

7 July 2020  
Tins mining, Equity

Price IDR. 640  
Target Price IDR. 705  
JKSE Index 4988.87



#### Investment Consideration Production target 55k tons

As we said previously TINS plans to expand and grow production through adding two new processing technologies, Fuming and Ausmelt. Fuming has started production in 2019 while Ausmelt will be delayed due to the current pandemic, but is expected to be completed in 2021. In terms of production for 2020F, TINS is targeting a decrease of 33% from 2019FY, which saw annual production of tin ore grow 85% yoy and tin metal 128% yoy. Most of the tin ore production in 2019FY was from onshore at around 80%. In 2020F, TINS is targeting lower tin ore production volume of 55k tons or -33% yoy and expects lower tin prices as demand is still weak, affected by the spread of the corona virus. It is estimated 2020F ASP will be down 8% yoy. As of 1Q20, TINS recorded tin ore production of 15,217 Mt (1Q19:21,610 Mt) which is 84% from onshore, 16% from offshore. The volume of metal production reached 14,133 Mt (1Q19:16,30Mt) with a metal sales volume of 17,553 Mt (1Q19:12,553Mt).

#### Continued higher efficiencies

In the midst of Covid-19 pandemic, TINS continues to improve efficiency including by cutting operational expenditure up to 30%, while capital expenditure will be prioritized to support production targets. Efficiencies in production will reduce production and operating expenses. TINS is also improving cash flow to maintain the health of the finances and reduce interest expenses. During 1Q20, TINS de-leveraged to reduce interest payments, and re-profiled bank loan payment schedules for both types of currencies. As a result, 1Q20 operating cash flow was Rp 1.27 trillion compared to 1Q19 minus Rp 1.59 trillion. In addition, TINS managed to pay off part of its short term bank loan amounting to Rp 1.7 trillion reducing the outstanding to Rp 7.1 trillion or a decrease of 19% compared to the December 2019 position of Rp 8.8 trillion.

#### Valuation: 11% upside

We have a target price for TINS within one year of IDR. 705 / share or trading at 29xPER, or 11% upside. Our recommendation is HOLD.

Stock Code TINS IJ  
Bloomberg code TINS IJ  
Market cap (IDR.bn) 4468.78  
52-Week High (IDR) 1285  
52-Week Low (IDR) 328  
6-m Avg Daily. Val (IDR) 600  
Free Float (%) 35

