

GEAR – 1H FY2018 Results Briefing

August 2018

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Performance Highlights



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Performance Highlights

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Continuing production growth momentum

- Achieved production of **4.4 MT** in 2Q 2018 / **9.1 MT** in 1H 2018, an increase of **47%** and **51%** YoY, respectively

Strong half yearly revenue and net profit growth

- Stable quarterly ASP of **US$42.17/** tonne(1)
- 1H 2018 revenue of **US$481.6m**, +70.3% YoY from US$282.8m.
- 1H 2018 net profit of **US$58.5m** +20.2% YoY from US$48.7m.

Maintaining robust balance sheet

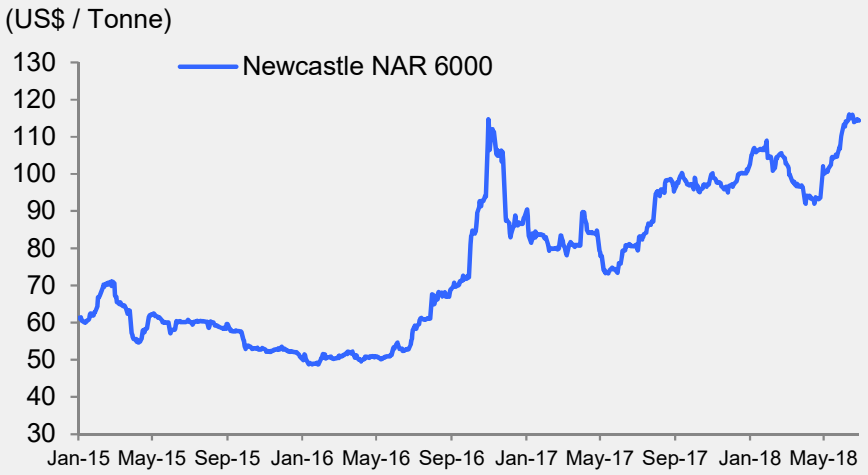
- Group cash position increased to **US$153.8m** from US$122.1m as at 30 Jun 2017
- Leverage ratio(2) conservatively stands at **1.01x**

