

Golden Energy and Resources Ltd

Mitigating an unfavourable ASP



StocksBnB.com

SINGAPORE | MINING | 1Q19 RESULTS

- Revenue and PATMI missed our expectations due to higher operating costs and lower ASP.
- Production volume on-track to meet FY19 target of 25mn tonnes.
- Cash profit slight above US\$10/tonne in 1Q19.
- Coal price headwinds dim the outlook.
- We lower FY19e EPS to 1.8 US cents (previously 2.2 US cents) due to higher overhead costs such as freight and stockpile expenses resulting from higher sales volumes. Based on the unchanged peer average forward PER of 10x and the FX rate (USD/SGD) of 1.36x, we downgrade our recommendation to ACCUMULATE with a lower target price of S\$0.24 for FY19.

Results at a glance

| (USD mn) | 1Q19 | 1Q18 | YoY (%) | Comments |
|--------------|-------|-------|---------|---|
| Revenue | 276.2 | 273.0 | 1.2 | Increase in revenue from Coal Mining, offsetting a decrease in revenue from Coal Trading Division and Non-coal Businesses |
| Gross profit | 91.5 | 115.9 | (21.1) | Increase in mining services costs, coal freight, mining overheads, fuel costs, and royalty expenses, partially offset by a lower coal trading volume and a decrease in equipment rental |
| PBT | 24.3 | 59.9 | (59.4) | Increase in operating expenses in line with higher mining and sales activities, and higher interest expenses as a result of the issuance of the Company's bond in Feb-18 |
| PATMI | 7.2 | 26.8 | (73.1) | In line with the above |

Source: Company, PSR

The Positives

+ Production volume on-track for FY19 target. In 1Q19, the quarterly production volume arrived at a historical high of 7.1mn tonnes, which accounts for 28.4% of FY19 target of 25mn tonnes. The steady growth was owing to the ramp-up of output in BIB mine whose FY19 mining plan is 22mn tonnes.

+ Moderate drop in cash cost. In 1Q19, cash cost decreased by 8.9% YoY and 21.8% QoQ to US\$23.3/tonne due mainly to the fall of ASP (part of the fuel cost is proportionate to ASP) and the change of terms in coal hauling services (from hourly basis to distance basis). The guidance for full-year cash cost remains at US\$25/tonne to US\$26/tonne.

| | 1Q19 | 1Q18 | YoY (%) | 4Q18 | QoQ (%) |
|----------------------------------|-------|-------|---------|-------|---------|
| Production volume (tonnes) | 7.1 | 4.7 | 51.1 | 6.4 | 11.6 |
| ASP (US\$/tonne) | 34.7 | 47.4 | -26.8 | 40.0 | -13.3 |
| Cash cost (US\$/tonne) | 23.3 | 25.6 | -8.9 | 29.8 | -21.8 |
| Revenue from coal mining (US\$m) | 249.4 | 237.3 | 5.1 | 268.2 | -7.0 |

Source: Company, PSR

The Negatives

- Sink in ASP. During 1Q19, ICI 4 averaged at US\$38.6/tonne (down 16.2% YoY but up 27.8% QoQ). Accordingly, the ASP plunged by 26.8% YoY and 13.3% QoQ to US\$34.7/tonne.

23 May 2019

ACCUMULATE (Downgraded)

| | |
|---------------|-----------|
| CLOSING PRICE | SGD 0.210 |
| FORECAST DIV | SGD 0.010 |
| TARGET PRICE | SGD 0.240 |
| TOTAL RETURN | 19.0% |

COMPANY DATA

| | |
|------------------------------|-------------|
| BLOOMBERG CODE | GER SP |
| O/S SHARES (MN) | 2,353 |
| MARKET CAP (USD mn / SGD mn) | 358 / 494 |
| 52 - WK HI/LO (SGD) | 0.38 / 0.18 |
| 3M Average Daily T/O (mn) | 0.15 |

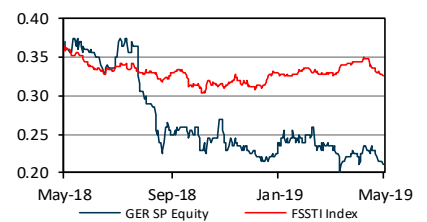
MAJOR SHAREHOLDERS (%)

| | |
|----------------------------|-------|
| PT DIAN SWASTATIKA SENTOSA | 86.9% |
| DIMENSIONAL FUND ADVISORS | 0.11% |
| Frank Russell Co | 0.04% |