Major Shareholders (%)  
INALUM 65%  
Public 35%

USD/IDR-YE  
2019A 13866  
2020F (Avg) 14400

Key Indicators 2021F  
DER (x) 1.41  
Debt ratio (x) 0.72

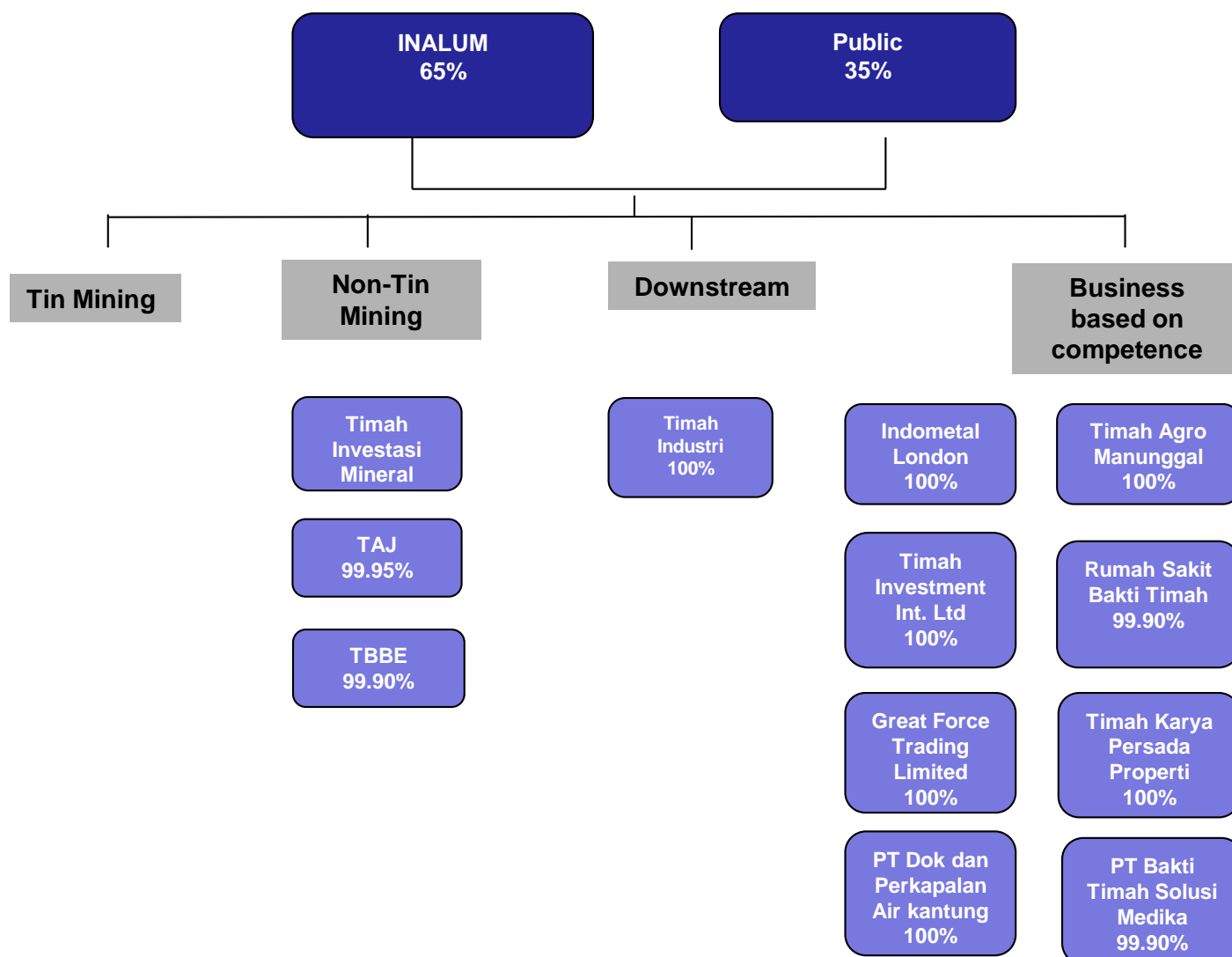
Analyst: Revita Dhiah Anggrainy  
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Profit and Loss (IDR. in bn)	2017A	2018A	2019A	2020F	2021F
Revenues	9.217	11.017	19.303	15.706	19.032
Cost of Revenues	(7.692)	(9.943)	(18.167)	(14.921)	(17.129)
Gross Profit	1.526	1.074	1.136	785	1.903
Operating Expenses	(795)	(939)	(1.212)	(942)	(1.275)
Operating Income	731	135	(76)	(157)	628
Other Income	(15)	64	(646)	(157)	(381)
Profit Before Tax	716	199	(722)	(314)	247
Tax Expense	(207)	(15)	114	(50)	(74)
Loss after tax from discontinued operations	(6)	(52)	(3)	5	5
Minority Interest	0,013	0,010	0,000	(0,298)	(0,362)
Net Income	502	132	(611)	(360)	178
EPS	67	18	(82)	(48)	24
EBITDA	1.432	1.148	907	1.155	1.761