(1) Coal Mining Division
(2) Refers to Total debt to LTM EBITDA

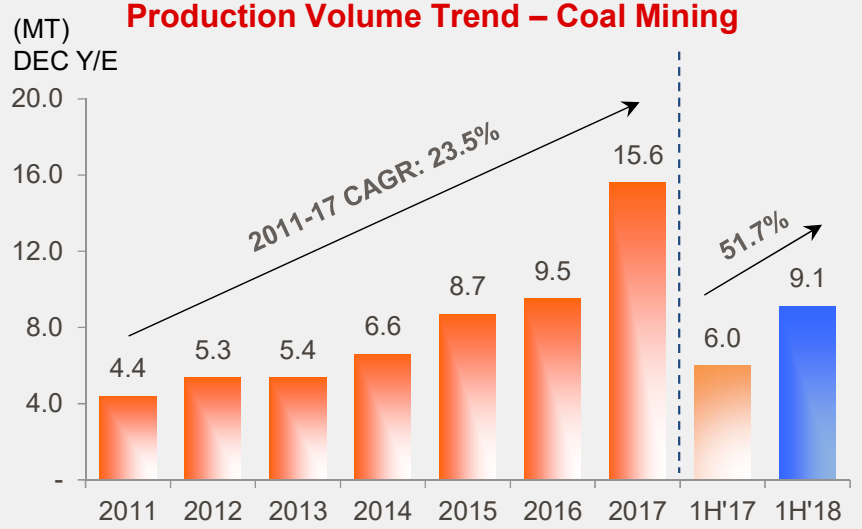
Performance Highlights

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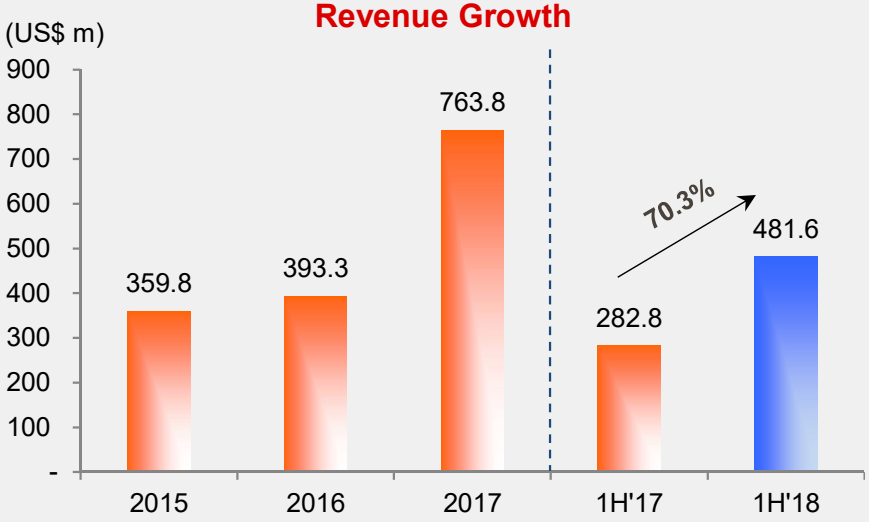
Newcastle Coal Price Trend



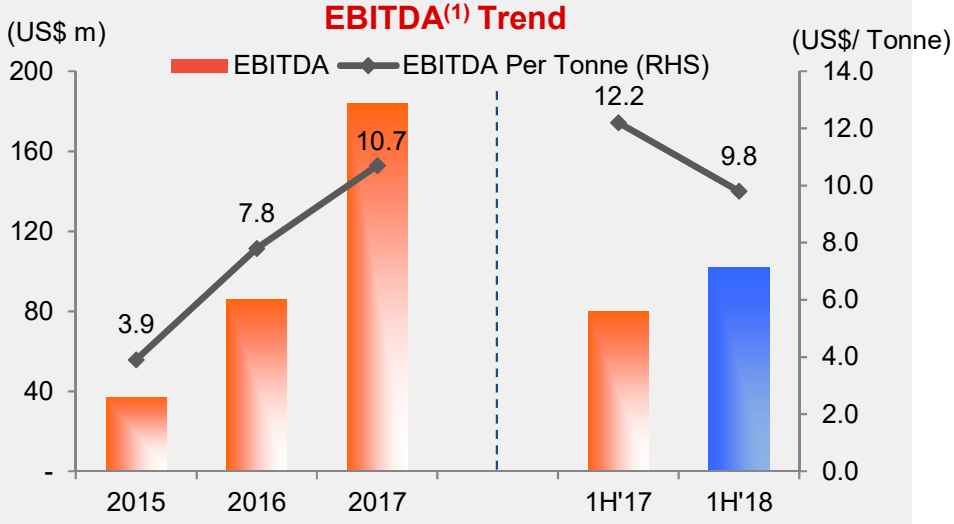
Production Volume Trend – Coal Mining



Revenue Growth



EBITDA(1) Trend



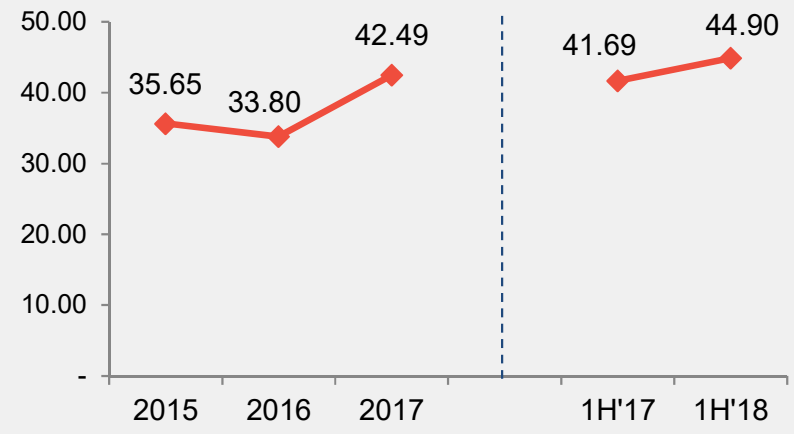
Source: Company financials, Bloomberg

(1) EBITDA = Profit for the year/period + finance costs + income tax expense + depreciation and amortization – reversal of prior year interest expense – income tax benefit

