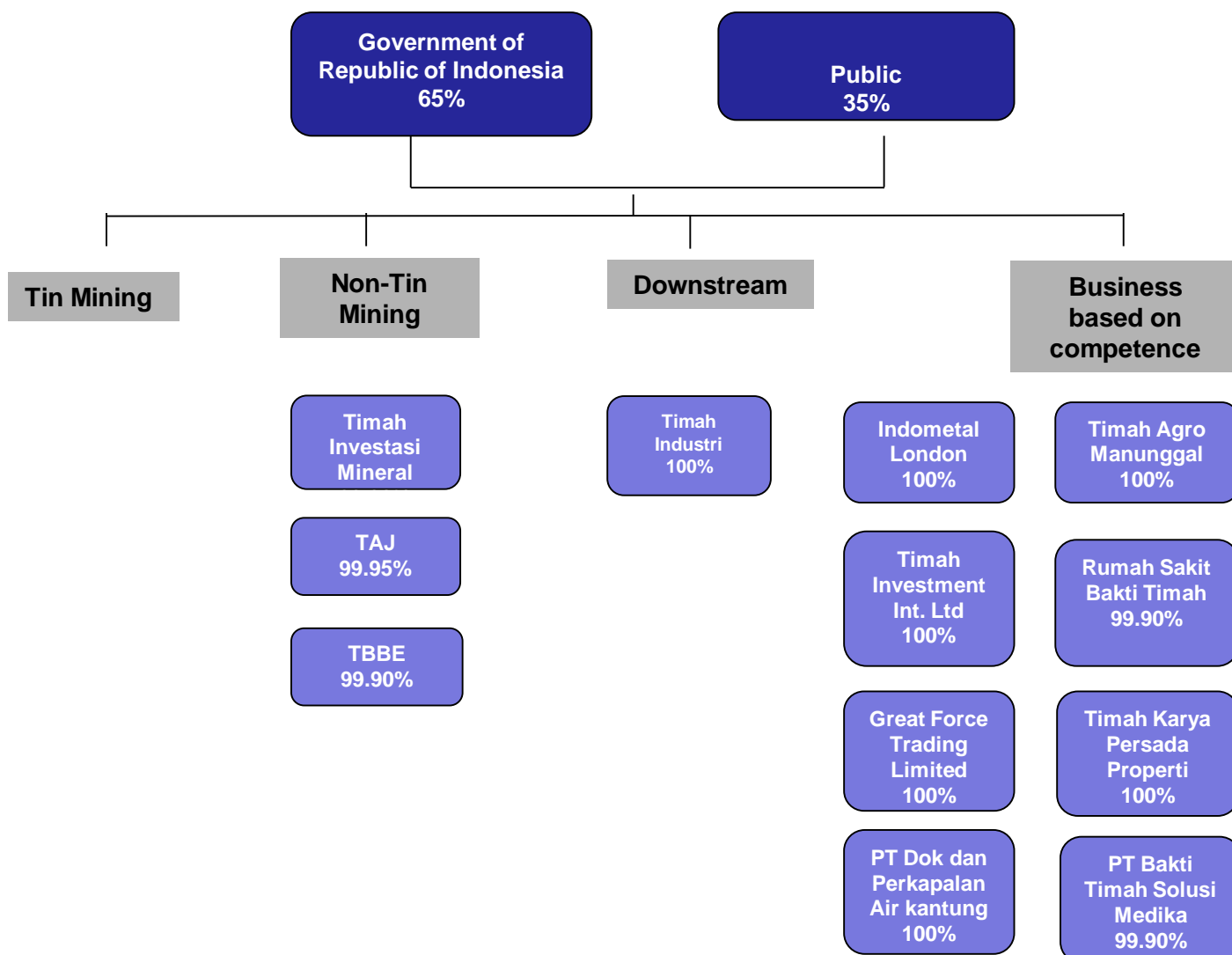
Based on DCF with WACC 7.9%. we maintain our target price for TINS within one year of IDR. 1200/ shares or trading at 14.4PER, which gives 55% upside. We recommend to BUY.

