

CNMC Goldmine Holdings Limited

Look forward to a turnaround this year



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SINGAPORE | MINING | 4Q17 RESULTS

- Revenue was in line with our expectation. Net profit outperformed our expectation due mainly to the unexpected downward adjustment of compensation for employees and key management.
- The trial run of CIL plant showed a satisfactory result.
- The company is proceeding with the exploration of all projects in hand.
- We revise down FY18e EPS to 1.5 US cents (previous 2 US cents) as the full production from CIL plant may only start in 2Q18. Meanwhile, it is expected a further improvement of output in FY19. Accordingly, we upgrade our recommendation to ACCUMULATE with an unchanged target price of S\$0.3 due to the recent price correction.

Results at a glance

(USD mn)	4Q17	4Q16	YoY (%)	FY17	FY16	YoY (%)	Comments
Revenue	4.86	5.19	(6.4)	19.2	34.7	(44.8)	Growth in average realised gold price is offset by the decrease in production volume due to the lower ore grade
Operating profit	1.53	(2.31)	N.M.	1.8	11.3	(84.2)	In line with the above
PBT	1.69	(2.06)	N.M.	2.5	12.3	(79.5)	In line with the above
PATMI	1.29	1.94	N.M.	2.8	9.1	(69.4)	In line with the above

N.M.: not meaningful
Source: Company, PSR

Positives

+ Results from the trial operation of Carbon-in-leach (CIL) met expectation. The trial run had lasted for more than 2 months, and the results have been satisfactory so far, meaning that the gold recovery rate from CIL (up to 95%) improves and surpasses from heap leach (c.65%). Production at CIL plant expected to kick-start in 2Q18. With the help of the plant and available high-grade ore stockpiled, it is expected to see a significant improvement of output volume this year.

+ Exploration on Sokor, Pulai and KelGold project goes on. Monetisation of other minerals (silver, lead, and zinc) at Sokor will resume. The company plans to build the flotation facility on site after the CIL production stabilises. The budget, capacity, and construction schedule for this project will be comparable to those for CIL plant (capex: US\$5mn+, 500 tonnes/day, 6 months). As of Dec-16, respective silver, lead, and zinc estimated resources was 1.96mn oz, 22.68k tonnes, and 21.45k tonnes in Sokor field. In 1Q18, the company will continue to conduct diamond drilling under Sokor and KelGold project, and exploration in Pulai concession will resume.

Negatives

- Impact of low ore grade lasted during full FY17 amid ascending gold price. Total sales volume of gold dropped by 10.4% YoY to 3,619.3oz in 4Q17. Accordingly, the FY17 sales volume of gold arrived at 14.8koz (Down 45.9% YoY). The average realised selling price (ASP) grew mildly to US\$1,293/oz in FY17 (FY16: US\$1,265/oz).

Outlook

In FY18, the primary catalyst that we look forward to is the significant turnaround of gold output, stemming from the replenishment of high-grade ore and higher gold recovery. Another positive factor is the resumption of the uptrend in gold price. Meanwhile, we expect more capex from flotation facility construction and additional operating expenses from a planned dual primary listing in Hong Kong.

27 February 2018

ACCUMULATE (Upgrade)

CLOSING PRICE	SGD 0.260
FORECAST DIV	SGD 0.003
TARGET PRICE	SGD 0.300
TOTAL RETURN	16.5%

COMPANY DATA

Bloomberg Code	CNMC SP
O/S SHARES (MN)	407
MARKET CAP (USD mn / SGD mn)	80 / 106
52 - WK HI/LO (SGD)	0.43 / 0.24
3M Average Daily T/O (mn)	12

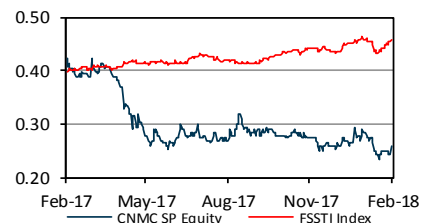
MAJOR SHAREHOLDERS (%)