PRICE PERFORMANCE (%)

| | 1MTH | 3MTH | 1YR |
|------------|-------|--------|--------|
| COMPANY | (6.7) | (12.5) | (40.9) |
| STI RETURN | (3.3) | (1.0) | (6.6) |

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

| Y/E Dec | FY17 | FY18 | FY19e | FY20e |
|-------------------|------|-------|-------|-------|
| Revenue (US\$ mn) | 764 | 1,048 | 1,103 | 1,253 |
| EBITDA (US\$m) | 184 | 151 | 161 | 175 |
| PATMI (US\$ mn) | 63 | 39 | 41 | 45 |
| P/E (x) | 6 | 10.4 | 9.8 | 9.1 |
| P/B (x) | 1.2 | 1.3 | 1.1 | 1.0 |
| ROE | 18% | 13% | 11% | 11% |
| ROA | 8% | 4% | 4% | 4% |

Source: Company, PSR

VALUATION METHOD

P/E MULTIPLE (PER: 10.0x)

Chen Guangzhi (+65 6212 1859)

Research Analyst
chengz@phillip.com.sg

Outlook

The tailwinds for GEAR are the expected 10.6% YoY growth of production and 8.8% YoY drop in cash cost. But the price headwind is the primary concern. China is still firm on the coal import restriction. We hold the FY19e ASP at US\$40/tonne (4,200 GAR) given the recent recovery of ICI 4 price. Accordingly, we expect the profitability will be better off for the rest quarters. Therefore, we believe the overall FY19e performance is comparable to FY18. On the other hand, the two investments* over the past two years (10% stake of Westgold at A\$1.885 and 25% stake of Stanmore coal at 25.5% at A\$0.95) will help the balance sheet.

** As of 22-May, the closing price of Westgold and Stanmore coal is A\$1.6 and A\$1.45 respectively.*

Downgrade to ACCUMULATE with a lower TP of S\$0.24 (previously S\$0.30)

We lower FY19e EPS to 1.8 US cents (previously 2.2 US cents) due to higher overhead costs resulting from higher sales volumes. Based on the unchanged peer average forward PER of 10x and the FX rate (USD/SGD) of 1.36x, we downgrade our recommendation to ACCUMULATE with a lower target price of S\$0.24 for FY19.

Financials

Income Statement

| Y/E Dec, USD mn | FY16 | FY17 | FY18 | FY19e | FY20e |
|-----------------------------|------------|------------|--------------|--------------|--------------|
| Revenue | 393 | 764 | 1,048 | 1,103 | 1,253 |
| Gross profit | 144 | 316 | 362 | 393 | 439 |
| EBITDA | 89 | 184 | 151 | 161 | 175 |
| Depreciation & amortisation | 30 | 14 | 11 | 12 | 14 |
| EBIT | 59 | 170 | 139 | 149 | 161 |
| Net Finance (Expense)/Inc | (11) | (12) | (24) | (31) | (34) |
| PBT | 48 | 158 | 115 | 118 | 127 |
| Taxation | (14) | (53) | (42) | (42) | (46) |
| PAT | 34 | 104 | 74 | 75 | 81 |
| Non-controlling interests | 12 | 41 | 34 | 34 | 37 |
| PATMI | 22 | 63 | 39 | 41 | 45 |

Per share data

| Y/E Dec, US Cents | FY16 | FY17 | FY18 | FY19e | FY20e |
|-------------------|------|------|------|-------|-------|
| EPS | 1.0 | 2.7 | 1.7 | 1.8 | 1.9 |
| DPS | - | 0.8 | 0.7 | 0.7 | 0.7 |
| BVPS | 13.6 | 14.7 | 13.3 | 15.5 | 17.1 |

