

PT Timah (TINS)

Boon from energy transition

26 September 2022



TINS II	BUY
Sector	Metals
Price at 23 Sept. 2022 (Rp)	1,400
Price target (Rp)	1,700
Upside/Downside (%)	21.4

Stock Information

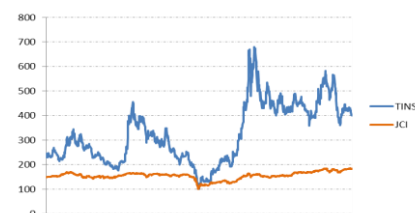
PT Timah is a member of MIND ID, whose scope of activities includes mining, industry, trading, transportation and services. The company's core business is centered around tin mining operations and has several subsidiaries engaging in shipbuilding, and engineering.

Market cap (Rp bn)	10,501
Shares outstanding (mn)	7,488
52-week range (Rp)	1,270-1,985
3M average daily vol. ('000)	38,988
3M average daily val. (Rp mn)	57,392

Shareholders (%)

Inalum	65.0
Public	35.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(6.9)	(5.1)	(4.7)

- TINS' 1H22 net profit skyrocketed 300.7% YoY to Rp1.1tn (-20.1% QoQ)
- We expect revenue and net profit of Rp15.4tn and Rp1.6tn in 2022, respectively
- We reiterate our "BUY" call with 21% upside potential on a 12-month view on growing demands from renewable industry and electronic devices

Above estimate

TINS' net profit jumped 300.7% YoY in 1H22 to Rp1.08tn (-20.1% QoQ), accounting for 68.1% of our FY forecast. The higher profit YoY was mainly propped up by strong revenue +27.4% YoY to Rp7.5tn in 1H22 (-29.8% QoQ) combined with finance costs that fell 47.6% YoY in 1H22 to Rp101.0bn. Meanwhile, cost of revenue grew 16.1% YoY in 1H22 (-33.3% QoQ), which is controllable in our view. This brought gross margin to expand from 19.2% in 1H21 to 26.4% in 1H22 (24.9% in 1Q22 to 28.6% in 2Q22). Furthermore, operating expenses also went up 10.0% YoY (+63.7% QoQ), largely due to higher G&A. Nevertheless, operating margin escalated from 10.7% in 1H21 to 19.1% in 1H22 (down from 20.2% in 1Q22 to 17.6% in 2Q22). EBITDA margin at 24.1% (17.6% in 2Q22), compared to 17.7% in 1H21. TINS' net gearing was improved in 1H22 at 17.1%.

Boosted by strong ASP

The company's revenue growth in 1H22 was mainly driven by higher ASP +47.6% YoY to USD41,110/MT. Meanwhile, sales of refined tin declined by 20.6% YoY (-31.8% QoQ). The lower sales volume in 1H22 was in line with sluggish production of refined tin in 1H22 -26.1% YoY (-17.3% QoQ), while production of tin ore contracted 13.6% YoY in 1H22 (+19.6% QoQ). On the other hand, contribution of other segments' revenue stood at 7.6% in 1H22, compared to 5.8% in 1H21 in which coal business made up 54.2% of other segments' revenue.

Dragged by tightening monetary

We expect TINS revenue and net profit growth of 6% YoY and c. 22 % YoY in 2022, respectively. We estimate tin price hikes to slow down in 2H22, impacted by aggressive FFR hikes that will accelerate recession. In addition, we also view that China's economic recovery will be slower-than-expected this year due to its covid-19 policies. Thus, we anticipate ASP to moderate at USD37,900 in 2022. While the government's plan to restrict tin export will provide upside room on global price, we doubt such policies will be immediately finalized as domestic downstream is still lagging, since 90% of TINS' sales comes from export market. Furthermore, TINS' sales volume is expected to lower to 22,000 MT in line with soft production volume. With TSL ausmelt furnace due to be operational by November, management expects the purification smelter to be able to improve efficiency by 25-34%.

Reiterate BUY on the back of growing renewable industry

We maintain our BUY call with a price target of Rp1,700/share, implying 2022E EV/EBITDA of 4.8x. We are optimistic with TINS' performance, helped by 1) ASP increase YoY, boosted by post-pandemic demand from EV, solar panel and electronic devices; 2) an initiation of smelter operation; 3) strong USD; 4) its position as one of the world's largest tin producer and 5) improving leverage. Nevertheless, we note several downside risks to our recommendation namely 1) lower-than-expected ASP due China's slow recovery and fear over recession following FFR hikes; 2) sluggish production volume due to rampant illegal mining; and 3) change in government's policies.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	15,216	14,607	15,439	13,475	13,278
Gross profit (Rp bn)	1,120	3,434	3,754	2,588	1,878
Gross profit margin	7.4%	23.5%	24.3%	19.2%	14.1%
EBITDA (Rp bn)	1,029	3,056	2,849	1,954	1,291
EBITDA margin (%)	6.8%	20.9%	18.5%	14.5%	9.7%
Net profit (Rp)	(341)	1,303	1,588	851	430
Net profit margin	(2.2%)	8.9%	10.3%	6.3%	3.2%
EPS	(45.7)	174.9	213.2	114.2	57.7
ROAA (%)	-	8.9%	10.6%	5.5%	2.8%
ROAE (%)	-	23.2%	22.9%	10.7%	5.0%
EV/EBITDA (x)	17.6	4.9	4.8	6.6	11.3
PER (x)	-	9.7	8.0	14.9	29.5
PBV (x)	2.6	2.0	1.7	1.5	1.5

