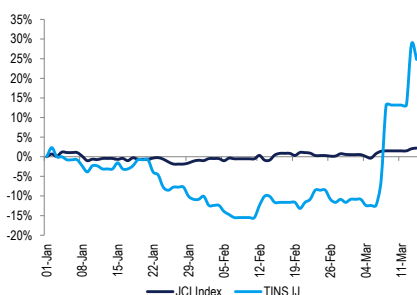


Stock Data

Target price	N/A
Prior TP	N/A
Current price	Rp805
Upside/downside	N/A
Shares outstanding (mn)	7,448
Market cap (Rp bn)	6,591
Free float	29%
Avg. 6m daily T/O (Rp bn)	11

Price Performance

	3M	6M	12M
Absolute	32.0%	-3.6%	-22.6%
Relative to JCI	26.9%	-10.8%	-34.7%
52w low/high (Rp)	545 – 1,050		



Major Shareholders

Mineral Industri Indonesia	65.0%
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Another attempt in illegal mining clampdown; but execution is the key

- We like tin as a commodity on its potential supply-demand deficit, thanks to limited refining projects in the future & higher incentive price.
- However, the main story on tin market and TINS are the potential illegal mining clampdown, following recent investigation of 5 private tin miners.
- We remain skeptical due to previous unsuccessful attempts (most recent in 2019), but positive sentiments may drive share price performance.

Tin 101: silvery white tiny metal with significant market concentration

We like tin as commodity as we expect future supply to be outpaced by demand growth with incentive price to build new projects much higher (>US\$30k/ton) than current price of US\$27k/ton, positive in medium to long-term. **Tin 101:** tin is silvery white metal with a small-market of ~US\$9bn as of FY23; tin mine supply is also heavily concentrated in China (c.23%), Myanmar (19%), and Indonesia (18%, Fig. 1), which made tin price prone to supply disruptions in these three-countries. Yunnan Tin in China is the biggest refined tin producers, holding c.22% global tin market share (Fig. 2), followed by Minsur (Peru/Brazil), Yunnan Chengfeng (China), Malaysia Smelting (Malaysia), and PT Timah.

Illegal mining clampdown; a case study of 2019

Recently, there were attempts to eradicate illegal mining in early-FY24F, with five private tin miners that allegedly have conducted illegal mining practice in the past, investigated by the Supreme Court ([link](#)). This has led to potential market speculation that TINS could positively benefit from as more *Mitra Tambang* may have to sell its tin-ore solely to TINS, which may lead to higher production volume in FY24F (vs. company's guidance of 30kt and c.15kt production in FY23). Previous illegal mining clampdown (most-recent in 2019) were attempted in different manner with stricter ore origination certificate issuance through Sucofindo while the other surveyor, PT Surveyor Indonesia (SI) – mainly used by non-TINS smelter – temporarily banned by ICDX following the investigation by Bareskrim.

Key indicators: TINS production volume vs. other smelters

Based on our historical observations using 2019 as case-study, share price would positively react on: 1) lower LME tin inventory and higher tin price, and 2) higher monthly production volume from TINS and lower non-TINS volume. TINS is currently trading at 14x FY24 P/E, based on management guidance of 30kt production volume guidance in FY24. However, our channel-check indicates that addl. volume from private-tin miners that have been arrested or under investigation and could spill-over to TINS is equivalent to 14-30kt. Under these scenarios, TINS could trade at 6x and 3x FY24 P/E, albeit we think 60kt is unlikely given soft 1Q24 run-rate.

