



GEAR – 1Q 2019 Results Briefing

May 2019

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Performance Highlights

Performance Highlights



Continuing production growth momentum

- ◆ Achieved production of **7.1 million tonnes** in 1Q 2019, an increase of **52.9%** from 4.7 million tonnes in 1Q 2018

- ◆ Quarterly ASP of **US\$34.68/t⁽¹⁾**
-26.8% YoY from US\$47.35
- ◆ 1Q 2019 revenue of **US\$276.2m**
+1.2% YoY
- ◆ 1Q 2019 net profit of **US\$14.7m**
-66.3% YoY from US\$43.5m



Stable revenue supported by higher production volume



Maintaining stable balance sheet

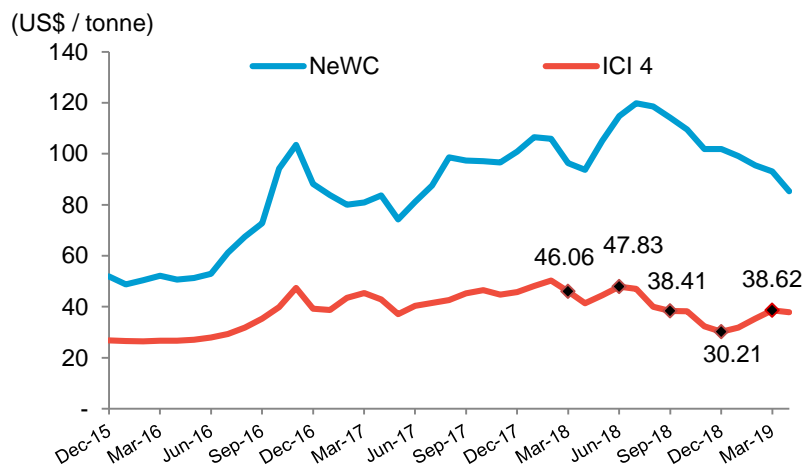
- ◆ Group cash position increased to **US\$119.3m** from US\$113.1m as at 31 Dec 2018
- ◆ Leverage ratio⁽²⁾ stands at **2.63x**