Profit and Loss (IDR Bn)	2014A	2015A	2016A	2017F	2018F	2019F
<b>Revenues</b>	<b>7.518</b>	<b>6.874</b>	<b>6.968</b>	<b>8.856</b>	<b>9.547</b>	<b>10.267</b>
Cost of Revenues	(5.903)	(6.188)	(5.873)	(7.439)	(7.831)	(8.522)
<b>Gross Profit</b>	<b>1.615</b>	<b>686</b>	<b>1.095</b>	<b>1.417</b>	<b>1.716</b>	<b>1.745</b>
Operating Expenses	(652)	(605)	(597)	(620)	(668)	(688)
<b>Operating Income</b>	<b>963</b>	<b>81</b>	<b>498</b>	<b>797</b>	<b>1.047</b>	<b>1.058</b>
Other Income	62	87	(83)	(177)	(191)	(205)
<b>Profit Before Tax</b>	<b>1.025</b>	<b>168</b>	<b>415</b>	<b>620</b>	<b>856</b>	<b>852</b>
Tax Expense	(352)	(67)	(132)	(186)	(257)	(213)
<b>NIAT</b>	<b>673</b>	<b>102</b>	<b>283</b>	<b>434</b>	<b>600</b>	<b>639</b>
<b>Loss after tax from discontinued operations</b>	<b>0</b>	<b>0</b>	<b>(31)</b>	<b>(7)</b>	<b>0</b>	<b>0</b>
Minority Interest	0,014	0,022	(0,137)	(0,168)	(0,181)	(0,195)
<b>Net Income</b>	<b>673</b>	<b>102</b>	<b>252</b>	<b>426</b>	<b>599</b>	<b>639</b>
<b>EPS</b>	<b>90</b>	<b>14</b>	<b>34</b>	<b>57</b>	<b>80</b>	<b>86</b>
<b>EBITDA</b>	<b>1.541</b>	<b>757</b>	<b>1.057</b>	<b>1.355</b>	<b>1.688</b>	<b>1.815</b>

