

# Timah Tbk (TINS)

## Recovery in Global Demand amid Volatile Supply

Company Report | Jan 16, 2018

### Buy

<b>Dec 2018 TP (IDR)</b>	<b>1,140</b>
Consensus Price (IDR)	1,165
TP to Consensus Price	-2.1%
vs. Last Price	+28.8%

#### Shares data

Last Price (IDR)	885
Price date as of	Jan 12, 2018
52 wk range (Hi/Lo)	1,170/715
Free float (%)	35.0
Outstanding sh.(mn)	7,448
Market Cap (IDR bn)	6,666
Market Cap (USD mn)	500
Avg. Trd Vol - 3M (mn)	18.14
Avg. Trd Val - 3M (bn)	15.54
Foreign Ownership	0.10%

#### Mining

#### Metal & Mineral

Bloomberg	<b>TINS.IJ</b>
Reuters	<b>TINS.JK</b>

#### Yuni

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#### Buoyant Demand for Tin by China

The recovery in China's industry brings about the buoyant demand for tin in China. This backdrop inevitably impacts on TINS's selling sales performance marking **the upbeat sales volume of its products**. In 3Q17, its metal sales volume edged up 3.8% y-y from 6, 918 tons into 7,184 ton, while its chemical sales volume soared 198.1% y-y into 1,428 tons from 683 tons in 3Q16.

#### Sluggish Supply of Global Mineral

In 2017, the prices of mining commodities, excluding tin experienced rebound; accordingly, the tin price is projected to buoy in 2018 as it follows the prices of other commodities. The buoyant price will likely impact on TINS's sales performance. Based on the global commodities data, the supplies of copper, aluminum, lead, zinc, nickel, and tin continuously slump.

#### Projected Tin Price of USD20,000-USD21,000/Ton

A number of global commodities survey agencies projects that the tin price in 2018 will likely buoy and stand stably at the average of USD20,000-USD21,000/ton. The projection is justified by the buoyant demand for tin products.

#### 3Q17 Performance Overview

TINS posted the hike of 24.6% y-y in revenue from IDR1.8 trillion in 3Q16 into IDR2.3 trillion in 3Q17. The hike was buttressed by the buoyant sales volume and selling price. Additionally, TINS posted a jump of 79.5% in profit from IDR84 billion in 3Q16 into IDR150 billion in 3Q17.

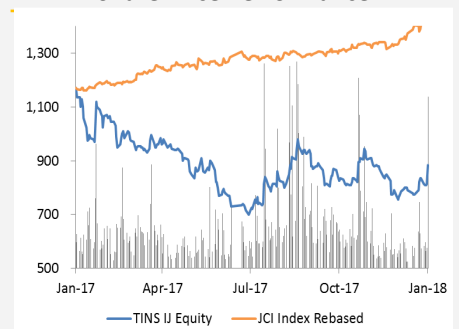
#### Timah, Tbk | Summary (IDR bn)

	2016/12A	2017/12E	2018/12E	2019/12E
Revenue	6,968	8,893	9,049	9,063
<i>Revenue growth</i>	1.1%	27.6%	1.8%	0.2%
EBITDA	1,476	1,541	1,635	1,636
Net profit	252	453	509	513
EPS (IDR)	34	61	68	69
<i>EPS growth</i>	120.3%	80.0%	12.2%	1.0%
BVPS (IDR)	759	801	851	899
EBITDA margin	21.2%	17.3%	18.1%	18.1%
NPM	3.6%	5.1%	5.6%	5.7%
ROE	4.6%	7.8%	8.3%	7.9%
ROA	2.7%	4.3%	4.3%	4.2%
ROIC	3.6%	5.5%	5.4%	0.0%
P/E	31.8x	14.5x	13.0x	12.8x
P/BV	1.4x	1.1x	1.0x	1.0x
EV/EBITDA	6.2x	4.8x	3.8x	4.0x
DPS (IDR)	70	154	172	174
<i>Dividend yield</i>	6.5%	17.4%	19.5%	19.7%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	12.0%	17.2%	7.3%	-24.4%
Rel. Ret.	11.5%	16.7%	-0.2%	-44.7%

### Export of Electronic Products

The December 2017 data of the Ministry of Trade reported that Indonesia's total tin export surged 17% y-y into 7,056 tons. The buoyant export volume was buttressed by the high demand for tin products prerequisite for electronic products. We gauge that in 2018 the demand for tin products will remain high as the demand for gadget soars.

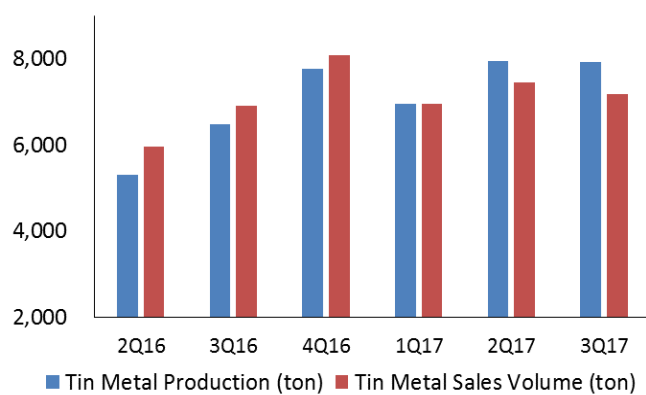
### Expansion to Nigeria

TINS has entered into cooperation with Topwide Venture Limited a Nigeria based Company. Not only does the cooperation embody a business expansion covering from exploration, mining, purification, sale, and marketing but it also forms a strategy for increasing new reserve resource along with the depletion of the existing reserve resource.