(1) Coal Mining Division

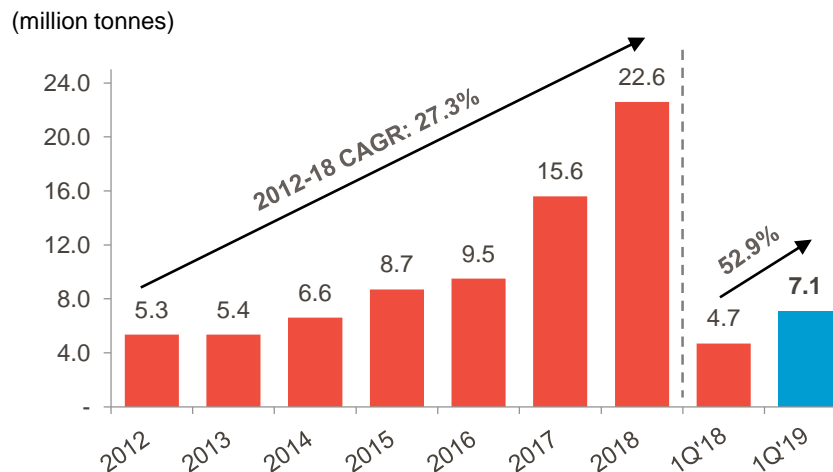
(2) Refers to Total debt to LTM EBITDA

Performance Highlights

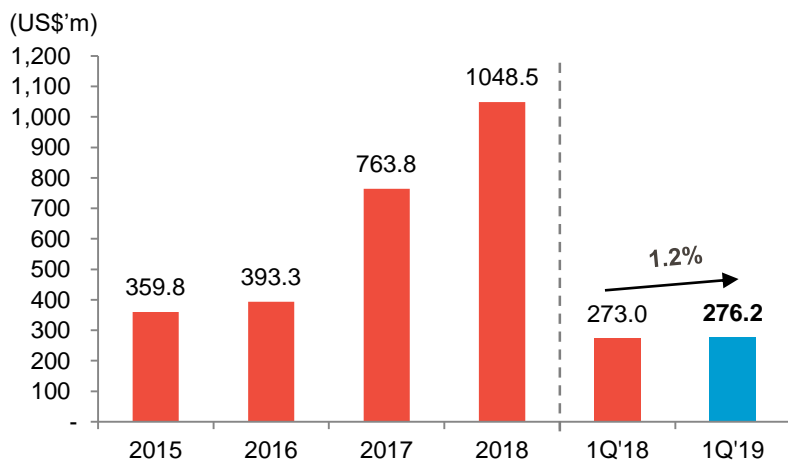
Coal Price Trend



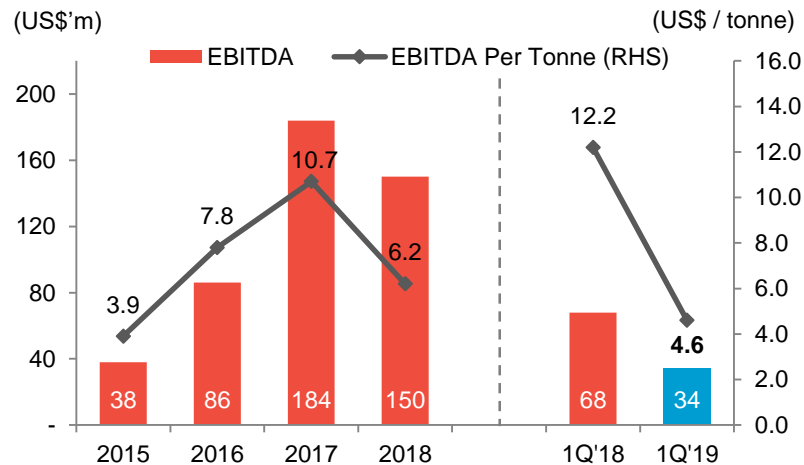
Production Volume Trend – Coal Mining



Revenue Growth



EBITDA⁽¹⁾ Trend

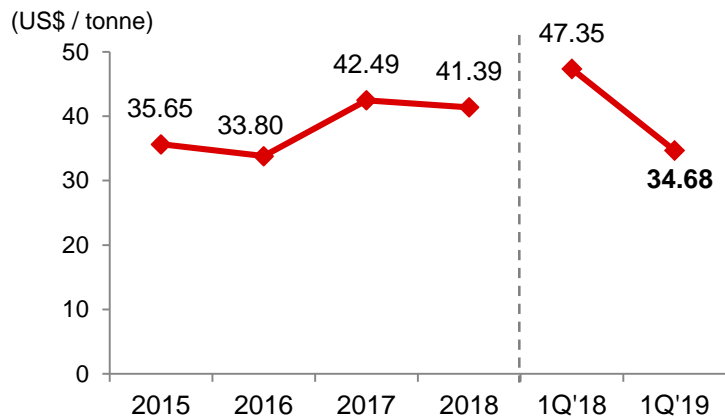


Source: Company, Bloomberg

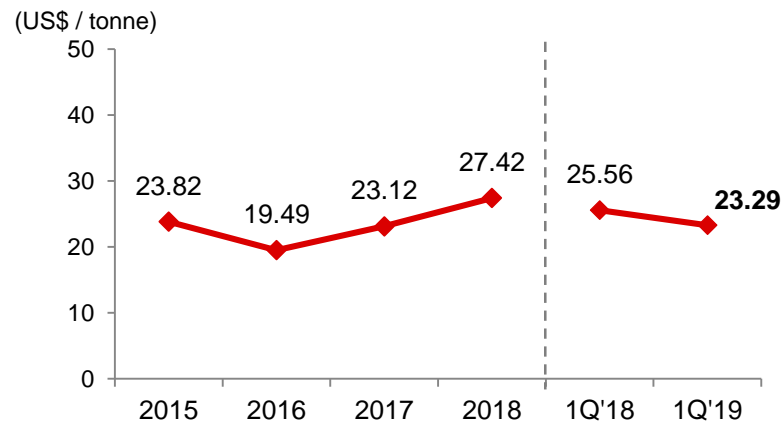
(1) EBITDA = Profit for the year/period + finance costs + income tax expense + depreciation and amortization – reversal of prior year interest expense – income tax benefit