### 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 9M17

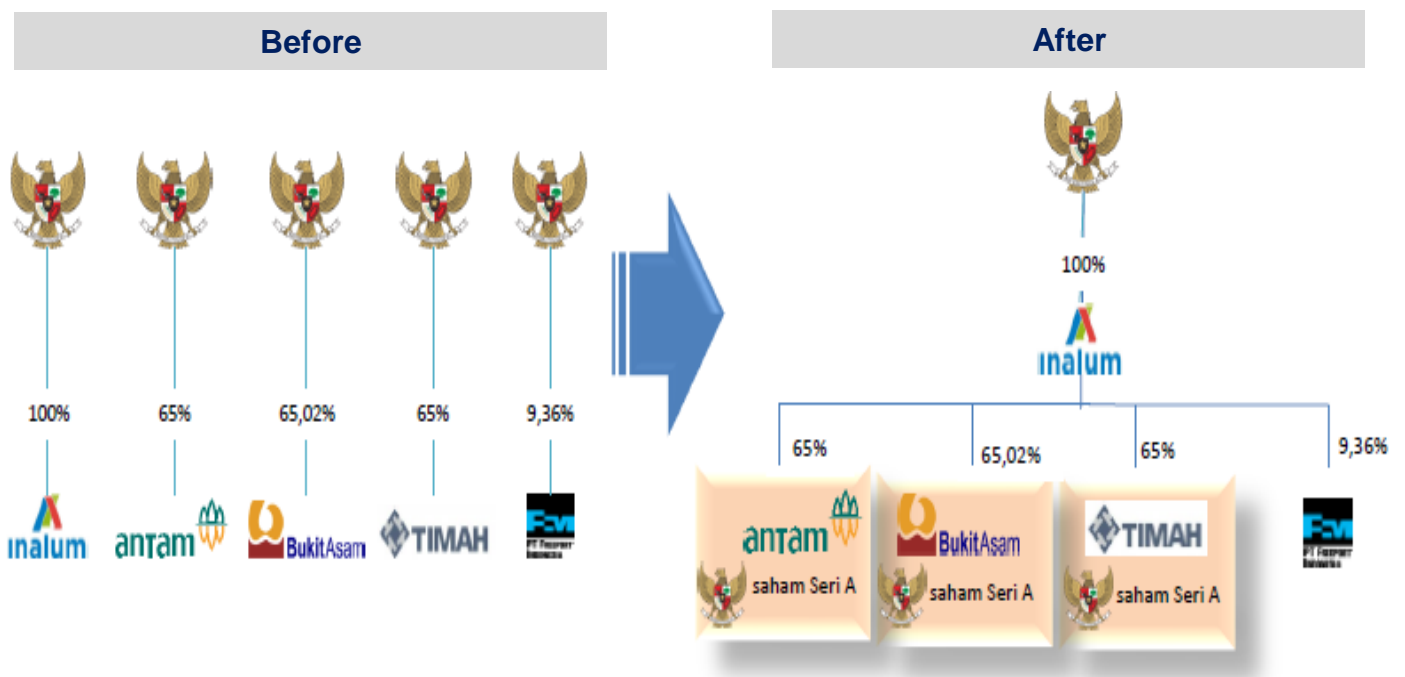


Source: company

## 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 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.