Financial Summary (Rp bn)	2018A	2019A	2020A	2021A	2022A
Revenue	11,050	19,303	15,216	14,607	12,504
EBITDA	1,319	772	1,039	3,066	2,129
Net profit	531	(611)	(341)	1,303	1,041
EPS growth	6%	-215%	-44%	-482%	-20%
ROE	8%	-12%	-7%	21%	15%
PER (x)	11.3	-9.8	-17.6	4.6	5.8
EV/EBITDA (x)	8.7	20.8	11.1	2.8	3.7
Dividend yield	3.1%	0.0%	0.0%	7.6%	5.2%

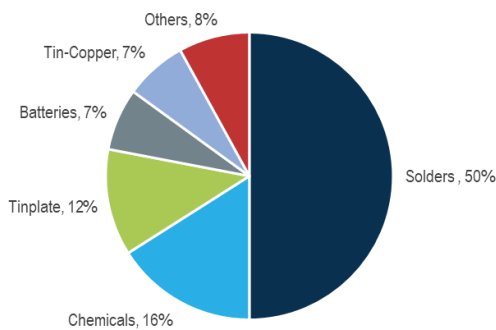
Source: Company, Indo Premier

Share price closing as of: 14 March 2024

Tin is mainly used for soldering purposes, which makes up for c.50% of tin demand globally, followed by chemicals (c.16%), plating (c.12%), and lead-acid batteries (c.7% of total demand) in 2023, according to the data from International Tin Association (ITA). Tin demand significantly improved after the innovation of lead-free soldering, in addition to massive incremental demand in consumer electronics, following the technological innovation and global growth in the period of 2000-2010s.

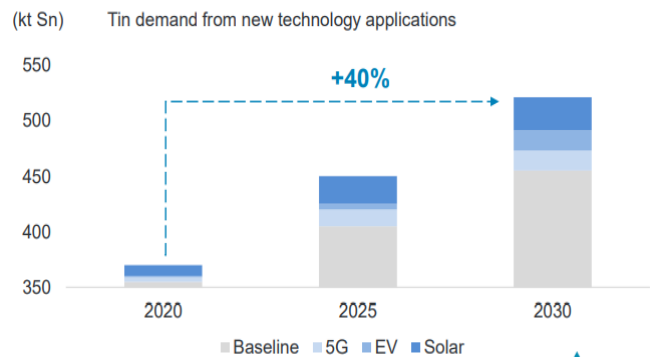
However, do note that while tin is used in batteries, it is mainly useful for lead-acid batteries, which is entirely different compared to typical batteries being used in EVs globally (i.e. lithium-ion batteries). Nonetheless, EVs need twice as much as tin in comparison to ICEs (internal-combustion-engines), which could boost tin demand in the medium to long-term. In addition, tin is also used for solar panels and data-centers, in which both are growing in terms of the growth (Fig. 2).

Fig. 1: Global tin demand (2023)



Source: International Tin Association, Indo Premier

Fig. 2: Future tin demand

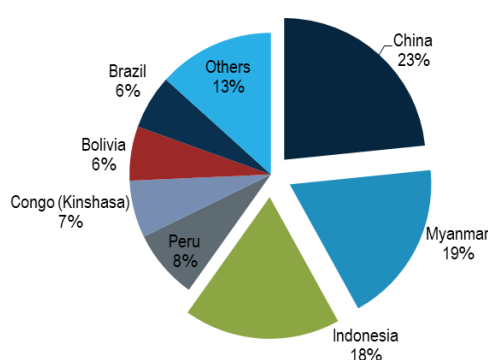


Source: International Tin Association, Atlantic Tin, Indo Premier

In terms of supply, tin-mining is heavily concentrated in three countries, particularly in China (c.23% of global mine-supply), Myanmar (c.19%), and Indonesia (c.18%), meaning that tin supply itself is prone to supply-disruptions happening in these three countries.

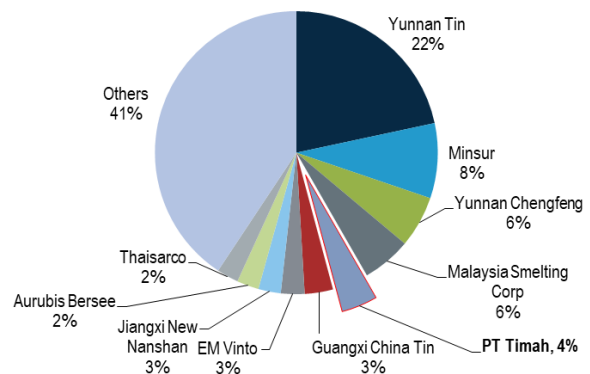
For instance, during 2019's illegal mining clampdown in Indonesia, tin price went up from US\$18k/t level to US\$21k/t level at the peak, following lower tin ingot export out of Indonesia. We think such kind of supply disruption could re-occur, especially with the illegal mining issue in Indonesia in addition to potential political/military conflict in Myanmar. Among the top 10 global producers, Yunnan Tin of China is the biggest (c.22% producers' market-share), with PT Timah (TINS) ranked #5 globally, in terms of production market-share in 2023.