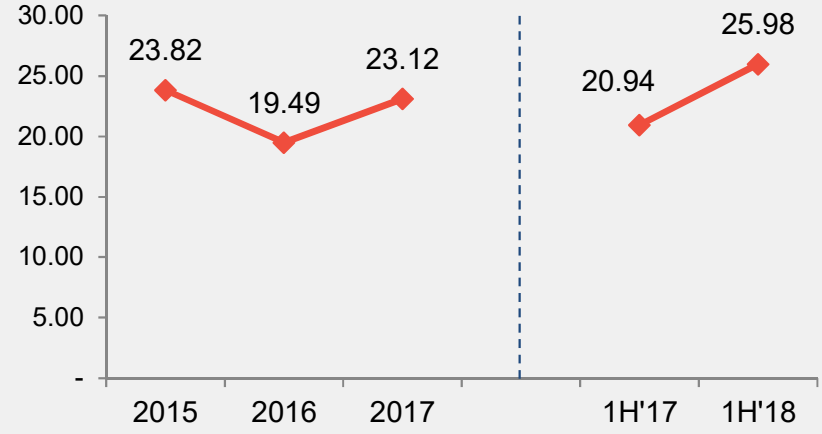
Performance Highlights

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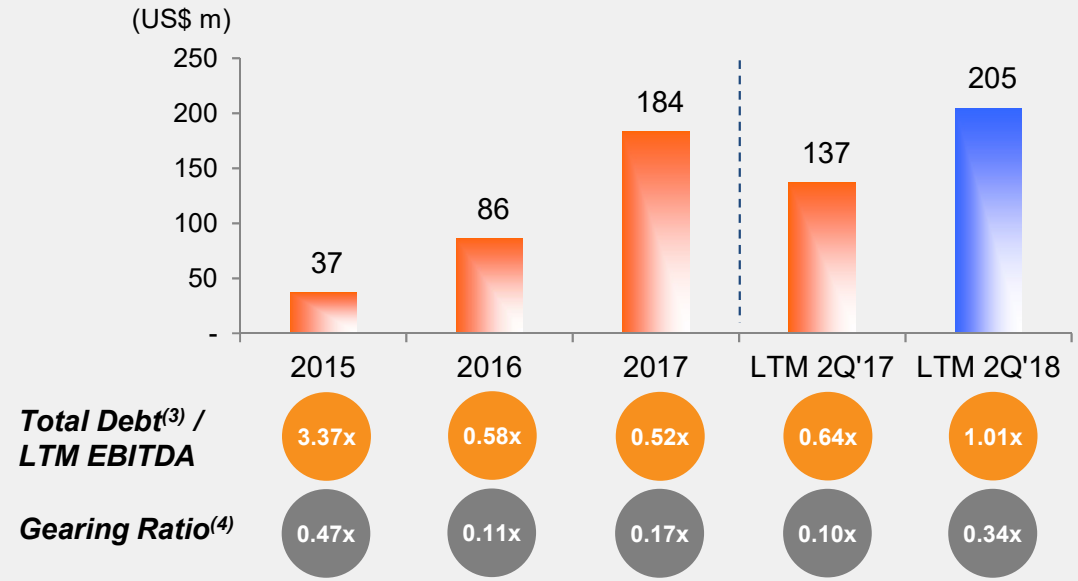
Average Selling Price – Coal Mining



