

# Golden Energy and Resources Ltd

Strong production on track



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## SINGAPORE | MINING | 1Q18 RESULTS

- Revenue and net profit exceeded expectations due to higher than expected sales volume and an average selling price (ASP)
- Benefited from the buoyant coal prices in 1Q18
- Upgrading the port loading capacity
- Cash cost was higher than expected in 1Q18
- We maintained our FY18e EPS at 3.5 US cents as we expect the higher capex to offset higher profits. Based on unchanged peer average forward PER of 10x and the FX rate (USD/SGD) of 1.36x, we keep the target price at S\$0.48 and reiterate our BUY recommendation.

### Results at a glance

(USD mn)	1Q18	1Q17	YoY (%)	Comments
Revenue	273.0	143.2	90.7	Increase in revenue from Coal Mining and Coal Trading Divisions, partially offset by a decrease in revenue from others
Gross profit	115.9	83.0	39.7	Increase in mining services, coal freight, mining overhead and royalty as a result of an higher coal production and sales activities from Coal Mining Division; Increase coal purchases from Coal Trading Division in line with the higher sales volume
PBT	59.9	40.6	47.5	Increase in trade financing charges in line with higher sales activities, and higher interest expenses as a result of the issuance of the Company's maiden bond
PATMI	43.5	29.6	47.1	In line with the above

Source: Company, PSR

### The Positives

**+ Benefited from the buoyant coal prices in 1Q18:** Revenue from coal mining segment accounted for 86.9% of total revenue in 1Q18. See the table below; the stellar growth was mainly attributable to production ramp-up. Meanwhile, HBA (Indonesia Coal Price Reference) grew by 18.5% YoY in 1Q18, which translated to a higher ASP accordingly.

	1Q18	1Q17	YoY (%)
Production volume (tonnes)	4.7	3.0	56.7
ASP (US\$/tonne)	47.4	40.9	15.9
Cash cost (US\$/tonne)	25.6	20.9	22.5
Revenue from coal mining (US\$m)	237.3	129.4	83.4

Source: Company, PSR

**+ Upgrading the port loading capacity:** Currently, there are two conveyor belts at Bunati Port – one with a capacity of 1k tonnes/hr and the other with 2k tonnes/hr. The new capacities will be upgraded to 4.2k tonnes/hr each, translating into a total annual capacity of 48mn tonnes. One belt is expected to complete upgrading by the end of 2018, while the other by 2019. The total capex is expected to be around US\$8mn to US\$10mn. Meanwhile, GEAR is also working on the road widening project which expands from 2 lanes to 4 lanes to increase traffic commuting to the jetty. The capex is expected to be around US\$11 to US\$12mn. The Group currently has a cash position of US\$305mn to fund these upgrading projects.

18 May 2018

### BUY (Maintained)

CLOSING PRICE	SGD 0.370
FORECAST DIV	SGD 0.014
TARGET PRICE	SGD 0.480
TOTAL RETURN	33.6%

### COMPANY DATA

BLOOMBERG CODE	GER SP
O/S SHARES (MN):	2,353
MARKET CAP (USD mn / SGD mn):	640 / 859
52 - WK HI/LO (SGD):	0.49 / 0.34
3M Average Daily T/O (mn):	0.48

### MAJOR SHAREHOLDERS (%)

PT DIAN SWASTATIKA SENTOSA	86.9%
RUSSELL INVESTMENTS IRELAND	0.05%
DIMENSIONAL FUND ADVISORS	0.05%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	0.1	(9.6)	N/A
STI RETURN	2.2	4.1	13.5

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec	FY16	FY17	FY18e	FY19e
Revenue (US\$ mn)	393	764	1026	1218
EBITDA (US\$m)	89	184	225	261
PATMI (US\$ mn)	22	63	83	96
P/E (x)	76	10.9	7.6	6.5
P/B (x)	2.6	2.0	14	11
ROE (%)	7%	18%	18%	16%
ROA (%)	4%	8%	8%	8%

Source: Company, PSR

### VALUATION METHOD

P/E MULTIPLE (PER: 10.0x)

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### The Negatives

- **Cash cost was higher than expected in 1Q18:** The higher cash cost was mainly due to the jump of strip ratio (SR) from 3.5 to 4.28 in BIB mine (average life-of-mine SR: 4.1). Meanwhile, the higher fuel costs in 1Q18 also drove up cash cost. The overall cash cost is expected to average at US\$25/tonne to US\$26/tonne in FY18.