Cash Flow

| Y/E Dec, USD mn | FY16 | FY17 | FY18 | FY19e | FY20e |
|----------------------------------|-------------|-------------|--------------|-------------|-------------|
| CFO | | | | | |
| PBT | 49 | 158 | 115 | 118 | 127 |
| Adjustments | 30 | 19 | 24 | 32 | 36 |
| WC changes | (17) | 10 | (12) | (36) | (24) |
| Cash generated from ops | 62 | 186 | 127 | 114 | 139 |
| Others | (8) | (17) | (98) | (62) | (68) |
| Cashflow from ops | 54 | 169 | 29 | 52 | 72 |
| CFI | | | | | |
| CAPEX, net | (25) | (53) | (157) | (35) | (38) |
| Others | (0) | (4) | (10) | (1) | (2) |
| Cashflow from investments | (26) | (57) | (167) | (37) | (40) |
| CFF | | | | | |
| Share issuance, net | 84 | - | 150 | - | - |
| Loans, net of repayments | (74) | 46 | (5) | 27 | 32 |
| Dividends | (6) | (49) | (86) | (37) | (40) |
| Others | - | - | - | - | - |
| Cashflow from financing | 4 | (4) | 58 | (10) | (8) |
| Net change in cash | 32 | 109 | (80) | 5 | 24 |
| Effects of exchange rate | 2 | 1 | 4 | - | - |
| Ending cash | 79 | 189 | 113 | 118 | 142 |

Source: Company, PSR

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

Balance Sheet

| Y/E Dec, USD mn | FY16 | FY17 | FY18 | FY19e | FY20e |
|--------------------------------------|------------|------------|------------|--------------|--------------|
| ASSETS | | | | | |
| PP&E | 59 | 64 | 80 | 92 | 105 |
| Mining properties | 89 | 86 | 228 | 237 | 247 |
| Goodwill on consolidation | 104 | 104 | 114 | 114 | 114 |
| Others | 44 | 68 | 140 | 167 | 181 |
| Total Non-current Assets | 295 | 322 | 561 | 610 | 646 |
| Cash | 79 | 189 | 113 | 118 | 142 |
| Inventories | 9 | 16 | 20 | 22 | 24 |
| Trade receivables | 79 | 134 | 125 | 154 | 173 |
| Others | 60 | 93 | 142 | 166 | 195 |
| Total Current Assets | 227 | 431 | 400 | 461 | 535 |
| Total Assets | 522 | 753 | 961 | 1,071 | 1,181 |
| LIABILITIES | | | | | |
| Borrowings | 47 | 70 | 223 | 245 | 272 |
| Others | 17 | 18 | 69 | 73 | 78 |
| Total Non-current Liabilities | 65 | 87 | 291 | 318 | 350 |
| Trade payables | 62 | 162 | 203 | 224 | 250 |
| Borrowings | 2 | 25 | 46 | 51 | 56 |
| Others | 9 | 35 | 2 | 2 | 2 |
| Total Current Liabilities | 202 | 223 | 251 | 276 | 308 |
| Total Liabilities | 267 | 310 | 543 | 594 | 658 |
| Shareholder Equity | 297 | 346 | 313 | 364 | 401 |
| Non-controlling Interests | 88 | 97 | 105 | 113 | 122 |

Valuation Ratios

| Y/E Dec | FY16 | FY17 | FY18 | FY19e | FY20e |
|-----------|------|------|------|-------|-------|
| P/E (x) | 15.1 | 5.7 | 9.1 | 8.7 | 8.0 |
| P/B (x) | 1.1 | 1.0 | 1.1 | 1.0 | 0.9 |
| EV/EBITDA | 3.7 | 1.4 | 3.4 | 3.3 | 3.1 |