## 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

Operational Area of company

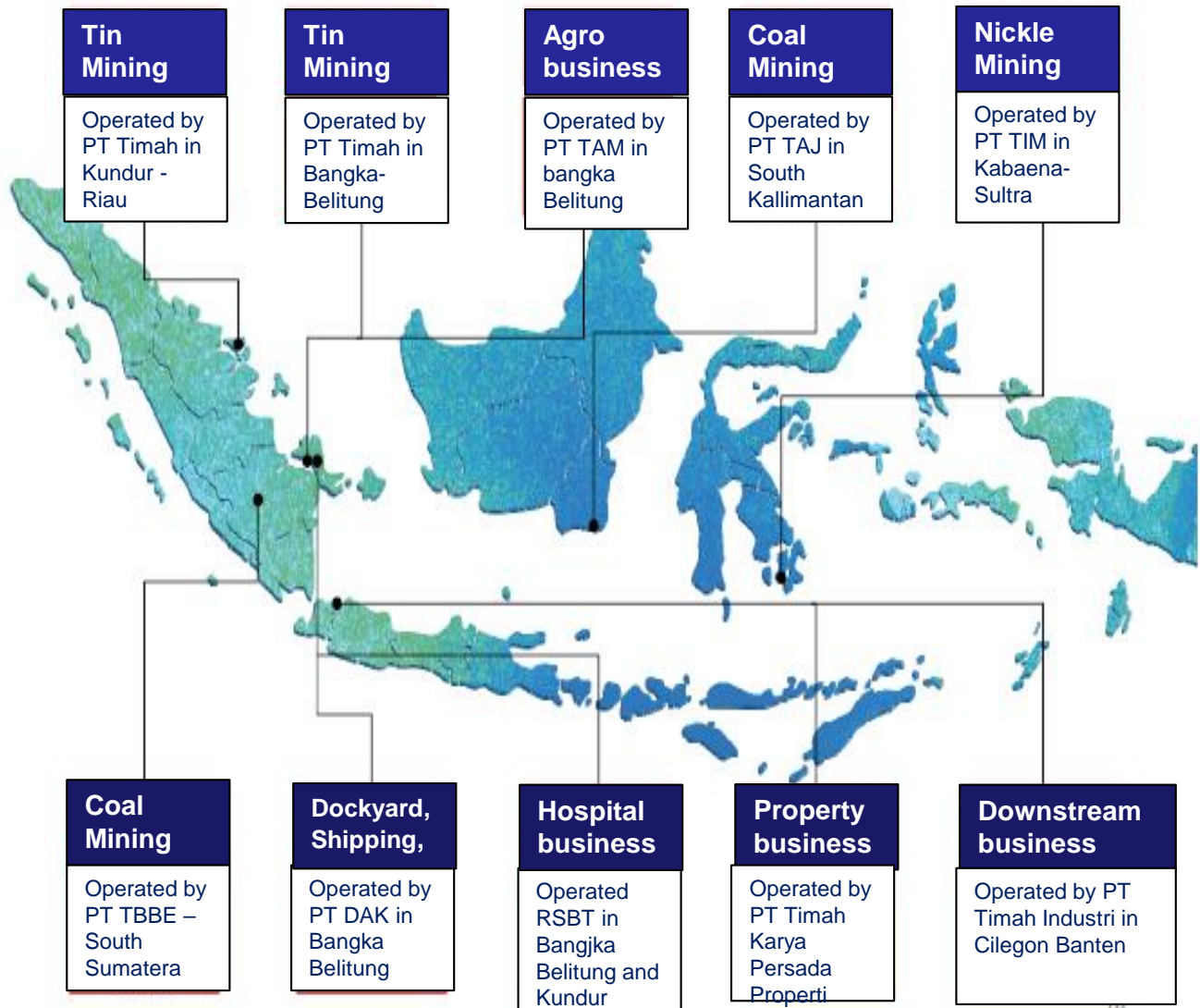
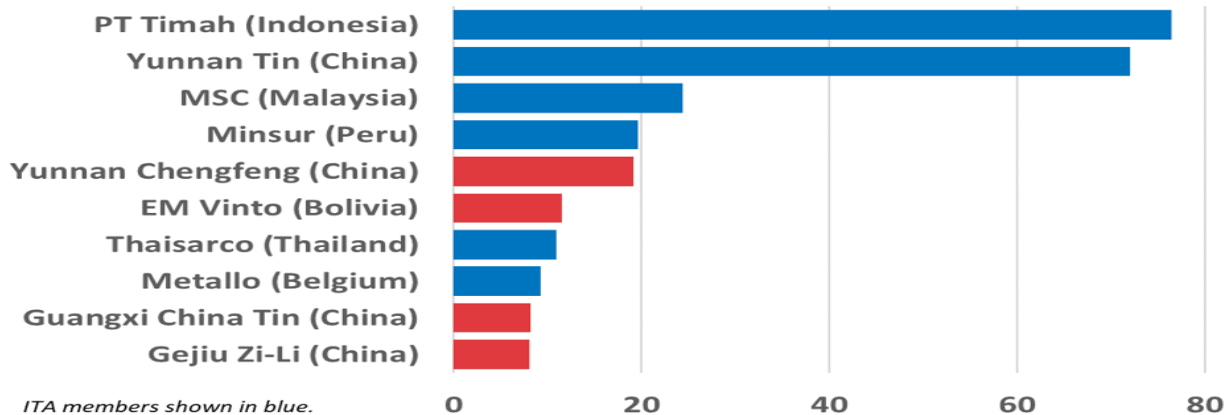