### Outlook

In Apr-18, coal prices started to correct in anticipation of lower coal demand in the upcoming slow season in China. We kept our FY18 forecast for coal price range (4,200 GAR) unchanged at around US\$40/tonne to US\$42/tonne. We believe that the production growth should outpace the increasing cash cost. The annual target of 20mn tonnes is still on track, and part of which will be contributed by the production from BSL mine. The acquisition of BSL mine is expected to be completed by 3Q18. We remain positive on FY18 performance in view of a healthy ASP and phenomenal growth of sales volume.

### Maintained BUY with an unchanged price of S\$0.48

We held FY18e EPS of 3.5 US cents unchanged as higher profits would be matched with a higher capex. Based on unchanged peer average forward PER of 10x and the FX rate (USD/SGD) of 1.36x, we keep the target price of S\$0.48 for FY18 and reiterate our BUY recommendation.

## Financials

### Income Statement

Y/E Dec, USD mn	FY15	FY16	FY17	FY18e	FY19e
<b>Revenue</b>	<b>360</b>	<b>393</b>	<b>764</b>	<b>1,026</b>	<b>1,218</b>
Gross profit	112	144	316	407	469
<b>EBITDA</b>	<b>38</b>	<b>89</b>	<b>184</b>	<b>225</b>	<b>261</b>
Depreciation & amortisation	35	30	14	16	18
<b>EBIT</b>	<b>2</b>	<b>59</b>	<b>170</b>	<b>209</b>	<b>243</b>
Net Finance (Expense)/Inc	(12)	(11)	(12)	(17)	(22)
<b>PBT</b>	<b>(10)</b>	<b>48</b>	<b>158</b>	<b>192</b>	<b>222</b>
Taxation	1	(14)	(53)	(61)	(71)
<b>PAT</b>	<b>(9)</b>	<b>34</b>	<b>104</b>	<b>130</b>	<b>151</b>
Non-controlling interests	1	12	41	47	54
<b>PATMI</b>	<b>(9)</b>	<b>22</b>	<b>63</b>	<b>83</b>	<b>96</b>

### Per share data

Y/E Dec, US Cents	FY15	FY16	FY17	FY18e	FY19e
EPS	(0)	1.0	2.7	3.5	4.1
DPS	-	-	0.8	1.1	1.2
BVPS	4	14	15	19	25

### Cash Flow

Y/E Dec, USD mn	FY15	FY16	FY17	FY18e	FY19e
<b>CFO</b>					
PBT	(10)	49	158	192	222
Adjustments	49	30	19	29	32
WC changes	(33)	(17)	10	(6)	(8)
Cash generated from ops	39	79	177	220	254
Others	(10)	(8)	(17)	(31)	(45)
<b>Cashflow from ops</b>	<b>29</b>	<b>71</b>	<b>159</b>	<b>190</b>	<b>209</b>
<b>CFI</b>					
CAPEX, net	(61)	(25)	(53)	(113)	(27)
Others	1	(0)	(4)	(1)	(1)
<b>Cashflow from investments</b>	<b>(60)</b>	<b>(26)</b>	<b>(57)</b>	<b>(114)</b>	<b>(28)</b>
<b>CFF</b>					
Share issuance, net	-	84	-	-	-
Loans, net of repayments	48	(74)	46	129	9
Dividends	(2)	(6)	(49)	(61)	(70)
Others	-	-	-	-	-
<b>Cashflow from financing</b>	<b>46</b>	<b>4</b>	<b>(4)</b>	<b>68</b>	<b>(61)</b>
<b>Net change in cash</b>	<b>16</b>	<b>50</b>	<b>99</b>	<b>144</b>	<b>120</b>
Effects of exchange rate	(1)	2	1	5	4
<b>Ending cash</b>	<b>44</b>	<b>79</b>	<b>189</b>	<b>331</b>	<b>447</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