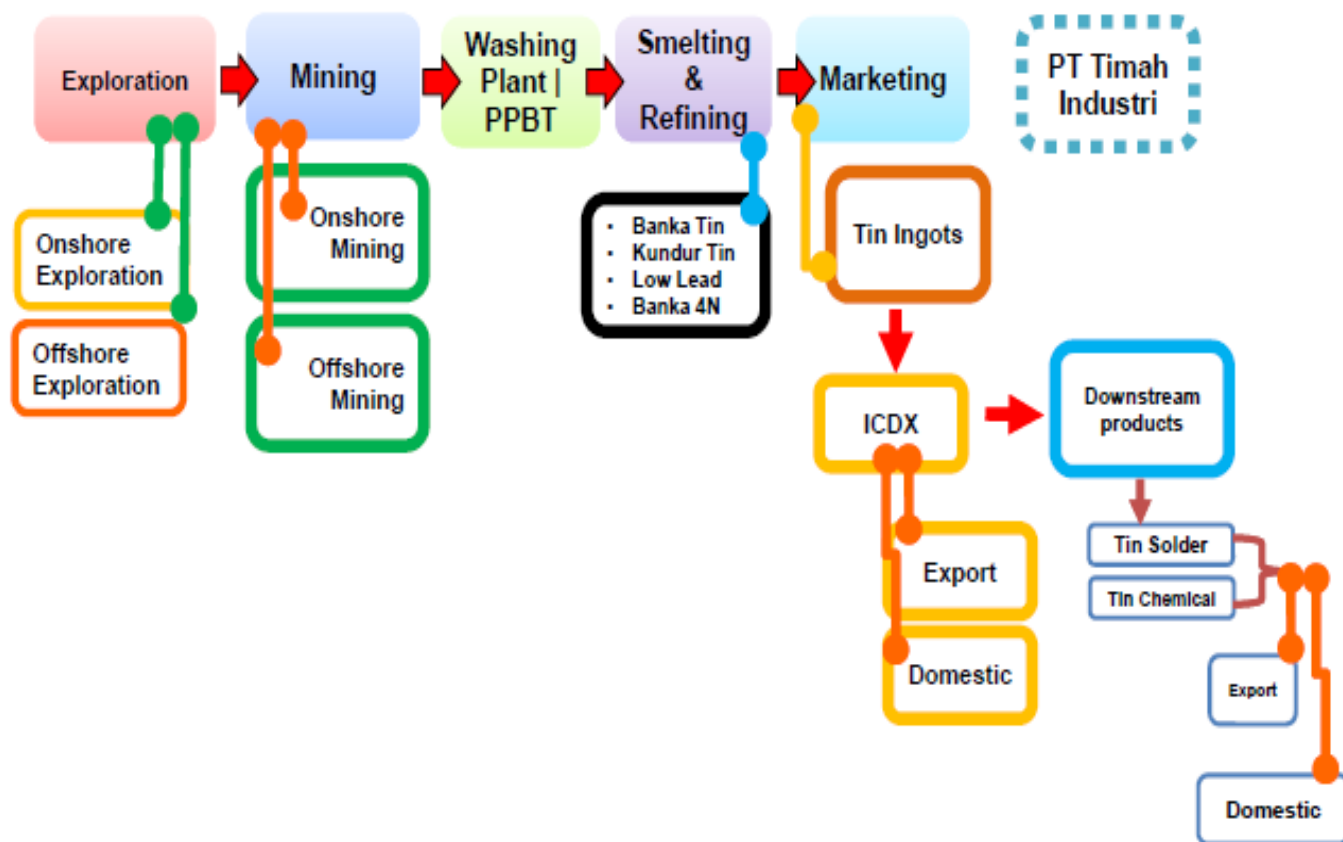
## SoE Holding structure



### 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 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

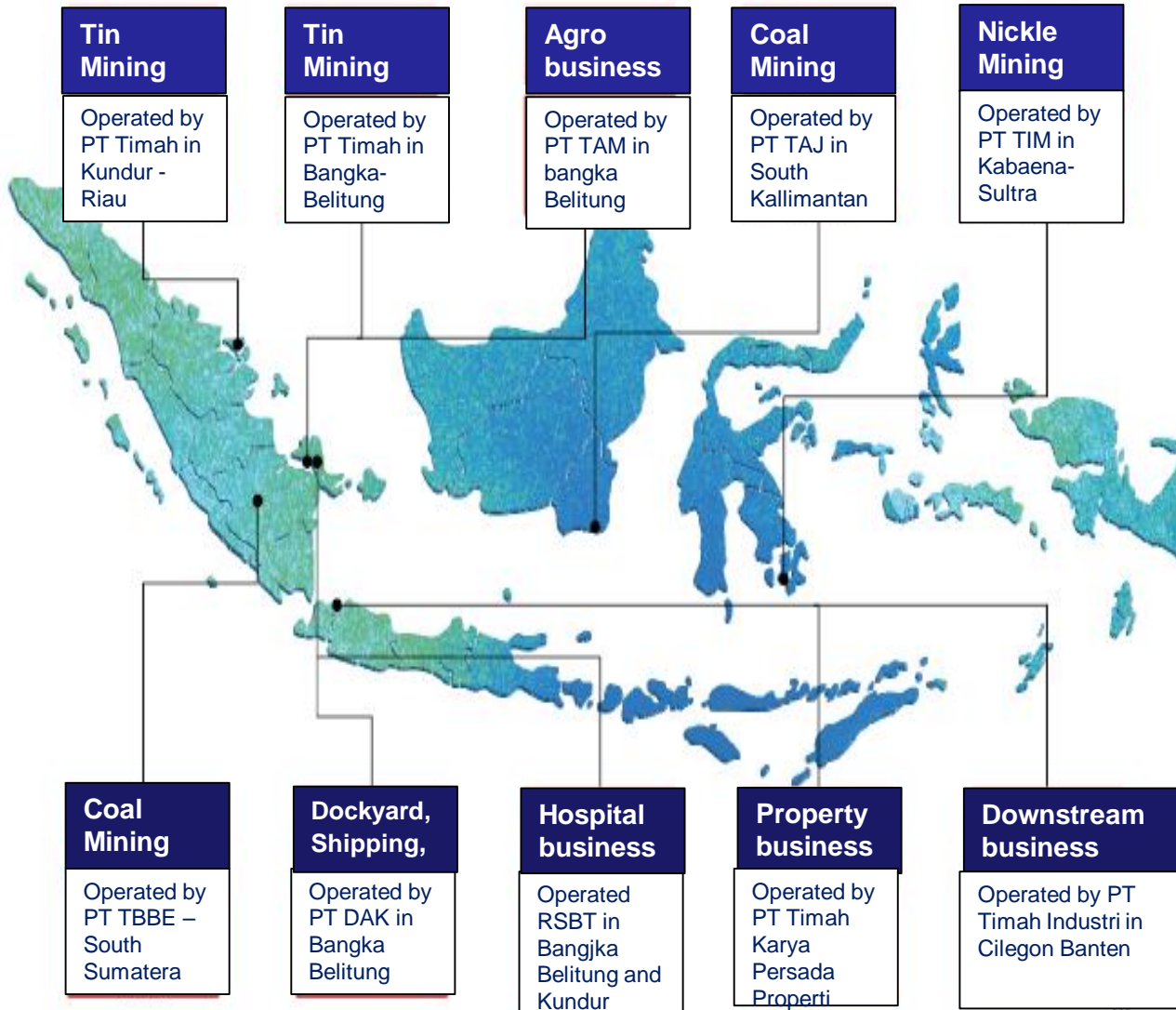