### Target Price of Rp1,140

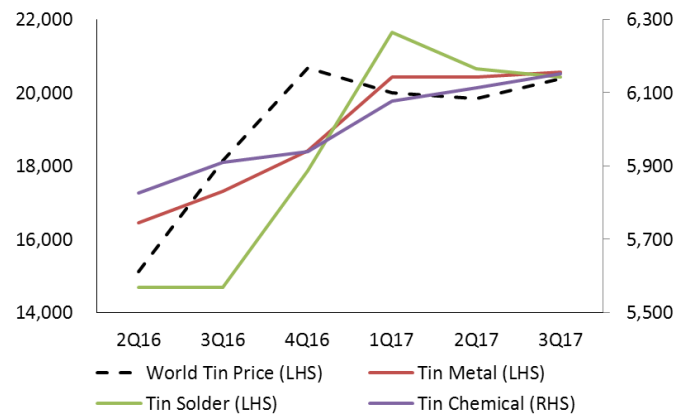
We use an estimate of forward EV/EBITDA of 5.0x (the last 3 years average) as the basis of our valuation method for obtaining the target price of December 2018. The target price implies an 2018E EV/EBITDA of 5.0x (vs 3.8x by now).

Tin Production & Sales Volume | 2Q16 - 3Q17



Source: Company, NHKS Research

ASP Performance (USD/ton) | 2Q16 - 3Q17



Source: Company, NHKS Research

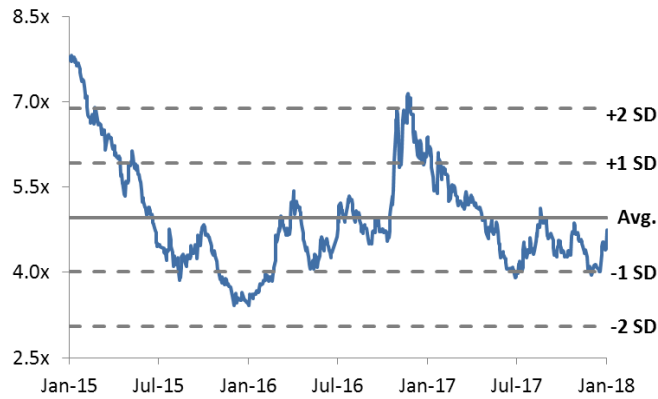
Daily World Tin Price | Nov 01 2017 - Jan 15 2018



Source: Company

## Multiple Valuation

Forward EV/EBITDA band | Last 3 years



Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 3 years



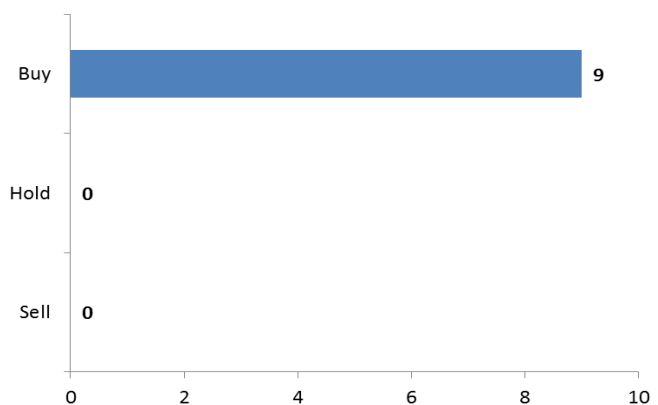
Source: NHKS research

## Rating and target price update

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%

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)	January 12, 2018	885
Target Price (IDR)	Dec 2018	1,140
Analyst: Yuni	Rating:	Buy

### INCOME STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Sales	6,968	8,893	9,049	9,063
Growth (% y/y)	1.1%	27.6%	1.8%	0.2%
COGS	(5,873)	(7,267)	(7,395)	(7,406)
Gross Profit	1,095	1,626	1,655	1,657
Gross Margin	15.7%	18.3%	18.3%	18.3%
Operating Expenses	(597)	(915)	(858)	(856)
EBIT	498	711	797	801
EBIT Margin	7.1%	8.0%	8.8%	8.8%
Depreciation	978	830	838	835
EBITDA	1,476	1,541	1,635	1,636
EBITDA Margin	21.2%	17.3%	18.1%	18.1%
Interest Expenses	(113)	(150)	(155)	(152)
EBT	415	685	769	776
Income Tax	(163)	(232)	(260)	(263)
Minority Interest	-	-	-	-
Net Profit	252	453	509	513
Growth (% y/y)	120.3%	80.0%	12.2%	1.0%
Net Profit Margin	3.6%	5.1%	5.6%	5.7%

