

Timah Tbk (TINS)

Masih Menarik di Tengah Kondisi Global yang Kondusif

Peningkatan ASP Sejalan dengan Tren Harga Timah Dunia

Pada 4Q17 TINS mencatatkan penjualan sebesar Rp2,6 triliun (+13,5% y-y) yang ditopang oleh peningkatan ASP. ASP tin metal, dan tin solder masing-masing sebesar USD20.429/TNi (+11,0% y-y) dan USD19.983/TNi (+11,8% y-y). Kami mengamati bahwa peningkatan ASP ini sejalan dengan tren kenaikan harga timah global.

Margin Tertekan pada 4Q17

Meskipun TINS mengalami peningkatan penjualan, TINS juga membukukan peningkatan COGS sebesar 24,6% y-y menjadi Rp2,2 triliun. Hal ini mengakibatkan tekanan terhadap margin. **Gross margin tercatat hanya sebesar 14,4%** yang lebih rendah dari *gross margin* sebesar 22,0% pada 4Q16.

Selain itu, EBIT margin juga tercatat 5,4% yang lebih rendah dari EBIT margin 14,7% pada 4Q16. Namun, peningkatan pendapatan lain-lain mampu sedikit menaikkan *bottom line*. *Net profit* pada 4Q17 tercatat Rp202 miliar yang **tumbuh 0,3% y-y**.

Prediksi: Sales Volume 2018 yang Lebih Tinggi

Kami memperkirakan bahwa pada 2018 TINS akan membukukan kenaikan volume penjualan. Pada 2018 volume penjualan *refined tin* akan mencapai 32.770 ton yang meningkat dibandingkan realisasi penjualan sebesar 29.000 ton pada 2017.

Pasar Amerika yang sudah dijajaki oleh TINS sejak pertengahan 2017 mampu mendongkrak volume penjualan *tin chemical* hingga dua kali lipat. Di sisi lain, revisi IMF atas pertumbuhan ekonomi China pada 2018 dari 6,5% menjadi 6,6% menandakan **permintaan dari China akan tetap kuat**.

Timah Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	6,968	9,217	11,557	11,738
<i>Sales growth</i>	1.1%	32.3%	25.4%	1.6%
EBITDA	1,476	1,351	1,490	1,488
Net profit	252	502	641	652
EPS (IDR)	34	67	86	88
<i>EPS growth</i>	120.3%	99.6%	27.6%	1.7%
BVPS (IDR)	759	814	890	965
EBITDA margin	21.2%	14.7%	12.9%	12.7%
NPM	3.6%	5.5%	5.5%	5.6%
ROE	4.6%	8.6%	10.1%	9.4%
ROA	2.7%	4.7%	5.4%	5.3%
ROIC	3.5%	5.8%	5.9%	6.4%
P/E	31.8x	11.5x	11.8x	11.6x
P/BV	1.4x	1.0x	1.1x	1.1x
EV/EBITDA	6.2x	6.0x	6.5x	5.8x
DPS (IDR)	10	10	13	13
<i>Dividend yield</i>	0.9%	1.3%	1.2%	1.3%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	1,240
Consensus Price (IDR)	1,281
TP to Consensus Price	-3.2%
vs. Last Price	+22.2%

Shares data

Last Price (IDR)	1,015
Price date as of	Mar 26, 2018
52 wk range (Hi/Low)	1,215/755
Free float (%)	35.0
Outstanding sh.(mn)	7,448
Market Cap (IDR bn)	7,336
Market Cap (USD mn)	534
Avg. Trd Vol - 3M (mn)	31.97
Avg. Trd Val - 3M (bn)	32.70
Foreign Ownership (%)	6.50

Mining

Metal & Mineral

Bloomberg

TINS IJ

Reuters

TINS.JK

Yuni

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Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	28.5%	4.1%	30.1%	9.1%
Rel. Ret.	30.7%	8.4%	31.4%	-2.8%

Target Harga Rp1.240

Kami menggunakan estimasi *forward* EV/EBITDA sebesar 7,7x (+2SD dari rata-rata dua tahun terakhir) sebagai basis metode valuasi untuk memperoleh target harga pada Desember 2018. Target harga ini mengimplikasikan EV/EBITDA 2018E sebesar 7,6 (vs 6,5x saat ini).