Chart: Top 10 of global tin producers of 2019

**Top 10 global tin producers of 2019**  
Refined tin, '000 tonnes



ITA members shown in blue.

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

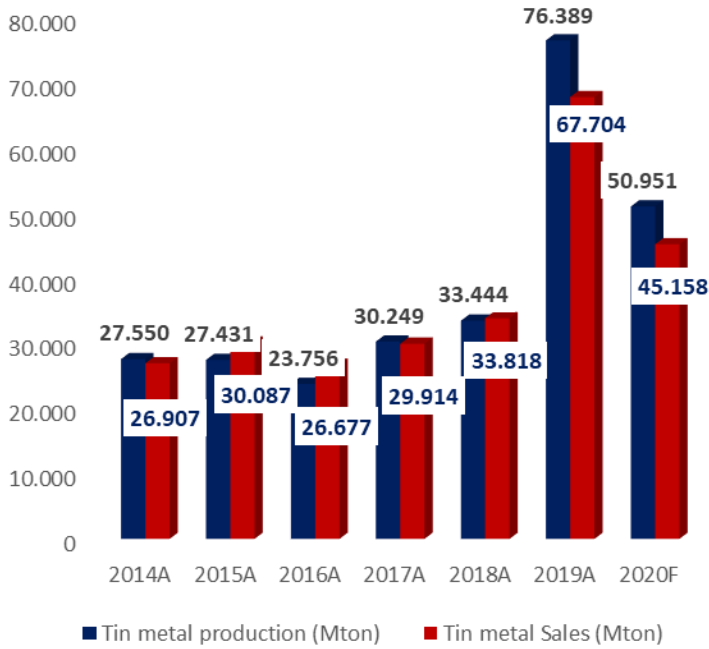


Chart: Tin offshorer and onshore production (tons) yoy

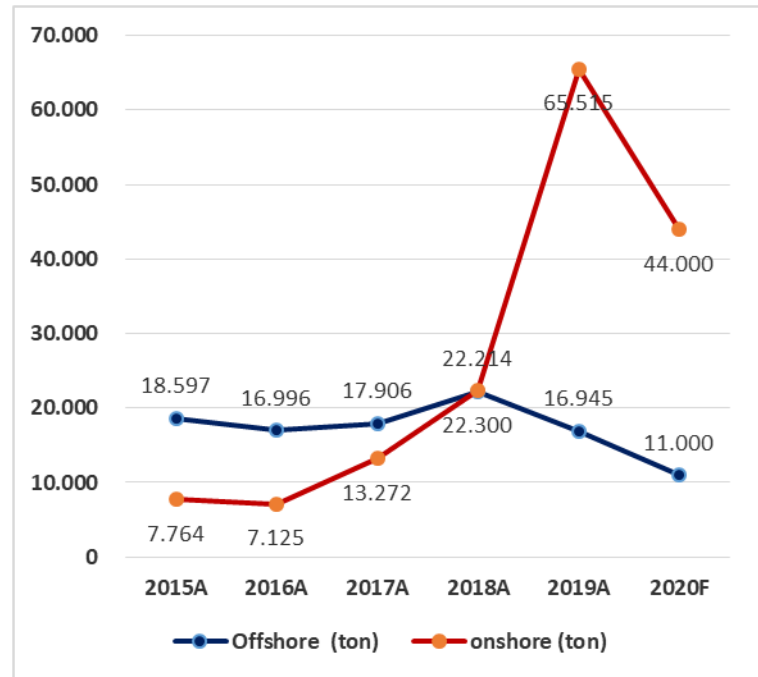


Chart: TINS Average selling price (ASP) yoy (USD/Mton)