Fig. 3: Global tin mine-supply (2023)



Source: US Geological Survey (USGS), Indo Premier

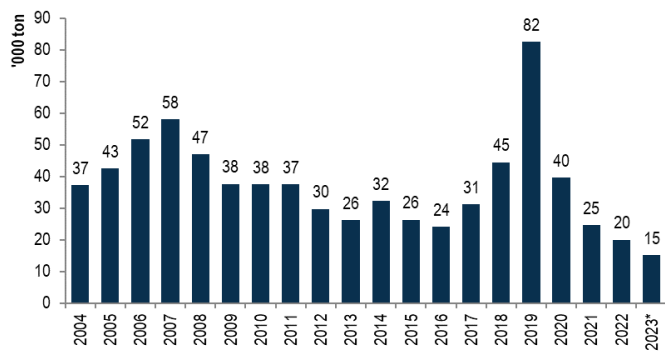
Fig. 4: Global refined tin producers' market-share (2023)



Source: International Tin Association, Indo Premier

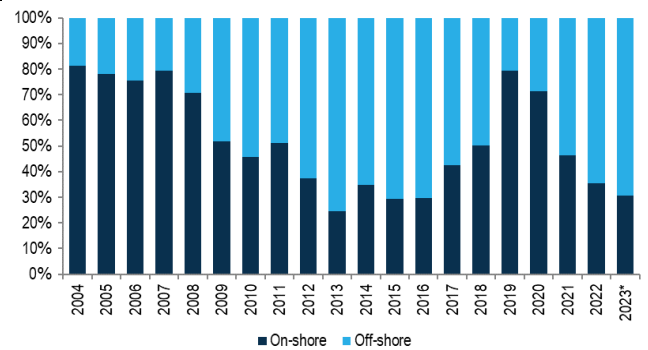
Looking at tin supply, one of the interesting observations are TINS' declining production volume, after reaching its peak in 2019 of 82kt production (Fig. 5). We think this could be either caused by 1) depleting ore-grade for on-shore production, which made TINS to invest in off-shore mining equipment and increased its off-shore production, or 2) higher amount of illegal mining activities, which eventually lead to either illegal miners or *Mitra Tambang* selling more products to non-TINS smelter. Coincidentally, TINS' lower production volume over the years was in-parallel with the increased proportion of on-shore vs. off-shore mining (Fig. 6) with percentage of on-shore mining increasing significantly during the latest attempt of illegal mining clampdown in 2019.

Fig. 5: TINS' production volume (2004-2023)



Source: Company data, Indo Premier

Fig. 6: On-shore vs off-shore proportion (%)



Source: Company data, Indo Premier

We cross-checked our hypothesis by simply looking at the amount of tin that TINS produced and exported vs. Indonesia total export tin volume (Fig. 7). Note that overall Indonesian tin export (TINS and non-TINS) were relatively flattish and has remain unchanged since 2018, but the amount of tin produced by TINS was significantly lower over the years, only reaching around c.15kt in 2023 vs. 82kt peak in 2019 or equivalent to c.20% of Indonesia's total exports, despite TINS owning c.80% of tin-mining concession area in Indonesia.