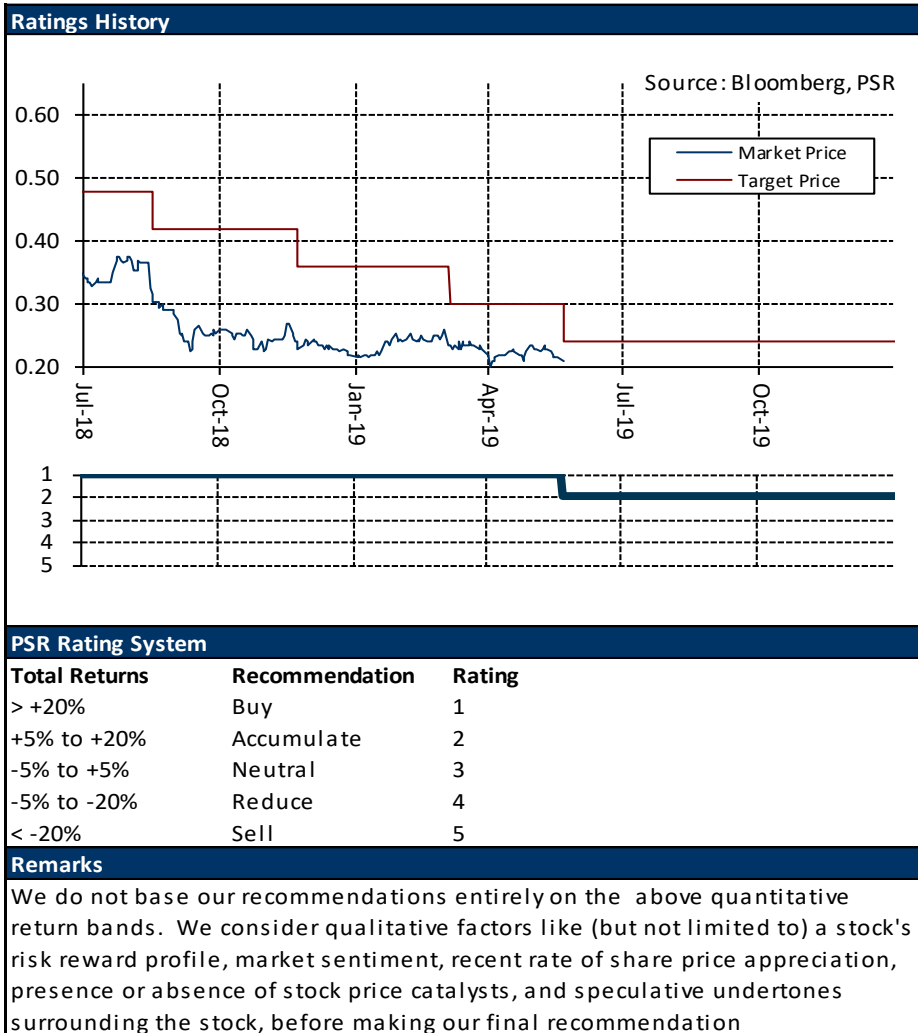
Growth & Margins (%)

| | FY16 | FY17 | FY18 | FY19e | FY20e |
|----------------|------|------|------|-------|-------|
| Growth | | | | | |
| Revenue | 9% | 94% | 37% | 5% | 14% |
| EBIT | N.M. | 189% | -18% | 7% | 9% |
| PATMI | N.M. | 186% | -38% | 5% | 8% |
| Margins | | | | | |
| Gross margin | 37% | 41% | 35% | 36% | 35% |
| EBIT margin | 15% | 22% | 13% | 13% | 13% |
| PATMI margin | 25% | 34% | 26% | 26% | 26% |

Key Ratios

| | FY16 | FY17 | FY18 | FY19e | FY20e |
|------------------------|------|------|------|-------|-------|
| ROE | 7% | 18% | 13% | 11% | 11% |
| ROA | 4% | 8% | 4% | 4% | 4% |
| Net Debt or (Net Cash) | (29) | (94) | 156 | 178 | 186 |
| Gearing | 10% | 13% | 28% | 28% | 28% |

N.M.: not meaningful



Contact Information (Singapore Research Team)
Head of ResearchPaul Chew – paulchewkl@phillip.com.sg**Research Admin**Siti Nursyazwina - syazwina@phillip.com.sg**Banking & Finance | Healthcare**Tin Min Ying – tinmy@phillip.com.sg**Oil & Gas | Energy**Chen Guangzhi - chengz@phillip.com.sg**Telco | Technology**Alvin Chia - alvinchiawy@phillip.com.sg**Property | REITs**Tara Wong - tarawongsj@phillip.com.sg**REITs**Natalie Ong - natalieongpf@phillip.com.sg**China/HK Equity**Zheng Jieyuan – zhengjy@phillip.com.sg**US Equity**Edmund Xue – edmundxuejj@phillip.com.sg**Technical Analyst**Chua Wei Ren – chuawr@phillip.com.sg

Contact Information (Regional Member Companies)
SINGAPORE**Phillip Securities Pte Ltd**

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA**Phillip Capital Management Sdn Bhd**

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN**Phillip Securities Japan, Ltd.**

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA**PT Phillip Securities Indonesia**

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA**Phillip Financial Advisory (Shanghai) Co Ltd**

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND**Phillip Securities (Thailand) Public Co. Ltd**

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE**King & Shaxson Capital Limited**

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM**King & Shaxson Capital Limited**

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES**Phillip Capital Inc**

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA**Phillip Capital Limited**

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

SRI LANKA**Asha Phillip Securities Limited**

No. 60, 5th Lane,
Colombo 3, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA**PhillipCapital (India) Private Limited**

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY**PhillipCapital Menkul Degerler**

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI**Phillip Futures DMCC**

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA**Phillip Bank Plc**

Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.