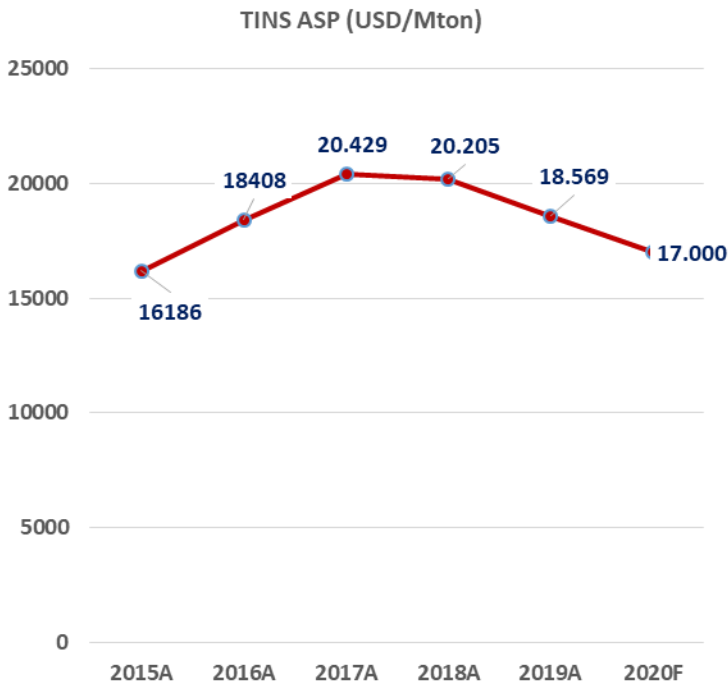
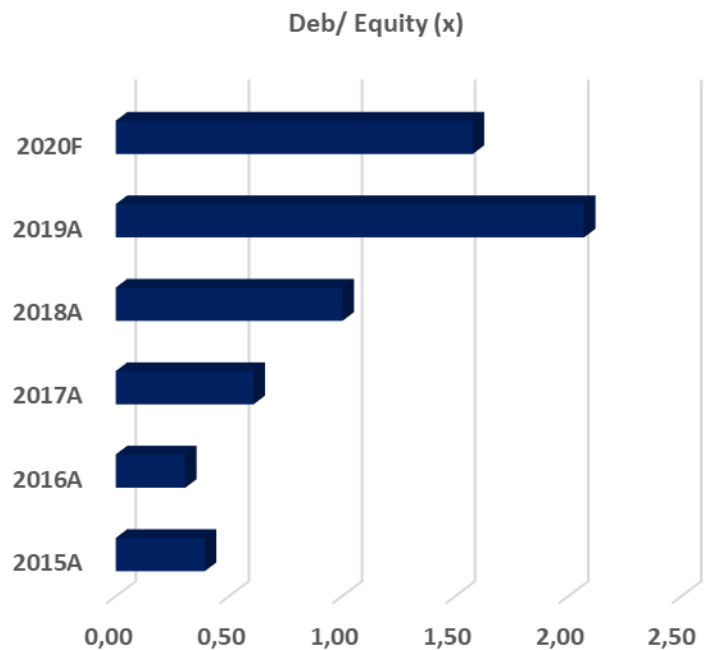


Chart: TINS Debt to Equity ratio yoy (x)