Fig. 7: TINS vs Indonesia export volume

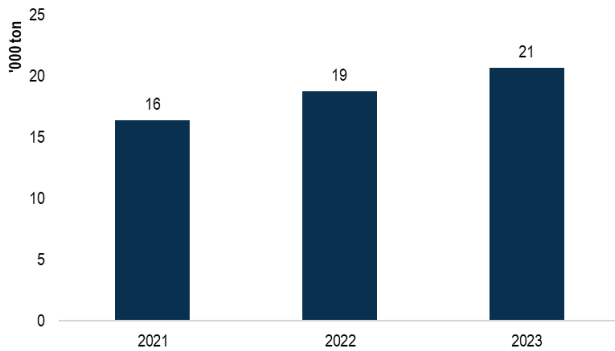


Source: Company data, Bloomberg, Indo Premier

Interestingly, while Indonesian tin export volume significantly dropped in the past few years, this was offset by the increased production volume from Malaysia's tin-producers, Malaysia Smelting Corporation (SMELT MK) (Fig. 8), which is now ranked #4 in terms of global production in 2023. At the

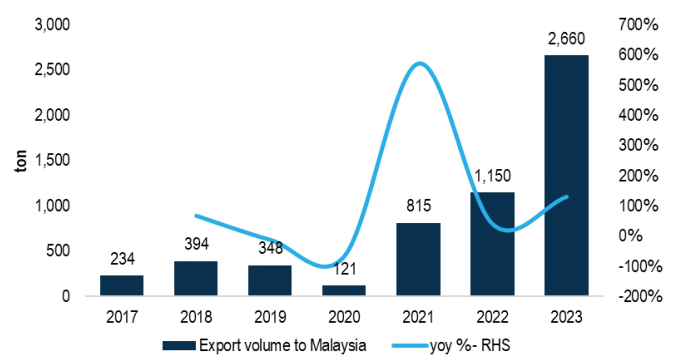
same time, the amount of tin volume exported from Indonesia to Malaysia has also significantly increased (Fig. 9).

Fig. 8: Malaysia Smelting Corporation production volume



Source: ITA, Indo Premier

Fig. 9: Tin export volume to Malaysia



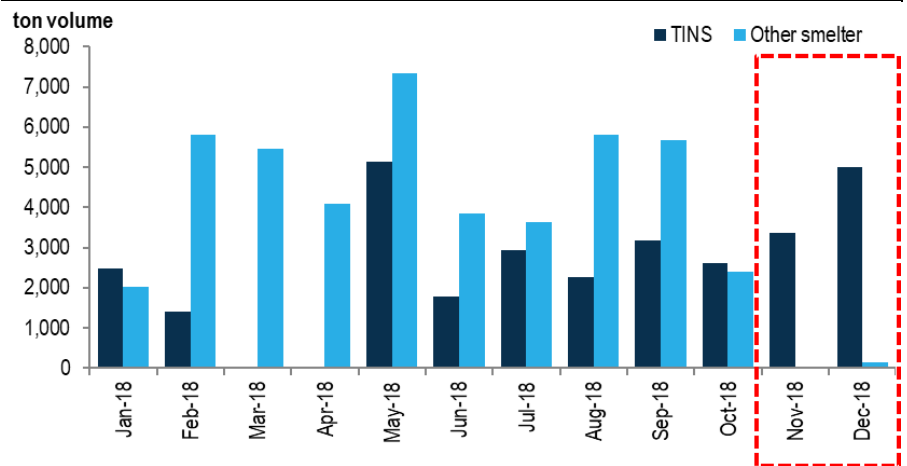
Source: Bloomberg, Indo Premier

Case-study: 2018/2019’s illegal mining clampdown

In Oct-18, ICDX issued a press-release stating that all of tin producers and exporters are not allowed to use Surveyor Indonesia (SI) to conduct ore origination verification, and recommend all tin-producers to use Sucofindo (state-owned verification institution). Note that ore origination verification is required to be able to export tin-ingots overseas. As a result of the temporary ban by ICDX, non-TINS smelter, which majority used Surveyor Indonesia were unable to conduct any export activities as they cannot prove their ore origination to Sucofindo.

As a result, in Nov-18, all of Indonesia’s tin export are mainly coming from TINS, with other smelters unable to sell their tin overseas (Fig. 10). This has also led to *Mitra Tambang* – local residents that mine tin-ore – selling their mined-products solely to TINS, enabling TINS to achieve 82kt production in 2019.