Chart: Global demand compared to supply yoy

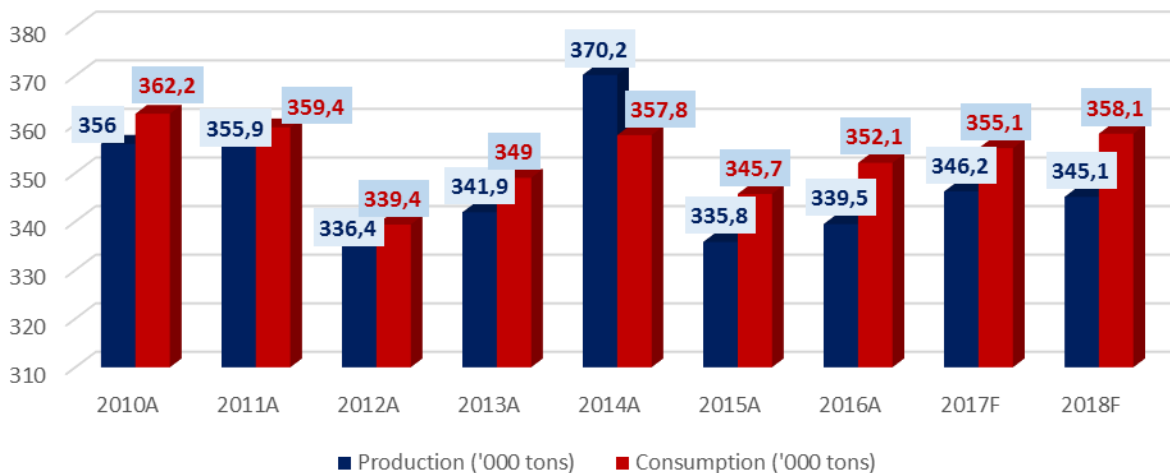


Chart: Tin metal production vs sales metal (tonnes) yoy

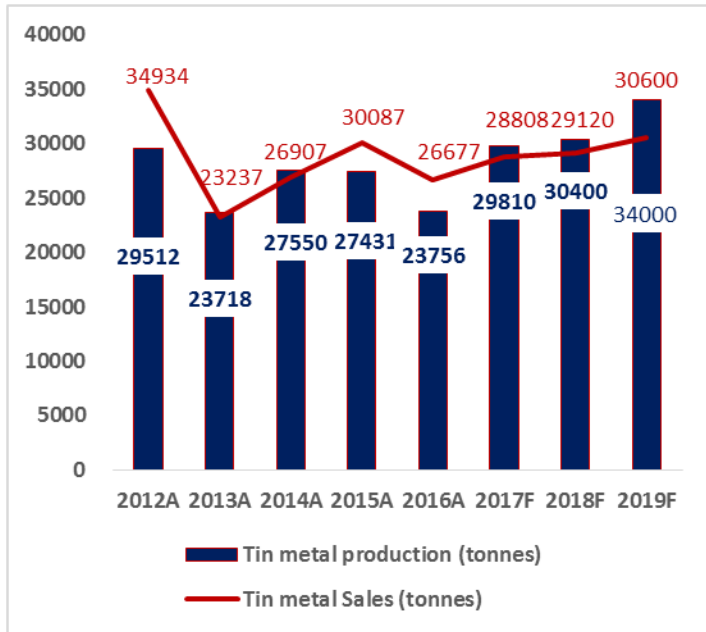