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

Profit and Loss (IDR. in bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	6.874	6.968	9.217	11.017	19.303	15.706	19.032
Cost of Revenues	(6.188)	(5.873)	(7.692)	(9.943)	(18.167)	(14.921)	(17.129)
<b>Gross Profit</b>	<b>686</b>	<b>1.095</b>	<b>1.526</b>	<b>1.074</b>	<b>1.136</b>	<b>785</b>	<b>1.903</b>
Operating Expenses	(605)	(597)	(795)	(939)	(1.212)	(942)	(1.275)
<b>Operating Income</b>	<b>81</b>	<b>498</b>	<b>731</b>	<b>135</b>	<b>(76)</b>	<b>(157)</b>	<b>628</b>
Other Income	87	(83)	(15)	64	(646)	(157)	(381)
<b>Profit Before Tax</b>	<b>168</b>	<b>415</b>	<b>716</b>	<b>199</b>	<b>(722)</b>	<b>(314)</b>	<b>247</b>
Tax Expense	(67)	(132)	(207)	(15)	114	(50)	(74)
<b>Loss after tax from discontinued operations</b>	<b>0</b>	<b>(31)</b>	<b>(6)</b>	<b>(52)</b>	<b>(3)</b>	<b>5</b>	<b>5</b>
Minority Interest	0,022	(0,137)	0,013	0,010	0,000	(0,298)	(0,362)
<b>Net Income</b>	<b>102</b>	<b>252</b>	<b>502</b>	<b>132</b>	<b>(611)</b>	<b>(360)</b>	<b>178</b>
<b>EPS</b>	<b>14</b>	<b>34</b>	<b>67</b>	<b>18</b>	<b>(82)</b>	<b>(48)</b>	<b>24</b>
<b>EBITDA</b>	<b>757</b>	<b>1.057</b>	<b>1.432</b>	<b>1.148</b>	<b>907</b>	<b>1.155</b>	<b>1.761</b>

## Balance Sheet (IDR. in bn) yoy

Balance Sheet (IDR. in bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	497	564	1.357	785	1.599	1.390	841
Trade Account Receivable	466	883	1.514	1.920	1.620	1.420	1.721
inventory	3.102	2.309	2.509	4.108	6.501	5.519	6.101
Other current asset	1.379	1.121	1.264	1.904	2.290	2.984	3.235
asset classified as held for sale	0	361	352	299	297	347	357
<b>Current Asset</b>	<b>5.444</b>	<b>5.238</b>	<b>6.997</b>	<b>9.017</b>	<b>12.307</b>	<b>11.660</b>	<b>12.255</b>
Fixed Asset	2.224	2.221	2.462	3.100	3.601	3.923	4.112
other long term asset	1.611	2.090	2.417	3.104	4.453	4.712	4.948
<b>Total non current Asset</b>	<b>3.835</b>	<b>4.311</b>	<b>4.879</b>	<b>6.204</b>	<b>8.054</b>	<b>8.635</b>	<b>9.060</b>
<b>Total Asset</b>	<b>9.280</b>	<b>9.549</b>	<b>11.876</b>	<b>15.221</b>	<b>20.361</b>	<b>20.295</b>	<b>21.316</b>
Trade Account Payable	583	661	733	1.322	1.969	2.367	3.076
Short Term bank loans	2.115	1.733	2.192	4.664	8.791	7.083	6.383
liabilities directly associated with assets classified for sale	0	100	95	137	85	75	75
Other short term liabilities	301	567	382	513	1.113	1.414	1.827
<b>Total current liabilities</b>	<b>2.999</b>	<b>3.061</b>	<b>3.403</b>	<b>6.635</b>	<b>11.958</b>	<b>10.939</b>	<b>11.362</b>
<b>bond</b>	<b>0</b>	<b>0</b>	<b>1.200</b>	<b>1.200</b>	<b>1.793</b>	<b>1.793</b>	<b>1.793</b>
sukuk ijarah	0	0	300	300	300	300	300
other long term liabilities	910	834	912	937	1.061	1.529	1.841
<b>Total long term/ non current liabilities</b>	<b>910</b>	<b>834</b>	<b>2.412</b>	<b>2.437</b>	<b>3.145</b>	<b>3.613</b>	<b>3.925</b>
<b>Total Liabilities</b>	<b>3.909</b>	<b>3.895</b>	<b>5.815</b>	<b>9.072</b>	<b>15.103</b>	<b>14.552</b>	<b>15.286</b>
non controlling interest	0	0	0	0	0	0	0
<b>Total Equities</b>	<b>5.371</b>	<b>5.653</b>	<b>6.061</b>	<b>6.148</b>	<b>5.258</b>	<b>5.743</b>	<b>6.029</b>
<b>Total Liabilities &amp; Equity</b>	<b>9.280</b>	<b>9.549</b>	<b>11.876</b>	<b>15.221</b>	<b>20.361</b>	<b>20.295</b>	<b>21.316</b>

## Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
+ Net Income	102	252	502	132	(611)	(360)	178
+Depreciation	442	508	497	562	819	791	886
- Change in WC	689	335	(624)	640	2847	(581)	(722)
<b>Cash From Operating Activities</b>	<b>1232</b>	<b>1095</b>	<b>375</b>	<b>1334</b>	<b>3055</b>	<b>(150)</b>	<b>342</b>
capex	(649)	(505)	(738)	(1199)	(1320)	(1113)	(1074)
other long term asset	(282)	(479)	(327)	(687)	(1349)	(259)	(236)
<b>cash from investing activities</b>	<b>(931)</b>	<b>(983)</b>	<b>(1066)</b>	<b>(1886)</b>	<b>(2669)</b>	<b>(1372)</b>	<b>(1311)</b>
bond	0	0	1200	0	593	0	0
sukuk ijarah	0	0	300	0	0	0	0
other long term liabilities	(920)	(76)	79	25	115	468	312
Equity	770	31	(95)	(45)	(279)	845	109
<b>cash from financing activities</b>	<b>(150)</b>	<b>(45)</b>	<b>1484</b>	<b>(21)</b>	<b>429</b>	<b>1313</b>	<b>421</b>
Net Changes in Cash	151	66	794	(573)	815	(209)	(548)
<b>Beginning Balance</b>	<b>346</b>	<b>497</b>	<b>564</b>	<b>1357</b>	<b>785</b>	<b>1599</b>	<b>1390</b>
<b>Ending balance</b>	<b>497</b>	<b>564</b>	<b>1357</b>	<b>785</b>	<b>1599</b>	<b>1390</b>	<b>841</b>

## Ratio Highlights

Growth (% YoY)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	-8,56%	1,37%	32,27%	19,52%	75,21%	-18,63%	21,17%
OP	-91,54%	510,80%	46,84%	-81,57%	-156,38%	106,79%	-499,88%
EBITDA	-50,87%	39,59%	35,53%	-19,84%	-21,01%	27,33%	52,48%
Net profit	-84,91%	147,91%	99,51%	-73,67%	-562,06%	-41,09%	-149,32%
EPS	-84,91%	147,91%	99,51%	-73,67%	-562,06%	-41,09%	-149,32%

## Profitability (%)

Operating Margin	1,19%	7,14%	7,93%	1,22%	-0,39%	-1,00%	3,30%
EBITDA margin	11,01%	15,17%	15,54%	10,42%	4,70%	7,35%	9,25%
NET Profit margin	1,48%	3,61%	5,45%	1,20%	-3,17%	-2,29%	0,93%
ROA	1,09%	2,64%	4,23%	0,87%	-3,00%	-1,77%	0,84%
ROE	1,89%	4,45%	8,29%	2,15%	-11,63%	-6,27%	2,95%

## Liquidity

Current Ratio (X)	1,82	1,71	2,06	1,36	1,03	1,07	1,07
Cash Ratio	0,17	0,18	0,40	0,12	0,13	0,13	0,07

## Solvability

Debt/ Total equity (x)	0,39	0,31	0,61	1,00	2,07	1,60	1,41
Int. Coverage (x)	1,30	3,51	3,57	0,56	-0,92	-0,48	0,41
Debt Ratio	0,42	0,41	0,49	0,60	0,74	0,72	0,72

## Per Share data

(Rp)							
EPS	13,64	33,81	67,46	17,76	-82,08	-48,35	23,85
BVPS	721,16	759,08	813,84	825,51	706,01	771,05	809,48



**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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