Fig. 10: TINS’s export volume vs other smelter

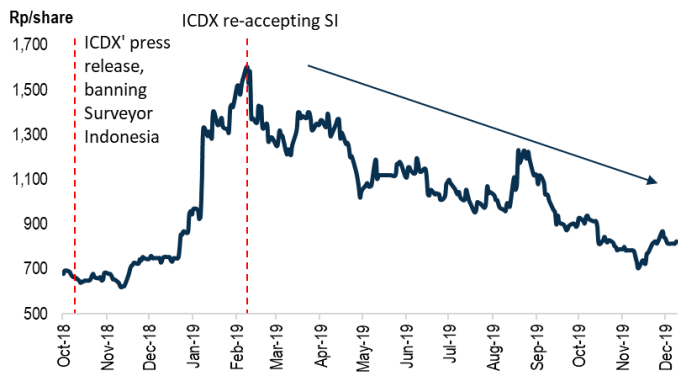


Source: Company data, Indo Premier

The action to tackle illegal mining issues, have also led to a rally in TINS’ share price, albeit the rally only occurs after around two months post the ban by ICDX (Fig. 11) in Jan-19. This has also translated into lower tin exports out of Indonesia, leading to lower LME tin inventory, and higher LME tin price, which also helped to boost the rally in TINS’s share price further. However, in Feb-19, ICDX decided to re-accept Surveyor Indonesia (SI)’s ore origination certificate as the required document for export. This, combined with TINS’ below than expected performance vs. NP guidance of

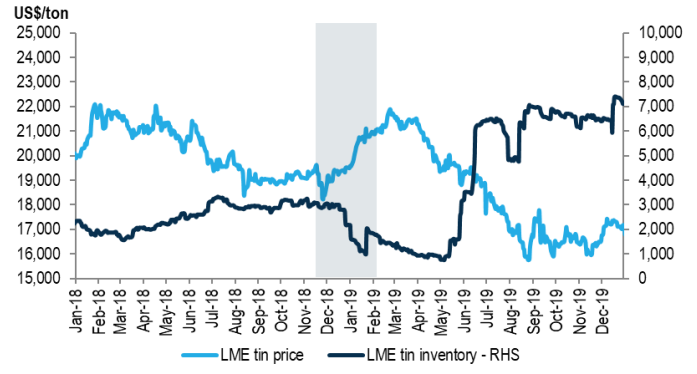
Rp1.2tr at that time, led to normalizing share-price which marks another unsuccessful attempt to clampdown tin’s illegal mining practice in Indonesia.

