

Monday, 15 November 2021

HOLD
Maintain

Last price (IDR) 1,600
Target Price (IDR) 1,800
Upside/Downside +12.5%
Previous Target Price (IDR) 1,700

Stock Statistics

Sector Metal Mining
Bloomberg Ticker TINS IJ
No of Shrs (mn) 7,448
Mkt. Cap (IDRbn/USDmn) 11,916/837
Avg. daily T/O (IDRbn/USDmn) 66.1/4.6

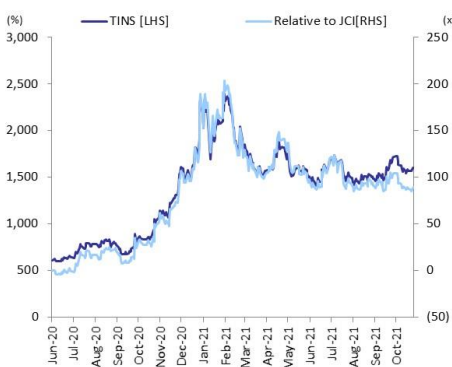
Major shareholders (%)

Inalum 65.0
Estimated Free Float 35.0

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	126.6	113.4	91.9
Consensus	62.8	69.9	51.1
Danareksa/Cons	101.7	62.2	80.0

TINS relative to JCI Index



Source : Bloomberg



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Timah (TINS IJ)

Benefitting from strong tin price

Timah (TINS) reported net profits of IDR342bn (+31.7% qoq, +153.4% yoy) in 3Q21 supported by strong tin prices. While lower refined tin production volume in 9M21, TINS posted a net profit of IDR612bn in 9M21 (1H20: net losses of IDR255bn) reflecting strong refined tin ASP and lower interest expenses (-48.1% yoy). The company targets refined tin production of 25,000 tons for 2021 with expectation of better production in 2022. We raise our TP to IDR1,800 (DCF valuation) as we fine tune our refined tin sales volume target and refined tin price assumption. Maintain HOLD due to limited upside.

Strong tin price boosted earnings. The impact on the strong tin price resulted on the company to book higher earnings of IDR342bn (+31.7% qoq) in 3Q21 despite the company experienced lower refined tin sales volume (-1.1% qoq), bringing the 9M21 net profit of IDR612bn as compared to net losses of IDR255bn in 9M20. The strong prices and lower interest expenses (-48.1% yoy) helped the company to mitigate the impact from substantial decline in the refined tin sales volume (-58.2% yoy). The results were above our expectations (on better-than-expected on the refined tin ASP) and consensus.

Continuing to strengthen its balance sheet. TINS continued to strengthen its balance sheet by reducing its interest-bearing debt to IDR4.1tn in 9M21 (-34.5% ytd, -43.8% yoy). Given that the strong 921 performance led to higher cash (+36.2% yoy) and higher equity, the company managed to further lower its net gearing to 53.5% in 9M21 from 131.4% in 9M20. With the company continued to conduct deleveraging going forward and supported by solid earnings, we expect a further decline in the net gearing level to 43.9% by 2022.

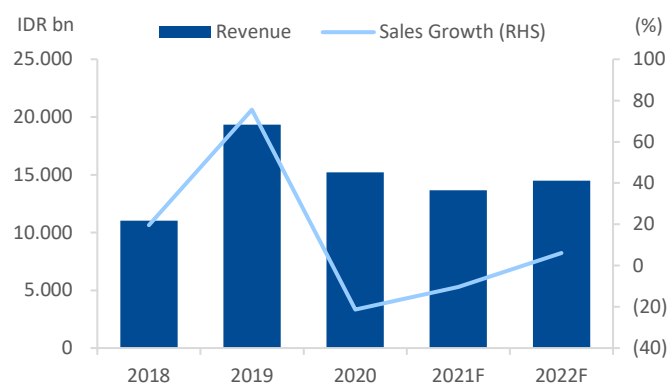
Lower refined tin production for 2021, with expectation to improve in 2022. The refined tin production reached only 19,120 tons (-49.1% yoy) in 9M21 as a surge in the tin price led to an increase in illegal mining activities and impacted company's onshore mining activities, which its tin ore volume declined by 70% yoy. As such, TINS expects refined tin production of 25,000 tons for 2021, a decline from previous guidance of 30,000 – 34,000 tons. For 2022, the company expect improvement in the refined tin production. We expect refined tin production of 30,000 tons for 2022.

Maintain HOLD. We raise our TP to IDR1,800 (DCF valuation WACC of 11.8%) post better than expected 9M21 result and raise our tin price assumption for 2021 and 2022. Nonetheless, given limited upside, we maintain our HOLD recommendation. The main upside potential comes from a further increase in the refined tin price and better-than-expected production volume.