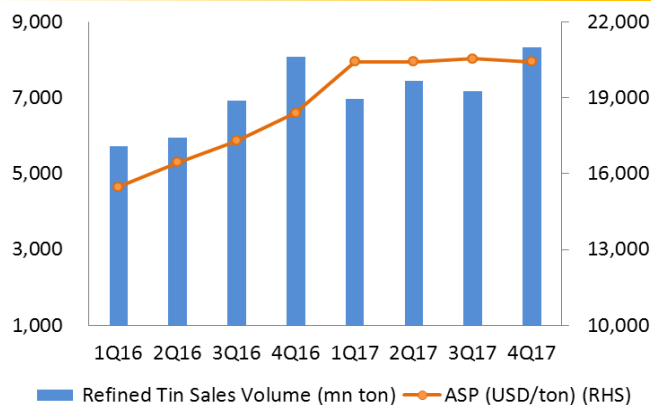
Sekilas Tentang TINS

TINS merupakan perusahaan milik negara yang didirikan pada 02 Agustus 1976, dan bergerak di bidang pertambangan timah. TINS adalah produsen timah terbesar di Indonesia dan satu-satunya yang terdaftar di Bursa Efek Indonesia.

Kegiatan TINS meliputi eksplorasi, eksploitasi, penambangan, pengolahan, dan pemasaran. Pada akhir 2017, TINS mulai berekspansi ke Nigeria untuk mencari sumber cadangan baru. Produk TINS meliputi logam timah, tin chemical, dan tin solder.

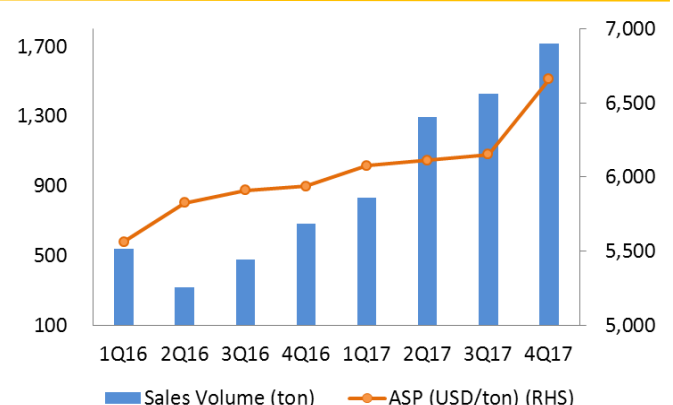
Lebih dari 95% produk timah TINS diekspor ke pasar China. Pada pertengahan 2017, TINS berkerja sama dengan perusahaan timah China: Yunan Tin untuk menjual produk tin chemical di pasar Amerika Serikat.