Cash Cost per Tonne(1) - Coal Mining



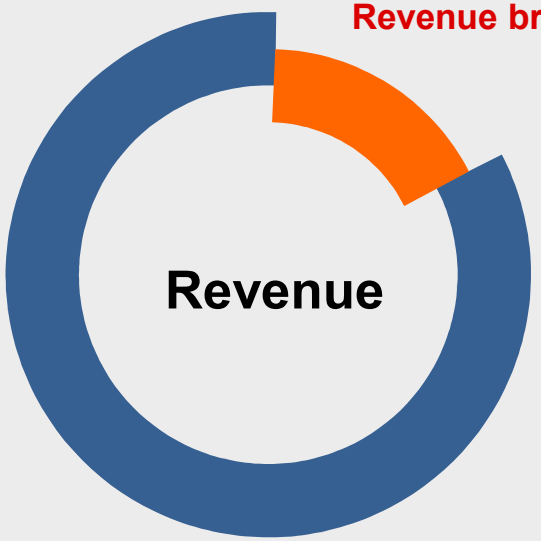
LTM EBITDA(2) and Leverage – Company



(1) Includes COGS and selling expenses, excludes royalty and non cash items such as depreciation and amortization (D&A)
(2) EBITDA = Profit for the year/period + finance costs + income tax expense + depreciation and amortization – reversal of prior year interest expense – income tax benefit.
(3) Total Debt = Loans and borrowings
(4) Gearing ratio is calculated as total liabilities (excluding taxes) net of cash and cash equivalents divided by shareholders funds plus total liabilities (excluding taxes) net of cash and cash equivalents

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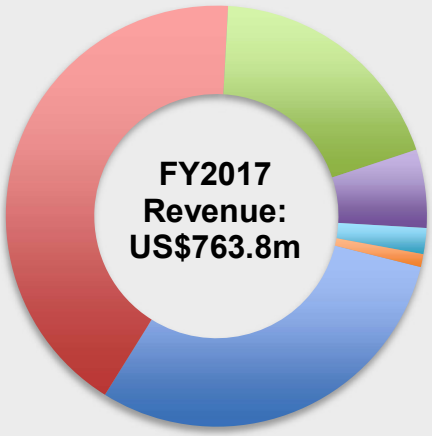
Revenue breakdown by division (2Q'18)



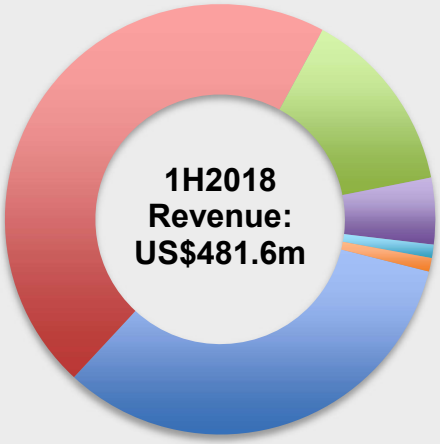
Coal Mining 91%

Coal Trading 9%

Revenue breakdown by geography



China 42%
Indonesia 30%
India 19%
South Korea 6%
Spain 2%
Others 1%



China 46%
Indonesia 33%
India 14%
South Korea 5%
Spain 1%
Dubai 1%



Outlook and Growth Strategies

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Outlook & Growth Strategies

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On track to achieve over 20 MT in 2018

- Produced 4.4 MT and 9.1 MT in 2Q 2018 and 1H 2018, respectively
- Plans to expand key infrastructure including capacity for coal crushers and conveyor belts to facilitate ramp up over existing production capacity in years ahead

Firm demand expected to continue in 2018

- Driven by robust coal use in Asia (over 70% of global consumption)
- Strong demand for BIB coal from key Asian markets – China, India and South Korea

Look for additional value accretive acquisitions

- Explore acquisitions in coal or counter-cyclical precious metals
- Following BSL acquisition to be completed in 2H 2018, GEAR will have total 2P reserves of more than 1 billion tonnes, the fourth largest in Indonesia

Maintained BUY recommendation;
Target Price: S$0.48 (6 July 2018)

PhillipCapital

Singapore Coal Monthly

Demand from China still robust

BULL AND BEAR StocksBnB.com

SINGAPORE | MINING | SECTOR UPDATE

6 July 2018

Golden Energy & Resources
BUY (Maintained)