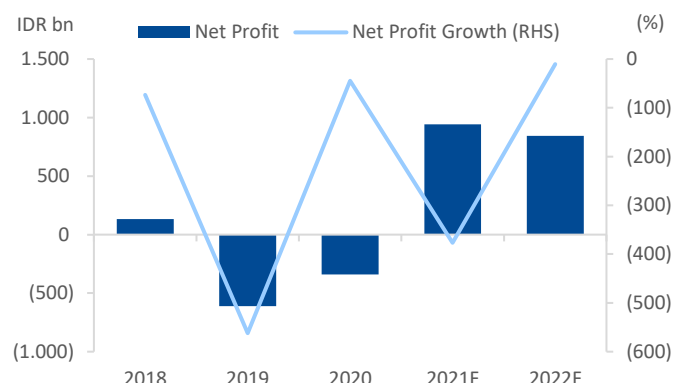
Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	19,342	15,216	13,647	14,483	15,034
EBITDA (IDRbn)	769	1,039	2,481	2,344	2,093
EBITDA Growth (%)	5.2	35.1	138.7	(5.5)	(10.7)
Net profit (IDRbn)	(611)	(341)	943	844	684
EPS (IDR)	(82.1)	(45.7)	126.6	113.4	91.9
EPS growth (%)	-562.1	-44.3	-376.9	-10.5	-19.0
BVPS (IDR)	706.0	663.3	804.3	917.6	952.8
DPS (IDR)	8.9	0.0	0.0	0.0	56.7
PER (x)	n/m	n/m	12.6	14.1	17.4
PBV (x)	2.3	2.4	2.0	1.7	1.7
Dividend yield (%)	0.6	0.0	0.0	0.0	3.5
EV/EBITDA (x)	27.1	16.7	6.3	6.4	7.0

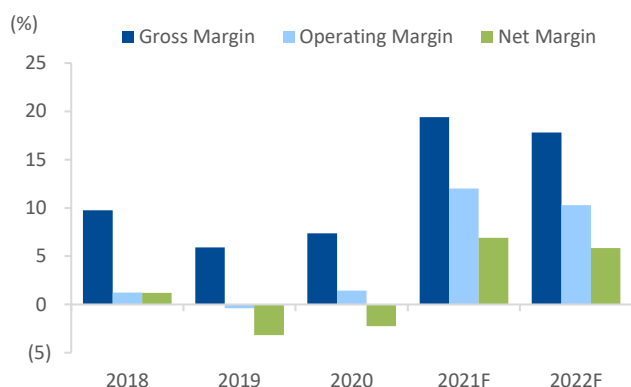
Source : TINS, BRI-Danareksa Estimates

Exhibit 1. Revenues and Growth


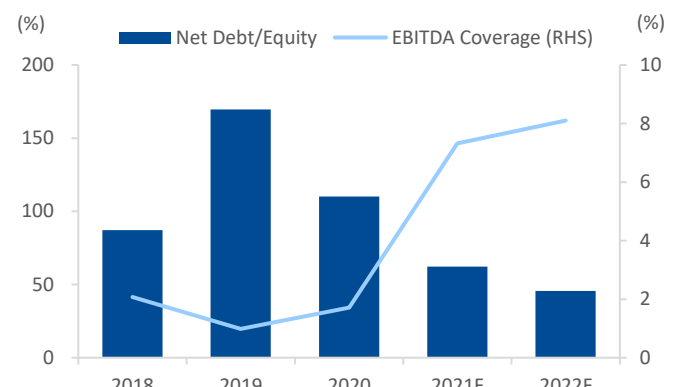
Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 5. 9M21 earnings – above previous expectations

Operational performance	3Q20	2Q21	3Q21	QoQ,%	YoY,%	9M20	9M21	YoY, %	2021F	A/F, %
Tin metal, tons										
Production	9,755	6,695	7,205	7.6	(26.1)	37,588	19,120	(49.1)	25,000	76
Sales	14,040	6,611	6,536	(1.1)	(53.4)	45,548	19,059	(58.2)	25,000	76
Tin ASP, US\$/ton	17,665	30,442	34,565	13.5	95.7	16,832	30,158	79.2	32,000	94
Financial performance	3Q20	2Q21	3Q21	QoQ,%	YoY,%	9M20	9M21	YoY, %	2021F	A/F, %
Revenue, IDRbn	3,903	3,424	3,829	11.8	(1.9)	11,933	9,699	(18.7)	13,647	71
COGS, IDRbn	(3,409)	(2,618)	(2,962)	13.2	(13.1)	(11,223)	(7,703)	(31.4)	(11,000)	70
Gross profit, IDRbn	495	807	867	7.4	75.3	710	1,997	181.1	2,648	75
Operating profit, IDRbn	292	499	565	13.3	93.5	65	1,194	1,742.2	1,639	73
Net profit, IDRbn	135	260	342	31.7	153.4	(255)	612	n.a.	943	65
Gross margin, %	12.7	23.6	22.6	(0.9)	10.0	6.0	20.6	14.6	19.4	
Operating margin, %	7.5	14.6	14.7	0.2	7.3	0.5	12.3	11.8	12.0	
Net margin, %	3.5	7.6	8.9	1.3	5.5	(2.1)	6.3	8.4	6.9	

Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 6. Changes in our forecasts

	New		Previous		Change (%)	
	2021F	2022F	2021F	2022F	2021F	2022F
Refined tin sales volume (tons)	25,000	30,000	34,000	40,000	(26.5)	(25.0)
Refined tin ASP (USD/ton)	32,000	30,000	23,000	22,000	39.1	36.4
COGS per ton (USD/ton)	27,520	26,100	20,585	19,580	33.7	33.3
Margin per ton (USD/ton)	4,480	3,900	2,415	2,420	85.5	61.2
Revenue (IDRbn)	13,647	14,483	12,740	13,689	7.1	5.8
EBITDA (IDRbn)	2,481	2,344	1,765	1,840	40.6	27.4
Net Profit (IDRbn)	943	844	311	359	203.8	135.1

Source: BRI-Danareksa Sekuritas estimates

Exhibit 7. TINS is trading at slightly below +1SD PB Band...



Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 8. and at -1SD EV/EBITDA Band



Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	19,342	15,216	13,647	14,483	15,034
COGS	(18,198)	(14,096)	(11,000)	(11,903)	(12,677)
Gross profit	1,144	1,120	2,648	2,579	2,357
EBITDA	769	1,039	2,481	2,344	2,093
Oper. profit	(78)	217	1,639	1,490	1,227
Interest income	28	30	16	12	12
Interest expense	(782)	(607)	(339)	(289)	(289)
Forex Gain/(Loss)	(46)	121	(34)	(40)	0
Income From Assoc. Co's	(9)	(8)	0	0	0
Other Income (Expenses)	166	(24)	34	0	0
Pre-tax profit	(721)	(270)	1,316	1,173	950
Income tax	114	(67)	(368)	(328)	(266)
Minority interest	0	0	0	0	0
Net profit	(611)	(341)	943	844	684
Core Net Profit	(694)	(388)	982	884	684

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	1,599	807	583	616	919
Receivables	1,682	1,236	1,452	1,558	1,617
Inventory	6,501	2,881	2,809	2,838	3,094
Other Curr. Asset	2,523	1,632	1,176	1,171	1,216
Fixed assets - Net	3,601	3,436	3,413	3,580	3,536
Other non-curr.asset	4,455	4,524	4,143	4,159	4,177
Total asset	20,361	14,518	13,577	13,922	14,558
ST Debt	8,412	3,802	3,067	2,500	2,500
Payables	1,969	885	1,808	1,957	2,084
Other Curr. Liabilities	1,577	1,178	455	432	513
Long Term Debt	2,102	2,449	1,241	1,226	1,226
Other LT. Liabilities	1,043	1,263	1,016	972	1,139
Total Liabilities	15,103	9,578	7,587	7,088	7,462
Shareholder's Funds	5,258	4,940	5,990	6,834	7,096
Minority interests	0	0	0	0	0
Total Equity & Liabilities	20,361	14,518	13,577	13,922	14,558

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	(611)	(341)	943	844	684
Depreciation and Amort.	670	736	830	840	851
Change in Working Capital	(1,444)	4,105	558	5	(197)
Other Oper. Cash Flow	558	838	443	277	335
Operating Cash Flow	(827)	5,338	2,774	1,966	1,674
Capex	(1,365)	(889)	(800)	(1,000)	(800)
Others Inv. Cash Flow	(994)	164	84	(61)	141
Investing Cash Flow	(2,359)	(726)	(716)	(1,061)	(659)
Net change in debt	4,969	(4,862)	(1,944)	(582)	0
New Capital	0	64	0	0	0
Dividend payment	(186)	0	0	0	(422)
Other Fin. Cash Flow	(782)	(607)	(339)	(289)	(289)
Financing Cash Flow	4,001	(5,405)	(2,282)	(871)	(711)
Net Change in Cash	815	(792)	(224)	33	303
Cash - begin of the year	785	1,599	807	583	616
Cash - end of the year	1,599	807	583	616	919

Exhibit 12. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	75.6	(21.3)	(10.3)	6.1	3.8
EBITDA	5.2	35.1	138.7	(5.5)	(10.7)
Operating profit	(158.2)	(377.2)	653.6	(9.1)	(17.6)
Net profit	(562.1)	(44.3)	(376.9)	(10.5)	(19.0)
Profitability (%)					
Gross margin	5.9	7.4	19.4	17.8	15.7
EBITDA margin	4.0	6.8	18.2	16.2	13.9
Operating margin	(0.4)	1.4	12.0	10.3	8.2
Net margin	(3.2)	(2.2)	6.9	5.8	4.6
ROAA	(3.4)	(2.0)	6.7	6.1	4.8
ROAE	(10.7)	(6.7)	17.3	13.2	9.8
Leverage					
Net Gearing (x)	1.7	1.1	0.6	0.5	0.4
Interest Coverage (x)	(0.1)	0.4	4.8	5.2	4.2

Source : TINS, BRI-Danareksa Estimates

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