Performance Highlights

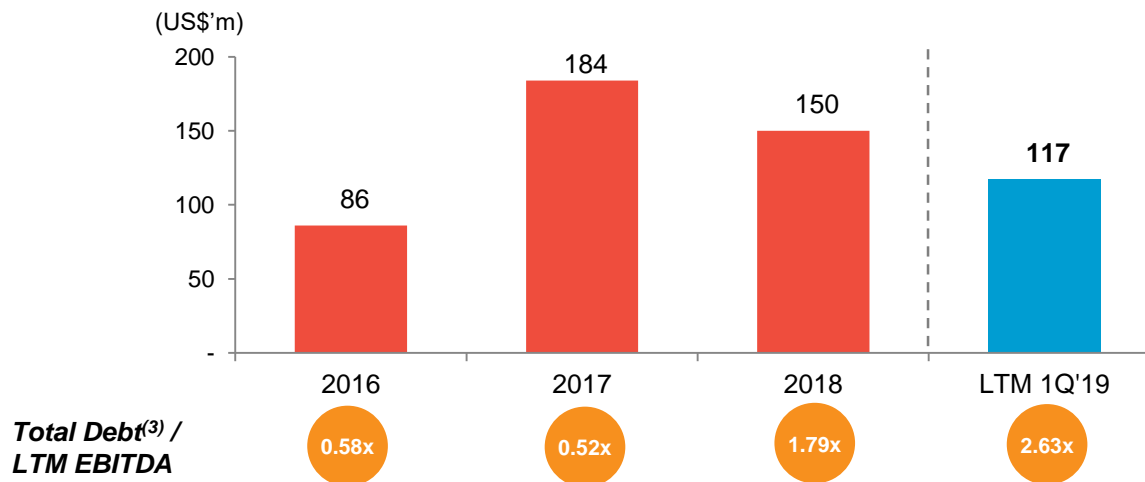
Average Selling Price – Coal Mining



Cash Cost⁽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.

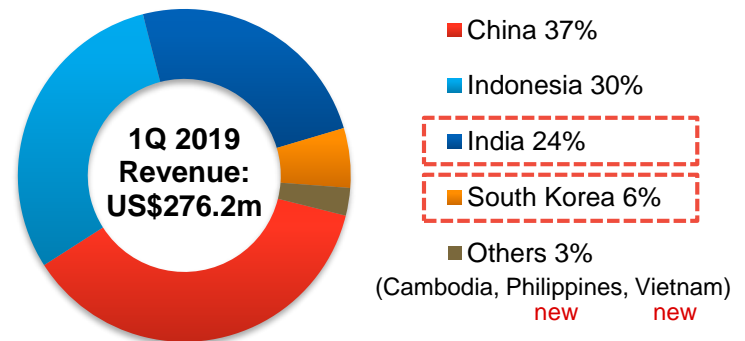
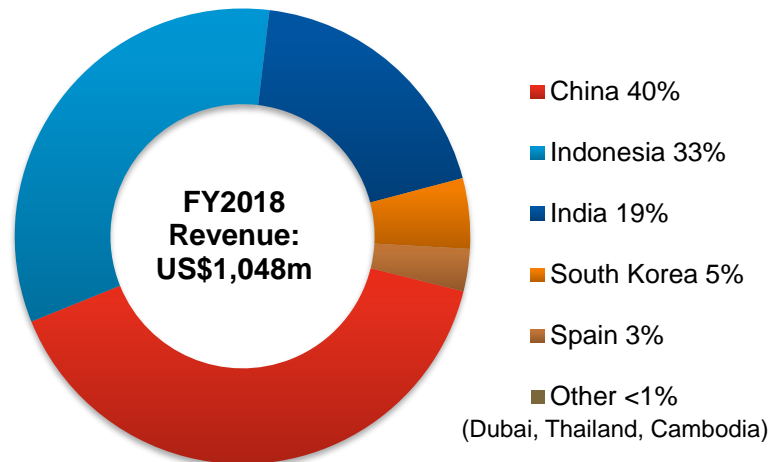
(3) Total Debt = Loans and borrowings