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

### Balance Sheet

Y/E Dec, USD mn	FY15	FY16	FY17	FY18e	FY19e
<b>ASSETS</b>					
PP&E	60	59	64	74	85
Mining properties	64	89	86	143	140
Goodwill on consolidation	99	104	104	104	104
Others	73	44	68	96	99
<b>Total Non-current Assets</b>	<b>295</b>	<b>295</b>	<b>322</b>	<b>417</b>	<b>427</b>
Cash	44	79	189	331	447
Inventories	17	9	16	19	23
Trade receivables	91	79	134	160	193
Others	47	60	93	129	179
<b>Total Current Assets</b>	<b>198</b>	<b>227</b>	<b>431</b>	<b>640</b>	<b>842</b>
<b>Total Assets</b>	<b>493</b>	<b>522</b>	<b>753</b>	<b>1,057</b>	<b>1,269</b>
<b>LIABILITIES</b>					
Borrowings	105	47	70	186	187
Others	7	17	18	18	19
<b>Total Non-current Liabilities</b>	<b>112</b>	<b>65</b>	<b>87</b>	<b>204</b>	<b>206</b>
Trade payables	87	62	162	186	214
Borrowings	21	2	25	38	45
Others	1	9	35	35	35
<b>Total Current Liabilities</b>	<b>332</b>	<b>73</b>	<b>223</b>	<b>259</b>	<b>295</b>
<b>Total Liabilities</b>	<b>444</b>	<b>138</b>	<b>310</b>	<b>464</b>	<b>501</b>
<b>Shareholder Equity</b>	<b>191</b>	<b>297</b>	<b>346</b>	<b>457</b>	<b>592</b>
Non-controlling Interests	82	88	97	137	177

### Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (x)	N/A	75.60	10.9	7.6	6.5
P/B (x)	N/A	2.6	2.0	1.4	1.1
EV/EBITDA	N/A	9.4	3.8	2.3	1.6

### Growth & Margins (%)

<b>Growth</b>					
Revenue	-17%	9%	94%	34%	19%
EBIT	N/A	N.M.	N.M.	23%	16%
PATMI	N/A	N.M.	N.M.	33%	16%

### Margins

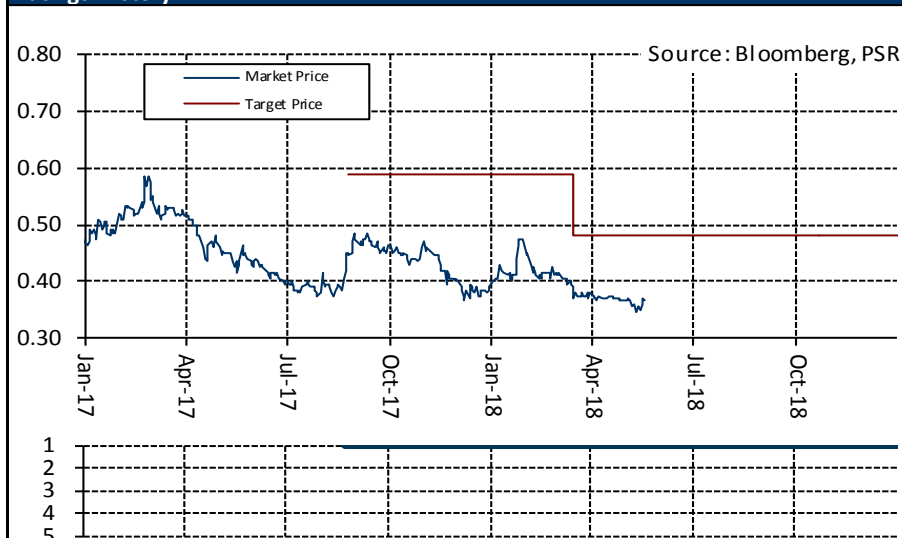
Gross margin	31.1%	36.6%	41.4%	39.7%	38.5%
EBIT margin	0.6%	14.9%	22.2%	20.4%	20.0%
PATMI margin	N.M.	24.7%	34.3%	37.0%	36.9%

### Key Ratios

ROE (%)	-5%	7%	18%	18%	16%
ROA (%)	-2%	4%	8%	8%	8%
Net Debt or (Net Cash)	81	(29)	(94)	(108)	(215)
Gearing (%)	25%	10%	13%	21%	18%

N.M.: not meaningful

## Ratings History



## PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

## Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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