Chart: Tin offshorer and onshore production (tonnes) yoy

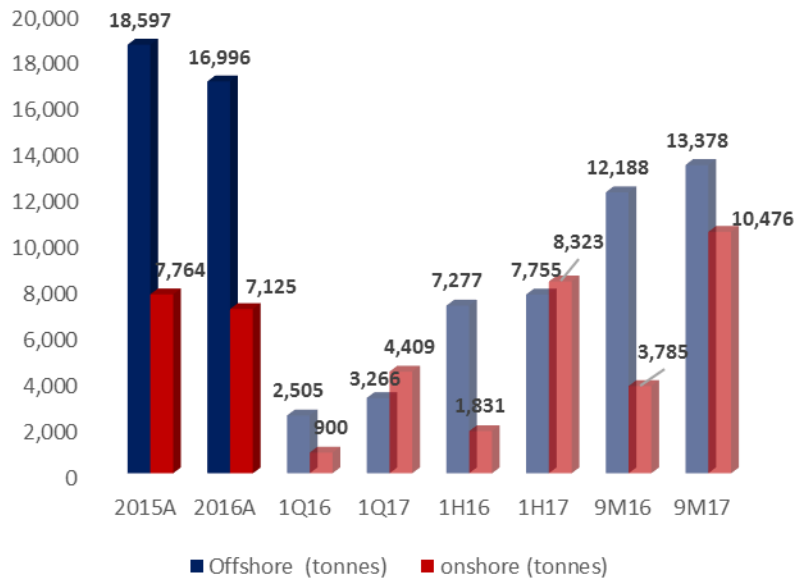


Chart: Tin chemical production and tin solder production (tonnes)

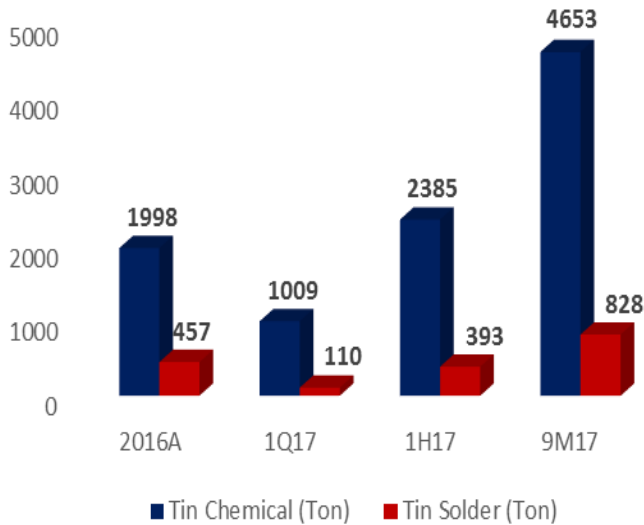
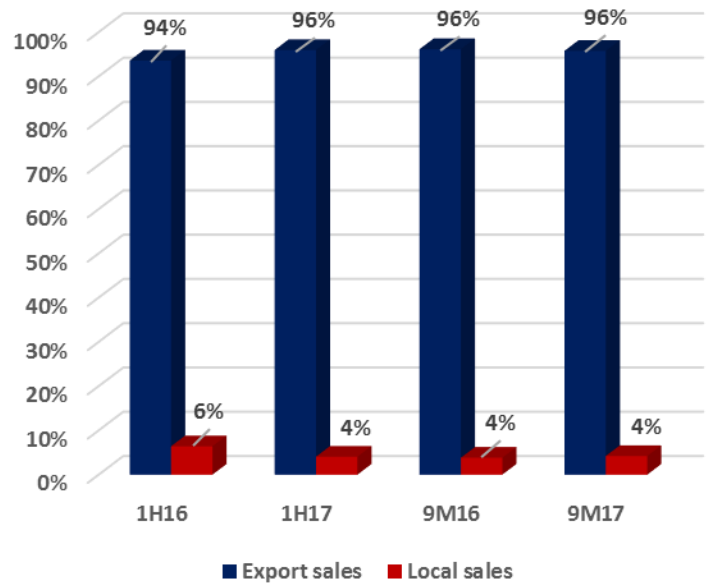