INNOVATION CHINA LIMITED	26.3%
MESSIAH LIMITED	12.5%
NG ENG TIONG	6.8%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(8.8)	(5.5)	(35.9)
STIRETURN	(0.2)	3.7	17.7

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (US cents)	FY 16	FY 17	FY 18 e	FY 19 e
Revenue (USD mn)	35	19	26	30
EBIT (USD mn)	11	2	6	8
Net Profit (USD mn)	9	12	13	16
P/E (x)	5	13	21	16
P/B (x)	2	3	2	2
EV/EBITDA (x)	6	11	6	4
Dividend Yield (%)	0.03	0.01	0.02	0.02

VALUATION METHOD

DCF (Cost of Equity: 12%; Terminal g: 0%)

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Change in assumption

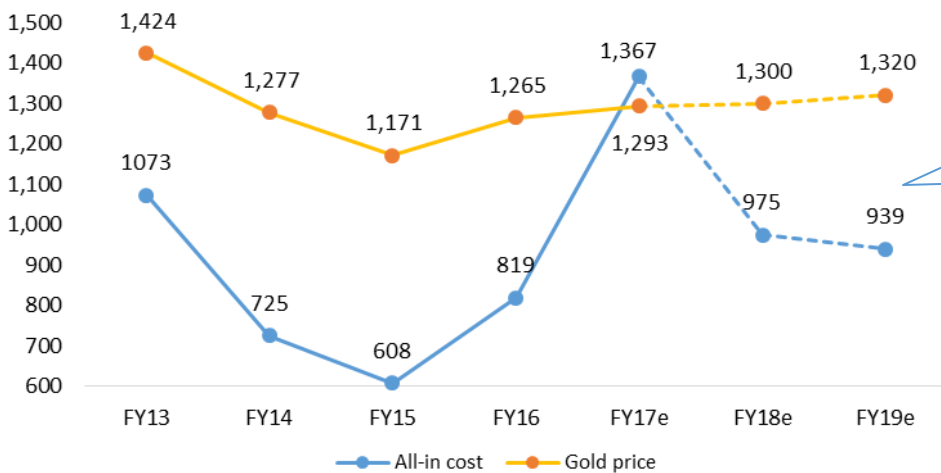
Y/E Dec (US\$'000)	FY15	FY16	FY17e	FY18e	FY19e
Ore tonnes processed (tonnes)	2,236,674	2,397,908	2,544,000	2,862,000	2,862,000
Capacity (tonnes)	1,000,000	1,133,333	1,200,000	1,350,000	1,350,000
Production volume (oz)	29,645	27,404	14,817	20,034	22,896
Implied gold grade (g/tonne)	0.43	0.36	0.18	0.22	0.25
Gold price (US\$/oz)	1,171	1,265	1,293	1,300	1,320
Total revenue	36,471	34,668	19,154	26,044	30,223

Source: Company, PSR

We lower the FY18 forecast of implied gold grade to 0.22 g/tonne (previous 0.28 g/tonne).

The forecast average gold prices are revised up to US\$1,300/oz in FY18 (previous US\$1,280/oz) but remain US\$1,320/oz in FY19

All-in cost & gold price



Due to lower estimated production volume, the all-in cost estimation is changed from previous US\$810/oz to US\$975/oz in FY18. The revenue contribution from CIL plant will only be seen after 1Q18.

Source: Company, PSR

Investment action

Y/E Dec (US\$'000)	FY18e	FY19e	FY20e
CFO	7,940	11,358	12,494
FCInv	(1,665)	(1,865)	(2,014)
Net borrowing	700	600	500
FCFE	6,975	10,093	10,980
Terminal value			91,498
PV	6,228	8,046	72,941
Total PV	87,215		
Cost of equity			12.00%
Sustainable growth rate			0%
TP (US\$)	0.21		
TP (S\$)	0.30		

Source: Company, PSR

We revise down FY18e EPS to 1.5 US cents (previous 2 US cents) as the full production from CIL plant may only start in 2Q18. Meanwhile, it is expected a further improvement of output in FY19e. Accordingly, we upgrade our recommendation to ACCUMULATE with an unchanged target price of S\$0.3 due to the recent price correction.