Refined Tin Sales Volume & ASP | 1Q16 - 4Q17



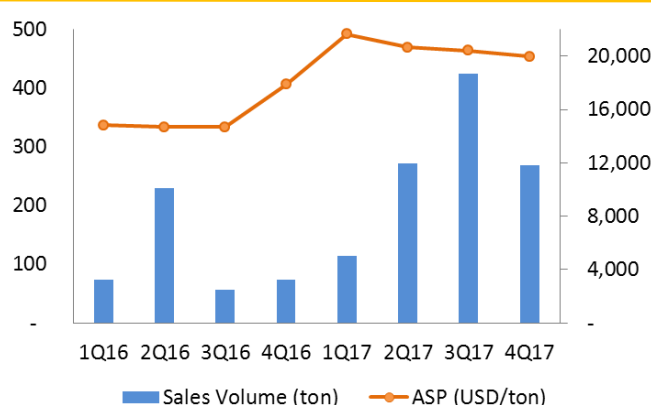
Source: Company, NHKS Research

Tin Chemical Sales Volume & ASP | 1Q16 - 4Q17



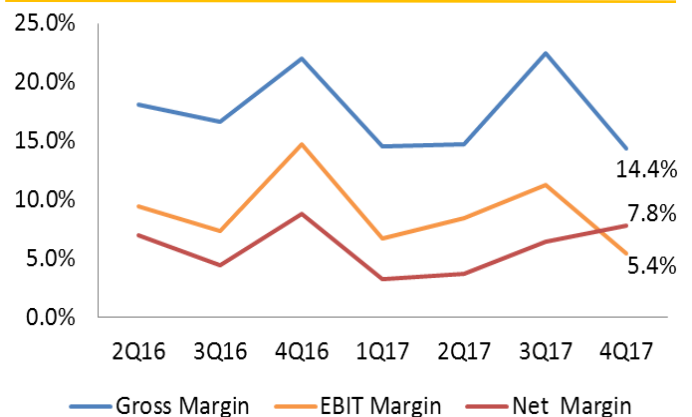
Source: Company, NHKS Research

Tin Solder Sales Volume & ASP | 1Q16 - 4Q17



Source: Company, NHKS Research

Margin Performance | 2Q16 - 4Q17



Source: Company, NHKS Research

Multiple Valuation

Forward EV/EBITDA band | Last 2 years



Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 2 years



Source: NHKS research

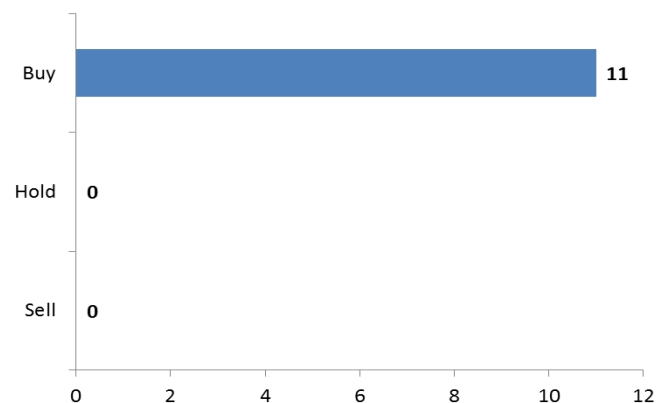
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
7/19/2017	Buy	870	755	1,099	+15.2%	-20.80%
9/20/2017	Buy	1,070	890	1,181	+20.2%	-9.4%
1/16/2018	Buy	1,140	885	1,165	+28.8%	-2.1%
29/03/2018	Buy	1,240	1,015	1,281	+22.2%	-3.2%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

TINS Summary		
Last Price (IDR)	March 26, 2018	1,015
Target Price (IDR)	Dec 2018	1,240
Analyst: Yuni	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	6,968	9,217	11,557	11,738
Growth (% y/y)	1.1%	32.3%	25.4%	1.6%
COGS	(5,873)	(7,692)	(9,623)	(9,828)
Gross Profit	1,095	1,526	1,934	1,910
Gross Margin	15.7%	16.6%	16.7%	16.3%
Operating Expenses	(597)	(795)	(984)	(968)
EBIT	498	731	950	942
EBIT Margin	7.1%	7.9%	8.2%	8.0%
Depreciation	978	620	540	546
EBITDA	1,476	1,351	1,490	1,488
EBITDA Margin	21.2%	14.7%	12.9%	12.7%
Interest Expenses	(113)	(198)	(219)	(191)
EBT	415	821	929	1,012
Income Tax	(163)	(319)	(288)	(361)
Minority Interest	-	0	0	0
Net Profit	252	502	641	652
Growth (% y/y)	120.3%	99.6%	27.6%	1.7%
Net Profit Margin	3.6%	5.5%	5.5%	5.6%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	564	1,357	1,448	2,292
Receivables	821	1,478	1,688	1,545
Inventories	2,309	2,509	3,317	2,841
Total Current Assets	5,238	6,997	8,190	8,372
Net Fixed Assets	2,383	2,628	2,401	2,283
Other Non Current Assets	1,928	2,251	1,447	1,726
Total Assets	9,549	11,876	12,038	12,381
Payables	661	892	906	930
ST Bank Loan	1,733	2,192	2,053	1,847
Other Current Liab.	667	319	325	331
LT Debt	-	1,500	1,500	1,500
Other Non Current Liab.	834	912	625	586
Total Liabilities	3,895	5,815	5,409	5,194
Shareholders' Equity	5,654	6,061	6,629	7,187