BLOOMBERG CODE	GER SP
CLOSING PRICE	SGD 0.335
FORECAST DIV	SGD 0.014
TARGET PRICE	SGD 0.480
TOTAL RETURN	47.5%

Geo Energy Resources
BUY (Maintained)

BLOOMBERG CODE	GERL SP
CLOSING PRICE	SGD 0.225
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.410
TOTAL RETURN	86.7%

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China imports more coal

China imports surged: According to Reuters, China's seaborne coal imports surged by 14% YoY in 1H18, estimating to reach 126.6mn tonnes. Indonesia became the biggest source of imports by delivering 61.8mn tonnes of coal, a jump of 33.5% YoY. Meanwhile, the imported coal from Australia remained flat at 42.8mn tonnes during the period (1H17: 42.6mn tonnes).

Import restrictions relaxed: In Jun-18, the central government has reduced restrictions on coal imports at the nation's major ports in response to concerns about higher prices and regional power shortages, as demand for electricity jumps during the peak summer months. Ports in Shandong, Fujian and Guangzhou provinces have accelerated their clearance times to 10 days from 15 working days, and other ports across the country have similarly been told to prioritise handling coal for power generation.

Anti-pollution plans to curtail coal: In 3-Jul, the State Council announced the final version of the country's 2018 to 2020 anti-pollution plan. The regions of Beijing, Tianjin, Hebei, Shandong and Henan will be required to cut coal consumption by 10% over the 2016 to 2020 period, while the Yangtze delta region will have to cut coal use by 5% over the period. No new capacity for steel, coke and primary aluminium production will be allowed in the regions through to 2020

Demand for coal outstripping supply in China

China's domestic production continued to remain flat, as shown in Figure 1. Meanwhile, the demand for power remains strong, especially thermal power where demand resumed back up to double digits in May-18, as shown in Figure 3. The expected relaxation on seaborne coal imports, as mentioned in our previous monthly, boosted the stockpiles at Chinese ports, see Figure 6. In Jun-18, total port coal inventory jumped 49% YoY, indicating that thermal power demand will be much higher during the summer season which is expected to be longer this year (more than 4 months).

Apparently, the security of coal supply in the near term became the authority's priority over any clampdown of coal prices. Coal price was back to the abnormal area over the last two months, see Figure 5. Given the seaborne coal will continue to fill up the supply gap during the peak season, coal prices are expected to stay elevated in 3Q18.

Indonesia coal market is expected to remain upbeat in 2H18

In terms of production, domestic miners produced a total of 145mn tonnes from Jan- to May-18, accounting for 31.7% of the annual target of 485mn tonnes (+5.2% YoY) set by Energy and Mineral Resources Ministry. In terms of price, HBA hit a 6-year high in Jul-18, touching US$104.7/tonne, shown in Figure 4. The HBA averaged at US$96.5/tonne in 1H18 with 17% YoY growth. We believe the strong demand for seaborne coal from China will keep coal price buoyant subsequently.

Maintained BUY recommendation;
Target Price: S$0.48 (18 May 2018)

PhillipCapital

Golden Energy and Resources Ltd

Strong production on track

BULL AND BEAR StocksBnB.com

SINGAPORE | MINING | 1Q18 RESULTS

18 May 2018

BUY (Maintained)

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

- 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$mn)	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.

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

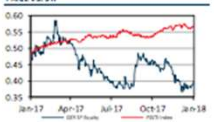
MAJOR SHAREHOLDERS (%)

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	15.6

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY16	FY17	FY18e	FY19e
Revenue (US$ mn)	393	764	1026	1278
EBITDA (US$ mn)	89	164	225	291
PATMI (US$ mn)	22	63	83	96
P/E (x)	76	10.9	7.6	6.5
P/B (x)	2.6	2.0	1.4	1.1
ROE (%)	7%	18%	21%	18%
ROA (%)	4%	8%	8%	8%

Source: Company, PSR

VALUATION METHOD

P/E MULTIPLE (PER: 10.0x)

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Q & A

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