### BALANCE SHEET

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	564	2,555	3,923	4,910
Receivables	821	1,010	744	1,068
Inventories	2,309	1,728	2,380	1,734
Total Current Assets	5,238	7,002	8,673	9,380
Net Fixed Assets	2,383	2,443	2,049	1,545
Other Non Current Assets	1,928	2,068	1,696	1,279
Total Assets	9,549	11,513	12,419	12,203
Payables	661	806	687	808
ST Bank Loan	1,733	1,844	2,039	1,510
Other Current Liab.	667	489	485	547
LT Debt	-	1,500	1,500	1,500
Other Non Current Liab.	834	910	1,369	1,140
Total Liabilities	3,895	5,548	6,081	5,505
Shareholders' Equity	5,654	5,965	6,337	6,698

### CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	252	453	509	513
Deprec & Amortization	978	830	838	835
Chg. In Working Capital	(258)	(23)	(425)	463
CFO	972	1,260	922	1,812
Capex	(535)	(825)	(445)	(331)
CFI	(548)	(687)	387	(143)
Dividends Paid	-	(151)	(136)	(153)
Net Borrowing (PMT)	(349)	1,614	195	(529)
CFF	(358)	1,416	59	(681)
Net Changes In Cash	66	1,989	1,368	987

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	93.7	Republic of Indonesia
United States	5.3	Dimensional Fund
Ireland	0.5	Vanguard group
Luxembourg	0.3	Indo Premier

### PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	4.6%	7.8%	8.3%	7.9%
ROA	2.7%	4.3%	4.3%	4.2%
ROIC	3.6%	5.5%	5.4%	0.0%
EBITDA/Equity	26.8%	26.5%	26.6%	25.1%
EBITDA/Assets	2.7%	4.3%	4.3%	4.2%
Cash Dividend (IDR bn)	76	136	153	154
Dividend Yield (%)	6.5%	17.4%	19.5%	19.7%
Payout Ratio (%)	30.0%	30.0%	30.0%	30.0%
DER	30.7%	56.1%	55.8%	44.9%
Net Gearing	30.4%	55.6%	55.4%	44.6%
LT Debt to Equity	0.0%	25.1%	23.7%	22.4%
Capitalization Ratio	23.5%	35.9%	35.8%	31.0%
Equity Ratio	59.2%	51.8%	51.0%	54.9%
Debt Ratio	18.2%	29.0%	28.5%	24.7%
Financial Leverage	168.3%	164.4%	187.2%	190.5%
Current Ratio	171.1%	223.1%	270.0%	327.4%
Quick Ratio	45.2%	113.6%	145.3%	208.6%
Cash Ratio	18.4%	81.4%	122.1%	171.4%
Cash Conversion Cycle	163	102	100	101
Par Value (IDR)	50	50	50	50
Total Shares (mn)	7,448	7,448	7,448	7,448
Share Price (IDR)	1,075	885	885	885
Market Cap (IDR bn)	8,006	6,591	6,591	6,591

### VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	31.8x	14.5x	13.0x	12.8x
Price /Book Value	1.4x	1.1x	1.0x	1.0x
Price/Sales	1.1x	0.7x	0.7x	0.7x
PE/EPS Growth	0.3x	0.2x	1.1x	13.5x
EV/EBITDA	6.2x	4.8x	3.8x	4.0x
EV/EBIT	18.4x	10.4x	7.8x	8.2x
EV (IDR bn)	9,176	7,381	6,208	6,591
Sales CAGR (3-Yr)	6.0%	5.8%	9.5%	9.2%
EPS CAGR (3-Yr)	-21.2%	-12.4%	64.5%	26.8%
Basic EPS (IDR)	34	61	68	69
Diluted EPS (IDR)	34	61	68	69
BVPS (IDR)	759	801	851	899
Sales PS (IDR)	936	1,194	1,215	1,217
DPS (IDR)	70	154	172	174

### DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
<b>DCF</b>				
NOPAT	302	470	527	530
+Depr./Amor.	978	830	838	835
-CAPEX	(535)	(825)	(445)	(331)
-Incr. (Decr.) in Working Cap.	(258)	(23)	(425)	463
(Unlevered) FCFF	487	452	496	1,497
<b>WACC</b>				
Cost of Debt (Tax Adj.)	6.5%	5.4%	6.5%	6.5%
Cost of Equity (COE)	9.6%	10.0%	10.6%	10.6%
WACC (%)	9.2%	9.2%	9.1%	9.3%
<b>RIM</b>				
Spread (FROE-COE) (%)	-4.9%	-2.0%	-2.0%	-2.5%
Residual Income (IDR bn)	(264)	(112)	(122)	(157)
Equity Charge	515	565	631	670
<b>EVA</b>				
Invested Capital (IDR bn)	7,486	7,387	9,309	9,876
ROIC-WACC (%)	-5.1%	-2.8%	-3.5%	-3.9%
EVA (IDR bn)	(384)	(209)	(324)	(387)

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