Financials

Income Statement

Y/E Dec (US\$'000)	FY15	FY16	FY17	FY18e	FY19e
Revenue	36,471	34,668	19,154	26,044	30,223
EBITDA	17,962	15,828	5,437	9,745	12,189
Dep & Amt	(3,986)	(4,527)	(3,652)	(4,151)	(4,576)
EBIT	13,976	11,301	1,785	5,594	7,613
Net Finance Inc/(Exp)	463	1,006	736	973	1,096
PBT	14,438	12,307	2,521	6,567	8,709
Tax	(1,010)	(792)	777	(460)	(610)
PATMI	10,666	9,088	2,777	5,130	6,804
Non-controlling interest	2,762	2,428	521	977	1,296

Per share data

Y/E Dec (US cents)	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	2.6	2.2	0.7	1.3	1.7
DPS	0.7	0.8	0.2	0.3	0.4
BVPS	8.2	9.7	9.9	10.5	11.2

Cash Flow

Y/E Dec (US\$'000)	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit for the year	13,429	11,515	3,298	6,107	8,099
Adjustments	7,528	5,868	15	2,138	3,089
WC changes	(882)	(1,076)	(424)	(818)	(398)
Others	155	598	336	513	567
Cashflow from ops	20,230	16,906	3,225	7,940	11,358
CFI					
CAPEX, net	(2,894)	(894)	(6,521)	(1,665)	(1,865)
Exploration & Evaluation Exp	(1,253)	(5,509)	(1,871)	(1,200)	(1,400)
Cashflow from investments	(4,146)	(6,403)	(8,392)	(2,865)	(3,265)
CFF					
Dividends to Company	(2,155)	(2,888)	(2,714)	(1,392)	(2,219)
Dividends to NCI	(753)	(992)	(469)	(265)	(423)
Repayment of borrowings	-	-	(986)	(100)	(100)
Others	(143)	(47)	(166)	(45)	(40)
Cashflow from financing	(3,050)	(3,928)	(4,334)	(1,802)	(2,782)
Net change in cash	13,034	6,575	(9,501)	3,274	5,311
Effects of exchange rate	(3,239)	(1,754)	2,039	(1,350)	(1,349)
Ending cash	22,135	26,955	19,492	21,415	25,377

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based

Balance Sheet

Y/E Dec (US\$'000)	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
Exploration & Evaluation Asset:	2,085	2,200	8,930	10,130	11,530
Mine Properties	9,617	14,129	14,049	13,359	12,390
Property, Plant and Equipment	8,163	6,384	10,505	9,273	8,043
Others	-	-	-	-	-
Total non-current assets	19,866	22,713	33,484	32,761	31,962
Cash	22,135	26,955	19,492	21,415	25,377
Trade receivables	832	1,397	1,468	1,585	1,712
Inventories	869	660	1,013	1,114	1,226
Others	-	-	-	-	-
Total current assets	23,835	29,012	21,973	24,115	28,315
Total Assets	43,701	51,725	55,457	56,876	60,278
LIABILITIES					
Trade payables	2,999	2,791	5,560	3,992	3,593
Borrowings	43	36	45	40	40
Dividend payable	917	1,030	438	611	810
Others	347	680	928	1,015	1,110
Total current liabilities	4,305	4,537	6,971	5,657	5,552
Borrowings	100	58	629	660	560
Others	1,250	1,581	506	506	506
Total non-current liabilities	1,350	1,639	1,134	1,166	1,066
Total Liabilities	5,655	6,175	8,105	6,823	6,618
Shareholder Equity	33,495	39,635	40,597	42,700	45,784
Non-controlling interest	4,551	5,914	6,755	7,354	7,876

Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (x)	5.1	5.1	13.5	20.6	15.6
P/B (x)	1.6	1.6	3.1	2.5	2.3
EV/EBITDA (x)	2.1	6.0	10.8	5.6	4.2
Dividend yield (%)	0.05	0.03	0.01	0.02	0.02