Fig. 11: TINS share price during 2019’s illegal mining clampdown



Source: Bloomberg, Indo Premier

Fig. 12: LME tin price and inventory in 2018/2019



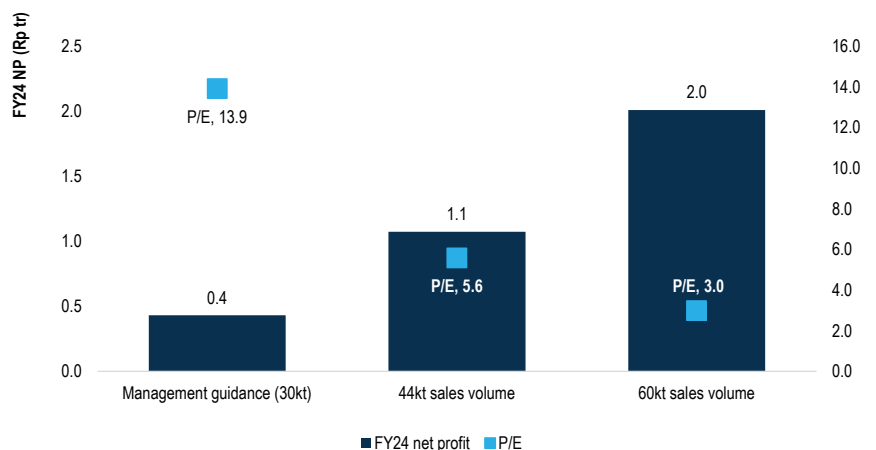
Source: Bloomberg, Indo Premier

Thus, based on 2019, we think TINS share price would positively react on: 1) lower LME tin inventory and higher tin price, 2) higher monthly production volume from TINS and lower non-TINS volume, and 3) further positive news on the effort of illegal mining clampdown, which in this particular case, would be further arrest of allegedly corrupt private tin-miners. We think TINS’ share price would negatively react on below than expected earnings performance, potentially on its 4Q23 and 1Q24, as production volume remain low in 4Q23 in addition to late mining-license (RKAB) issuance in Mar-24, which may affect sales volume in 1Q24.

Valuation and potential additional volume

TINS is currently trading at 14x FY24 P/E, based on management guidance of 30kt production and sales volume. However, based on our channel-checks, the amount of addl. volume from private-tin miners that have been arrested or under investigation and could spill-over to TINS is ranging between 1.2k-2.5kt per month or equivalent to 14-30kt per annum. If we assumed cash-margin of around US\$5.5k/ton, derived from average tin price of US\$27k/t in FY24 and US\$21.5k/ton cash-costs, TINS could achieve Rp431bn-2tr NP in FY24 (Fig. 13). If achieved, this would be equivalent to 6x FY24 PE (44ktpa sales volume) and 3x P/E (60ktpa sales volume), respectively, much lower in comparison to regional peers that is trading at high single-digit or teens P/E (Fig. 14).

Fig. 13: TINS’s P/E valuation based on several scenarios



Source: Company data, Indo Premier

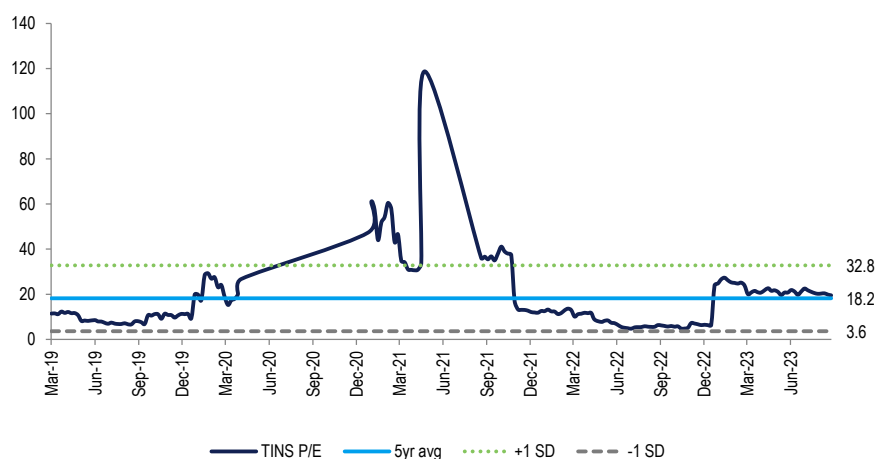
However, we think 60kt may be hard to achieve given that in Jan-24, TINS is producing at a run-rate of around 18ktpa production per annum.

Fig. 14: Global tin producers' valuation comparison

	P/E			EV/EBITDA			ROE (%)		
	FY20A	FY21A	FY22A	FY20A	FY21A	FY22A	FY20A	FY21A	FY22A
SMELT MK	63.7	8.2	9.8	18.6	6.1	7.4	4%	24%	15%
000960 CH	35.9	8.8	18.4	13.8	6.4	10.3	2%	10%	8%
TINS IJ	(17.6)	4.6	5.8	11.1	2.8	3.7	-7%	21%	15%