Chart: Tin export sales vs local sales





## Profit and Loss (IDR. in bn) yoy

Profit and Loss (IDR. in bn)	2014A	2015A	2016A	2017F	2018F	2019F
<b>Revenues</b>	<b>7,518</b>	<b>6,874</b>	<b>6,968</b>	<b>8,856</b>	<b>9,547</b>	<b>10,267</b>
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<b>Net Income</b>	<b>673</b>	<b>102</b>	<b>252</b>	<b>426</b>	<b>599</b>	<b>639</b>
<b>EPS</b>	<b>90</b>	<b>14</b>	<b>34</b>	<b>57</b>	<b>80</b>	<b>86</b>
<b>EBITDA</b>	<b>1,541</b>	<b>757</b>	<b>1,057</b>	<b>1,355</b>	<b>1,688</b>	<b>1,815</b>

## Profit and Loss (IDR. in bn) yoy

Balance Sheet (IDR. In bn)	2014A	2015A	2016A	2017F	2018F	2019F
Cash and cash equivalent	346	497	564	2,080	1,818	1,625
Trade Account Receivable	1,477	466	839	1,063	1,241	1,335
inventory	3,384	3,102	2,309	2,752	2,898	3,153
Other current asset	1,060	1,379	1,165	1,063	1,146	1,232
asset classified as held for sale	230	0	361	362	357	362
<b>Current Asset</b>	<b>6,498</b>	<b>5,444</b>	<b>5,238</b>	<b>7,321</b>	<b>7,459</b>	<b>7,707</b>
Fixed Asset	2,017	2,224	2,221	2,532	2,876	3,268
other long term asset	1,329	1,611	2,090	2,037	2,291	2,464
<b>Total non current Asset</b>	<b>3,346</b>	<b>3,835</b>	<b>4,311</b>	<b>4,569</b>	<b>5,168</b>	<b>5,732</b>
<b>Total Asset</b>	<b>9,844</b>	<b>9,280</b>	<b>9,549</b>	<b>11,889</b>	<b>12,627</b>	<b>13,439</b>
Trade Account Payable	851	583	661	708	764	821
Short Term bank loans	2,334	2,115	1,733	2,061	2,051	2,051
liabilities directly associated with assets classified for sale	54	0	100	99	99	99
Other short term liabilities	275	301	567	554	597	642
<b>Total current liabilities</b>	<b>3,515</b>	<b>2,999</b>	<b>3,061</b>	<b>3,423</b>	<b>3,511</b>	<b>3,613</b>
<b>bond</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>
sukuk ijarah	0	0	0	300	300	300
other long term liabilities	1,829	910	834	886	936	1,007
<b>Total long term/ non current liabilities</b>	<b>1,829</b>	<b>910</b>	<b>834</b>	<b>2,386</b>	<b>2,436</b>	<b>2,507</b>
<b>Total Liabilities</b>	<b>5,344</b>	<b>3,909</b>	<b>3,895</b>	<b>5,809</b>	<b>5,948</b>	<b>6,120</b>
non controlling interest	0	0	0	0	0	0
<b>Total Equities</b>	<b>4,500</b>	<b>5,371</b>	<b>5,653</b>	<b>6,080</b>	<b>6,679</b>	<b>7,318</b>
<b>Total Liabilities &amp; Equity</b>	<b>9,844</b>	<b>9,280</b>	<b>9,549</b>	<b>11,889</b>	<b>12,627</b>	<b>13,439</b>

## Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2014A	2015A	2016A	2017F	2018F	2019F
+ Net Income	673.01	101.58	251.83	426.35	599.32	638.94
+Depreciation	380.99	442.17	507.93	579.89	642.19	729.53
- Change in WC	-440.79	688.54	334.90	(204.41)	(313.30)	(338.44)
<b>Cash From Operating Activities</b>	<b>613.21</b>	<b>1,232.29</b>	<b>1,094.67</b>	<b>801.84</b>	<b>928.21</b>	<b>1,030.03</b>
capex	-392.71	(649.47)	(504.67)	(890.85)	(986.55)	(1,120.72)
other long term asset	-339.38	(281.88)	(478.51)	52.78	(254.38)	(172.90)
<b>cash from investing activities</b>	<b>-732.09</b>	<b>(931.35)</b>	<b>(983.17)</b>	<b>(838.07)</b>	<b>(1,240.93)</b>	<b>(1,293.63)</b>
<b>bond</b>	0.00	0.00	0.00	1,200.00	0.00	0.00
sukuk ijarah	0.00	0.00	0.00	300.00	0.00	0.00
other long term liabilities	1,277.72	(919.65)	(75.95)	52.70	50.06	70.67
Equity	-1,426.04	769.68	30.79	0.04	0.01	0.02
<b>cash from financing activities</b>	<b>-148.32</b>	<b>(149.96)</b>	<b>(45.16)</b>	<b>1,552.74</b>	<b>50.07</b>	<b>70.68</b>
Net Changes in Cash	-267.20	150.98	66.33	1,516.51	(262.64)	(192.91)
<b>Beginning Balance</b>	<b>613.70</b>	<b>346.50</b>	<b>497.47</b>	<b>563.80</b>	<b>2,080.31</b>	<b>1,817.68</b>
<b>Ending balance</b>	<b>346.50</b>	<b>497.47</b>	<b>563.80</b>	<b>2,080.31</b>	<b>1,817.68</b>	<b>1,624.76</b>

Growth (% YoY)	2014A	2015A	2016A	2017F	2018F	2019F
Revenues	28.46%	-8.56%	1.37%	27.09%	7.80%	7.55%
OP	16.15%	-91.54%	510.80%	60.11%	31.41%	0.97%
EBITDA	24.65%	-50.87%	39.59%	28.17%	24.62%	7.52%
Net profit	15.93%	-84.91%	147.91%	69.30%	40.57%	6.61%
EPS	-21.66%	-84.91%	147.91%	69.30%	40.57%	6.61%

Profitability (%)	2014A	2015A	2016A	2017F	2018F	2019F
Operating Margin	12.81%	1.19%	7.14%	9.00%	10.97%	10.30%
EBITDA margin	20.50%	11.01%	15.17%	15.30%	17.68%	17.68%
NET Profit margin	8.95%	1.48%	3.61%	4.81%	6.28%	6.22%
ROA	6.84%	1.09%	2.64%	3.69%	4.96%	5.00%
ROE	14.96%	1.89%	4.45%	7.01%	8.97%	8.73%

Liquidity	2014A	2015A	2016A	2017F	2018F	2019F
Current Ratio (X)	1.85	1.82	1.71	2.04	1.97	1.95
Cash Ratio	0.10	0.17	0.18	0.61	0.52	0.45

Solvability	2014A	2015A	2016A	2017F	2018F	2019F
Total debt/ Total equity (x)	1.19	0.73	0.69	0.96	0.89	0.84
Int. Coverage (x)	9.15	1.30	3.51	4.46	4.93	3.92
Debt Ratio	0.54	0.42	0.41	0.50	0.49	0.48

Per Share data (Rp)	2014A	2015A	2016A	2017F	2018F	2019F
EPS	90.36	13.64	33.81	57.25	80.47	85.79
BVPS	604.17	721.16	759.08	816.33	896.80	982.59



**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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