Analyst

Devi Harjoto

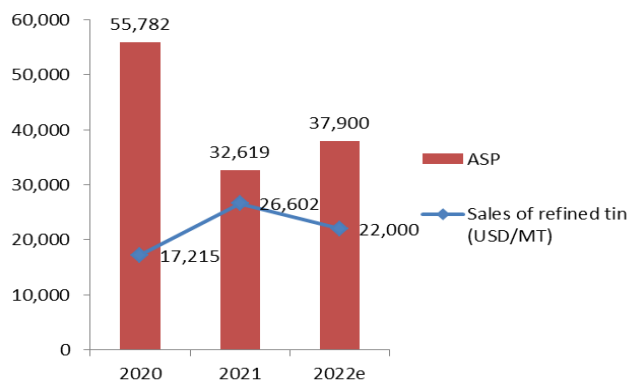
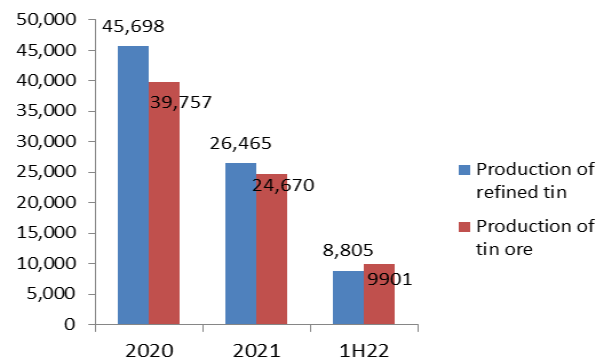
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TINS' Financial Overview

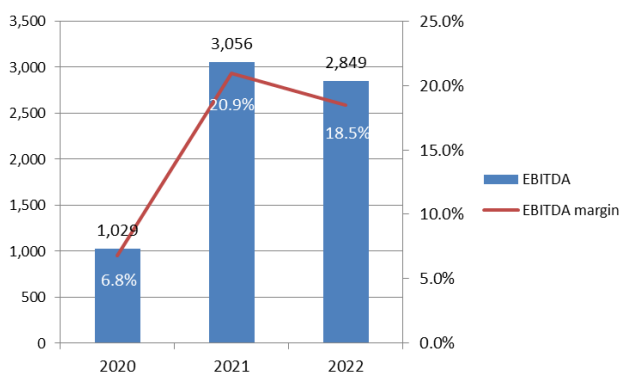
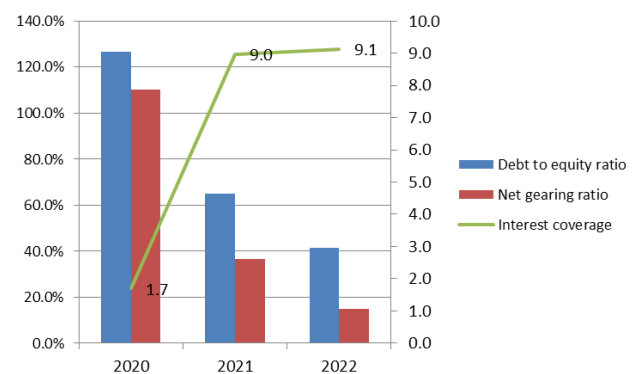
Consolidated Statements of Profit or Loss (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Revenue	5,870	7,479	27.4%	4,393	3,086	(29.8%)
Cost of revenue	(4740)	(5501)	16.1%	(3,299)	(2,202)	(33.3%)
Gross profit	1,130	1,978	75.0%	1,094	884	(19.2%)
Gross profit margin	19.2%	26.4%		24.9%	28.6%	
Operating expenses	(500)	(550)	10.0%	(209)	(342)	63.7%
Operating profit	630	1,427	126.7%	885	542	(38.7%)
Operating profit margin	10.7%	19.1%		20.1%	17.6%	
EBITDA	1,038	1,806	73.9%	1,070	542	(49.3%)
EBITDA margin	17.7%	24.1%		24.3%	17.6%	
Net. Other income/expenses	(205)	(22)	(89.3%)	(36)	15	(139.8%)
Profit before tax	425	1,405	230.9%	849	557	(34.4%)
Income tax	(164)	(323)	96.5%	(247)	(76)	(69.2%)
Net profit	270	1,082	300.7%	601	481	(20.1%)
Net profit margin	10.7%	19.1%		20.1%	17.6%	

Source: Company, KB Valbury Sekuritas

TINS operational overview

Exhibit 1. Sales and ASP of refined tin
Sources: Companies, KB Valbury SecuritiesExhibit 2. Production of refined tin and tin ore
Sources: Companies, KB Valbury Securities