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	252	502	641	652
Deprec & Amortization	978	620	540	546
Chg. In Working Capital	(258)	(1,785)	(1,082)	692
CFO	972	(662)	99	1,890
Capex	(535)	(803)	(313)	(428)
CFI	(548)	(806)	204	(746)
Dividends Paid	-	-	(74)	(94)
Net Borrowing (PMT)	(349)	1,959	(139)	(206)
CFF	(358)	1,955	(212)	(300)
Net Changes in Cash	66	486	91	844

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	93.5	Republic of Indonesia
United States	5.9	Dimensional Fund
Ireland	0.4	Vanguard group
Canada	0.08	Blackrock Fund Adv.

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	4.6%	8.6%	10.1%	9.4%
ROA	2.7%	4.7%	5.4%	5.3%
ROIC	3.5%	5.8%	5.9%	6.4%
EBITDA/Equity	26.8%	23.1%	23.5%	21.5%
EBITDA/Assets	2.7%	4.7%	5.4%	5.3%
Cash Dividend (IDR bn)	76	74	94	96
Dividend Yield (%)	0.9%	1.3%	1.2%	1.3%
Payout Ratio (%)	30.0%	14.7%	14.7%	14.7%
DER	30.7%	60.9%	53.6%	46.6%
Net Gearing	30.4%	60.2%	53.0%	46.1%
LT Debt to Equity	0.0%	24.7%	22.6%	20.9%
Capitalization Ratio	23.5%	37.9%	34.9%	31.8%
Equity Ratio	59.2%	51.0%	55.1%	58.0%
Debt Ratio	18.2%	31.1%	29.5%	27.0%
Financial Leverage	45.0%	42.8%	39.6%	33.9%
Current Ratio	171.1%	205.6%	249.4%	269.4%
Quick Ratio	45.2%	83.3%	95.5%	123.5%
Cash Ratio	18.4%	39.9%	44.1%	73.7%
Cash Conversion Cycle	163	123	126	131
Par Value (IDR)	50	50	50	50
Total Shares (mn)	7,448	7,448	7,448	7,448
Share Price (IDR)	1,075	775	1,015	1,015
Market Cap (IDR bn)	8,006	5,772	7,559	7,559

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	31.8x	11.5x	11.8x	11.6x
Price /Book Value	1.4x	1.0x	1.1x	1.1x
Price/Sales	1.1x	0.6x	0.7x	0.6x
PE/EPS Growth	0.3x	0.1x	0.4x	6.9x
EV/EBITDA	6.2x	6.0x	6.5x	5.8x
EV/EBIT	18.4x	11.1x	10.2x	9.1x
EV (IDR bn)	9,176	8,107	9,664	8,615
Sales CAGR (3-Yr)	6.0%	7.0%	18.8%	19.0%
EPS CAGR (3-Yr)	-21.2%	-9.3%	77.7%	37.3%
Basic EPS (IDR)	34	67	86	88
Diluted EPS (IDR)	34	67	86	88
BVPS (IDR)	759	814	890	965
Sales PS (IDR)	936	1,238	1,552	1,576
DPS (IDR)	10	10	13	13

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF				
NOPAT	302	447	581	606
+Depr./Amor.	978	620	540	546
-CAPEX	(535)	(803)	(313)	(428)
-Incr. (Decr.) in Working Cap.	(258)	(1,785)	(1,082)	692
(Unlevered) FCFE	487	(1,520)	(274)	1,416
WACC				
Cost of Debt (Tax Adj.)	6.5%	5.8%	6.3%	6.1%
Cost of Equity (COE)	9.6%	10.0%	10.6%	10.6%
WACC (%)	9.2%	8.9%	9.1%	9.2%
RIM				
Spread (FROE-COE) (%)	-4.9%	-1.1%	0.0%	-0.7%
Residual Income (IDR bn)	(264)	(61)	(0)	(49)
Equity Charge	515	564	641	701
EVA				
Invested Capital (IDR bn)	7,486	7,387	9,753	10,182
ROIC-WACC (%)	-5.2%	-2.9%	-3.2%	-3.2%
EVA (IDR bn)	(388)	(212)	(309)	(329)

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