Performance Highlights

Revenue breakdown by division (1Q 2019)



Revenue breakdown by geography





Outlook and Growth Strategies

Outlook & Growth Strategies



**Target to achieve
25 million tonnes in
2019**

- ◆ Produced 7.1 million tonnes in 1Q 2019, on track to achieve 25 million tonnes in 2019

- ◆ Coal consumption in the Asia-Pacific region to be driven by new coal-fired power plants
- ◆ Indonesian coal prices expected to remain firm due to tightened supply resulting from domestic market obligations



**Stable demand
expected to
continue in
2019**



**Look for additional
value accretive
acquisitions**

- ◆ With 25.5% stake in Stanmore, GEAR has diversified its coal product suite to include coking coal and expanded its geographical presence to Australia
- ◆ GEAR will continue to explore other such value accretive diversification opportunities

Latest Analyst Recommendations

Maintained BUY recommendation;
Target Price: S\$0.30 (7 March 2019)



Golden Energy and Resources Ltd

Look forward to lower costs



SINGAPORE | MINING | 4Q18 RESULTS

- Revenue met our expectations while PATMI missed due to higher than expected production cash cost and operating expenses.
- Total volume exceeded FY18 production target by 13%. The production target for FY19 is 25mm tonnes (+10.6% YoY).
- FY18 cash cost jumped by 18% YoY but is expected to fall in FY19e.
- Coal price headwinds to remain due to extended coal import restriction from China.
- We lower FY19e EPS to 2.2 US cents (previously 2.9 US cents) due to a weaker projected coal ASP. Based on unchanged peer average forward PER of 10x and the FX rate (USD/SGD) of 1.36x, we reiterate our BUY recommendation with a lower target price of S\$0.30 for FY19.

Results at a glance

(USD m)	4Q18	4Q17	YoY (%)	Comments
Revenue	280.2	301.7	(7.1)	Increase in revenue from Coal Mining, partially offset by a decrease in revenue from Coal Trading Division and Non-coal businesses
Gross profit	71.9	104.8	(31.4)	Increase in mining services costs, coal freight, mining overheads, fuel costs, and royalty expenses, offset by a decrease in amortisation expenses
PBT	(8.9)	55.3	(116.1)	Increase in operating expenses in line with higher sales activities, and higher interest expenses as a result of the issuance of the Company's bond in February
PATMI	4.5	22.2	(79.9)	Lower taxable profit and decrease in withholding tax expense

Source: Company, PSR

The Positives

+ Total volume exceeded FY18 production target. Full-year production from coal mining totalled 22.6mm tonnes, exceeding by 13% of FY18 target.

	4Q18	4Q17	YoY (%)	FY18	FY17	YoY (%)
Production volume (tonnes)	6.4	5.5	15.6	22.6	10.1	123.8
ASP (US\$/tonne)	40.0	43.1	-7.2	41.4	42.5	-2.6
Cash cost (US\$/tonne)	29.8	25.9	15.1	27.4	23.1	18.6
Revenue from coal mining (US\$mm)	268.2	183.3	46.3	943.2	645.4	46.1

Source: Company, PSR

The Negatives

- Price correction protracted in 4Q18. HBA (Indonesia Coal Price Reference) grew mildly by 3.0% YoY to US\$97.1/tonne in 4Q18 but fell by 7.1% QoQ. ICI 4 averaged at US\$30.2/tonne [down 21.3% QoQ]. Meanwhile, the spread between Newcastle Coal (NeWC) and ICI 4 widened during the period. Averagely, ICI 4 is trading at a 50% discount to NeWC, but the discount increased to 70% in 4Q18.