TINS profitability and leverage metrics

Exhibit 3: TINS' EBITDA and EBITDA margin
Sources: Companies, KB Valbury SecuritiesExhibit 4: The company's leverage metrics
Sources: Companies, KB Valbury Securities

PT Timah (TINS)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Sales	15,216	14,607	15,439	13,475	13,278
COGS	(14,096)	(11,173)	(11,684)	(10,887)	(11,400)
Gross profit	1,120	3,434	3,754	2,588	1,878
Gross profit margin	7.4%	23.5%	24.3%	19.2%	14.1%
Operating expenses	(902)	(1,195)	(1,303)	(1,062)	(1,048)
Operating profit	217	2,239	2,451	1,525	830
Operating profit margin	1.4%	15.3%	15.9%	11.3%	6.3%
EBITDA	740	1,029	3,056	2,849	1,954
EBITDA margin	3.8%	6.8%	20.9%	18.5%	14.5%
Net. Finance income/ expenses	96	(90)	(60)	(41)	(59)
Pretax profit	(270)	1,729	2,117	1,134	573
Income tax	(67)	(425)	(529)	(284)	(143)
After tax profit	(341)	1,303	1,588	851	430
Net profit margin	(2.2%)	8.9%	10.3%	6.3%	3.2%

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	807	1,782	2,001	3,710	894
Trade receivables	1,198	1,871	1,560	1,277	1,610
Inventories	2,881	3,106	3,767	2,637	3,877
Other current assets	1,671	665	571	597	776
Total current assets	6,557	7,424	7,899	8,221	7,156
Non-current assets					
Fixed assets	3,517	3,448	3,466	3,985	4,025
Investment in properties	1,627	1,661	1,661	1,744	1,661
Mining properties	341	257	270	283	297
Other non-current assets	2,475	1,901	2,031	1,620	2,086
Total non-current assets	7,960	7,267	7,427	7,633	8,069
Total assets	14,518	14,691	15,326	15,854	15,226
Current liabilities					
Trade payables	885	886	1,563	1,107	1,151
Taxes payables	21	368	257	77	66
Accrued expenses	102	144	296	148	155
Short term finance liabilities	3,802	2,655	1,499	2,203	1,503
Other current liabilities	1,056	1,633	1,323	1,106	1,121
Total current liabilities	5,865	5,686	4,938	4,641	3,996
Non-current liabilities					
Bond payables	2,449	1,434	1,623	1,699	1,307
Other non-current liabilities	1,263	1,262	1,207	1,182	1,161
Total non-current liabilities	3,712	2,697	2,830	2,881	2,468
Shareholders' equity	4,940	6,308	7,558	8,332	8,762
Total liabilities and equity	14,518	14,691	15,326	15,854	15,226

Source: Company, KB Valbury Sekuritas

PT Timah (TINS)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	(341)	1,303	1,588	851	430
Depreciation & amortization	811	817	398	428	461
Changes in working capital	4,074	1,076	153	384	(1,696)
CF from operating activities	4,545	3,196	2,138	1,663	(806)
Investment in fixed assets	(727)	(748)	(415)	(948)	(500)
Mining properties	45	85	(13)	(13)	(14)
Investment in properties	(127)	(35)	0	(83)	83
Others	0	1	(0)	0	(0)
CF from investing activities	(718)	(123)	(557)	(635)	(897)
Dividends paid	0	0	(456)	0	0
Debt raised/ repaid	(4,862)	(2,162)	(968)	781	(1,092)
Others	0	0	0	(0)	(0)
CF from financing activities	(4,619)	(2,098)	(1,362)	680	(1,113)
Free cash flows	(792)	975	219	1,709	(2,816)
Cash and cash equivalents, beginning	1,599	807	1,782	2,001	3,710
Cash and cash equivalents, ending	807	1,782	2,001	3,710	894

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin	7.4%	23.5%	24.3%	19.2%	14.1%
Operating profit margin	1.4%	15.3%	15.9%	11.3%	6.3%
EBITDA margin	6.8%	20.9%	18.5%	14.5%	9.7%
Net profit margin	(2.2%)	8.9%	10.3%	6.3%	3.2%
Receivables turnover (x)	10.8	9.5	9.0	9.5	9.2
Inventory turnover (x)	3.0	3.7	3.4	3.4	3.5
Payable turnover (x)	2.5	3.2	9.0	9.0	9.0
ROAA	-	8.9%	10.6%	5.5%	2.8%
ROAE	-	23.2%	22.9%	10.7%	5.0%
ROIC	-	15.1%	18.3%	10.0%	4.0%
Debt/ Equity (x)	1.3	0.6	0.4	0.5	0.3
Net debt/Equity (x)	1.1	0.4	0.1	0.0	0.2
Net debt/ EBITDA (x)	5.3	0.8	0.4	0.1	1.5
Sales/ Assets turnover (x)	0.9	1.0	1.0	0.9	0.9
Interest coverage (x)	1.7	9.0	9.1	5.3	5.6
Dividend per share (Rp)	0.0	0.0	61.2	0.0	0.0
BV/ Share (Rp)	663.3	847.0	1,014.7	1,118.7	1,176.4

Source: Company, KB Valbury Sekuritas

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