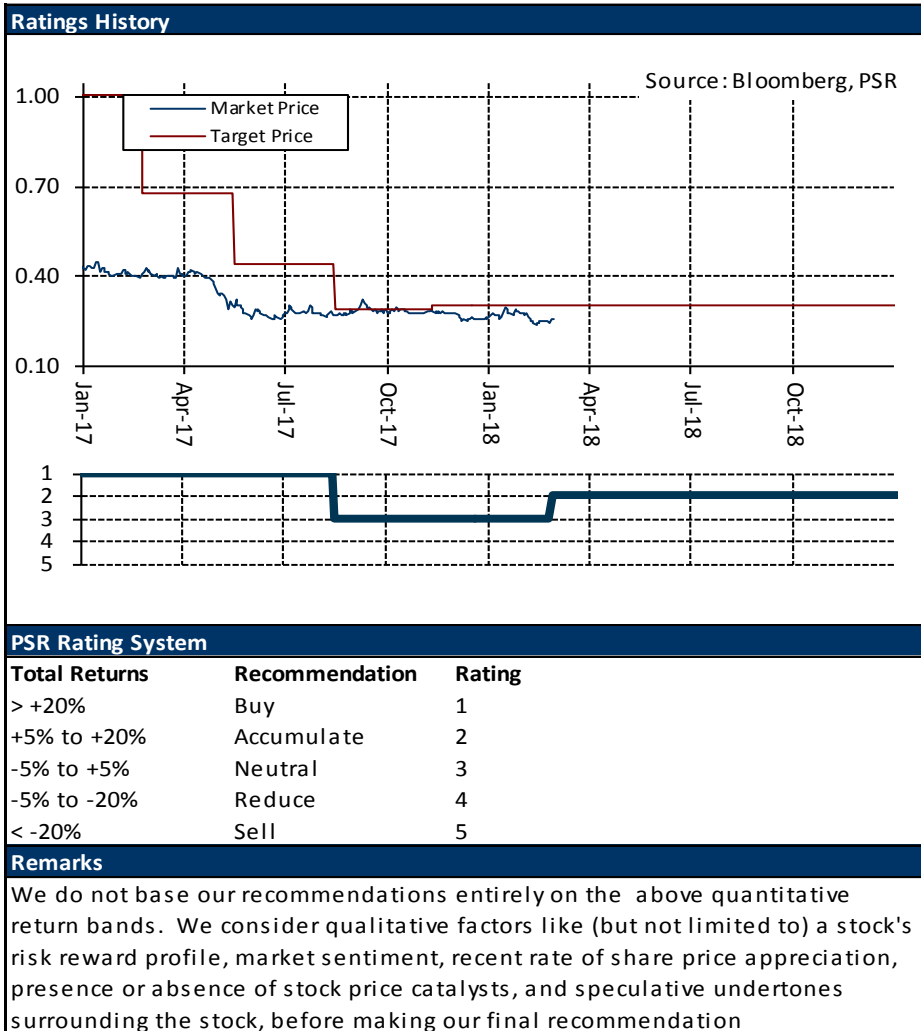
Growth & Margins (%)

	FY15	FY16	FY17	FY18e	FY19e
Growth					
Revenue	9.8%	-4.9%	-44.8%	36.0%	16.0%
EBITDA	0.6%	-11.9%	-65.6%	N.M.	25.1%
EBIT	-5.5%	13.6%	-19.3%	13.7%	10.2%
PATMI	-12.9%	-19.1%	-84.2%	N.M.	36.1%
Margins					
EBITDA margin	49.2%	45.7%	28.4%	37.4%	40.3%
EBIT margin	38.3%	32.6%	9.3%	21.5%	25.2%
NP margin	29.2%	26.2%	14.5%	19.7%	22.5%

Key Ratios

	FY15	FY16	FY17	FY18e	FY19e
ROE (%)	32%	23%	7%	12%	15%
ROA (%)	24%	18%	5%	9%	11%
Net Debt or (Net Cash)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

N.M.: not meaningful



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