Source: Company data, Indo Premier estimates; based on Rp805/share closing price

Fig. 15: Valuation band



Source: Bloomberg, Indo Premier

Income Statement (US\$ mn)	2018A	2019A	2020A	2021A	2022A
Net revenue	11,050	19,303	15,216	14,607	12,504
Cost of sales	(9,372)	(18,167)	(14,096)	(11,173)	(9,978)
Gross profit	1,678	1,136	1,120	3,434	2,526
SG&A Expenses	(931)	(1,212)	(902)	(1,195)	(1,123)
Operating profit	747	(76)	217	2,239	1,403
Net interest	(266)	(755)	(577)	(325)	(185)
Forex gain/(loss)	0	0	0	0	0
Others	285	108	90	(185)	188
Pre-tax income	766	(722)	(270)	1,729	1,407
Income tax	(192)	114	(67)	(425)	(365)
Minority interest	0	0	(0)	(0)	(0)
Others	(43)	(3)	(4)	(0)	0
Net income	531	(611)	(341)	1,303	1,041
Balance Sheet (US\$ mn)	2018A	2019A	2020A	2021A	2022A
Cash & equivalent	785	1,599	807	1,782	1,209
Receivable	1,974	1,620	1,198	1,871	985
Inventory	4,262	6,501	2,881	3,106	2,910
Other current assets	2,184	2,586	1,671	665	530
Total current assets	9,204	12,307	6,557	7,424	5,635
Fixed assets	3,085	3,601	3,436	3,448	3,513
Other non-current assets	2,828	4,453	4,524	3,819	3,919
Total non-current assets	5,914	8,054	7,960	7,267	7,432
Total assets	15,118	20,361	14,518	14,691	13,067
ST loans	4,644	8,791	3,802	1,533	374
Payable	975	1,969	885	886	764
Other payables	449	434	1,072	1,752	923
Current portion of LT loans	108	764	106	1,515	487
Total current liab.	6,176	11,958	5,865	5,686	2,547
Long term loans	1,500	2,102	2,449	1,434	2,245
Other LT liab.	920	1,043	1,263	1,262	1,233
Total non-current liabilities	2,420	3,145	3,712	2,697	3,478
Total liabilities	8,596	15,103	9,578	8,383	6,025
Equity	372	372	437	437	437
Retained earnings	6,174	4,950	4,610	5,913	6,498
Minority interest	0	0	0	0	0
Others	(25)	(65)	(107)	(41)	107
Total SHE + minority int.	6,522	5,258	4,940	6,308	7,042
Total liabilities & equity	15,118	20,361	14,518	14,691	13,067

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2018A	2019A	2020A	2021A	2022A
Net income	531	(611)	(341)	1,303	1,041
Depr. & amortization	848	822	826	726	0
Changes in working capital	(421)	1,207	(629)	(578)	729
Others	(2,378)	(3,498)	5,544	2,589	1,344
Cash flow from operating	(1,421)	(2,080)	5,401	4,039	3,115
Capital expenditure	(699)	(660)	129	154	(150)
Others	(555)	(847)	(1,307)	(926)	(667)
Cash flow from investing	(1,254)	(1,507)	(1,178)	(773)	(817)
Loans	2,452	5,416	(5,309)	(2,162)	(1,314)
Equity	105	(40)	22	65	148
Dividends	186	0	0	456	312
Others	(662)	(940)	257	(655)	(2,005)
Cash flow from financing	2,081	4,437	(5,030)	(2,296)	(2,859)
FX effect	21	(35)	0	0	0
Changes in cash	(573)	815	(807)	971	(561)

Key Ratios	2018A	2019A	2020A	2021A	2022A
Gross margin	15%	6%	7%	24%	20%
Operating margin	7%	0%	1%	15%	11%
Pre-tax margin	7%	-4%	-2%	12%	11%
Net margin	5%	-3%	-2%	9%	8%
ROA	4%	-3%	-2%	9%	8%
ROE	8%	-12%	-7%	21%	15%
Acct. receivables TO (days)	5.6	11.9	12.7	7.8	12.7
Inventory TO (days)	2.2	2.8	4.9	3.6	3.4
Payable TO (days)	9.6	9.2	15.9	12.6	13.1
Debt to equity	96%	222%	129%	71%	44%
Interest coverage ratio (x)	4.3	1.0	1.7	9.0	10.3
Net gearing	84%	191%	112%	43%	27%

Source: Company, Indo Premier