- Full-year cash cost jumped. In FY18, cash cost surged by 18.6% YoY to US\$27.4/tonne. The increase in the strip ratio of BIB mine (FY18:4.2 vs FY17:4.8) accounted for US\$1.5/tonne. The increase in cost was impacted by fuel price, the distance between mining field and overburden dumping site, coal hauling, road repair and maintenance, and port/jetty cost lifted the cost by another US\$0.7/tonne, US\$0.65/tonne, US\$0.50/tonne, US\$0.8/tonne and US\$0.50/tonne respectively.

Maintained BUY recommendation;
Target Price: S\$0.36 (12 February 2019)



Singapore Coal Monthly

Force majeure shocked the markets

SINGAPORE | MINING | SECTOR UPDATE

China

A tragic coal mine accident led to over 70% of mines shut for safety investigation in Shanxi. In Jan-19, a roof collapsed at the Lijiaogou coal mine in Shenmu county in Shanxi province, resulting in 21 dead out of 87 people worked underground. The deadly accident triggered a broad suspension on mining activities in the region. More than 70% of coal mines with an annual capacity of 130mm tonnes (over 4% of domestic thermal coal supply) were shut down for safety checks. The annual capacity in the Shenmu mine is estimated to be 250mm tonnes which account for 50% of capacity in Shanxi province. The roll-out of safety investigations was extended to the neighbour provinces such as Shanxi and Inner Mongolia and is expected to last till Mar-19.

Indonesia

Lower 2019 domestic production target. In Jan-19, the Indonesian government set the 2019 coal production target at 480mm tonnes, 5mm tonnes lower than that in 2018. The goal is to stabilise the global coal price, according to the Energy and Mineral Resources Ministry. As of 28-Dec-18, total domestic output reached 456mm tonnes (94.02% of the annual target in 2018). 115mm tonnes of coal was estimated to be sold through the domestic market obligation (DMO) scheme in 2018.

Rains stalled thermal coal production in South Kalimantan. In Jan-19, thermal coal production was affected by rains, delaying loading schedules by six to nine days. Mining in the open pit mines halted until rains subsided. Spot cargos were in short. Meanwhile, some suppliers downgraded calorific value due to higher moisture levels. Both GEAR and Geo have mining operations in this location.

The temporary supply shortage upheld coal prices, but the upside is limited. The coal mine accident created a regional supply shortage. The spot coal price at Yulin area where Shenmu county is located spiked up (+RMB150/tonne in 10 days to RMB700/tonne). There are now expectations of significant increases in coal imports and relaxation of import restriction. Qinhuangdao 5,500 GAR FOB spot price rose by RMB11/tonne to RMB591/tonne in Jan-19, see Figure 5. However, the price rebound is so far limited because coal demand is weaker. Firstly, January and February are low seasons for coal demand due to the long holiday of Chinese New Year. Secondly, this winter is warmer than expected. Lastly, domestic output grew slightly in 4Q18, and port coal stockpile remained sufficient, see Figure 1 and 5. Therefore, we believe the accident supports the coal price at the current level rather propels it back to an uptrend in the near term.

Indonesian coal miners continued to embrace headwinds

Lower production target is in line with the expectation of the slow-down of the global economy in 2019. The biggest uncertainty is whether China will relax the import restriction after the winter season. In 2018, China imported coal totalled at 281mm tonnes with a 3.9% YoY growth even though the authority has been implementing the restriction directive.

7 March 2019

BUY (Maintained)

CLOSING PRICE	SGD 0.235
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.300
TOTAL RETURN	31.9%

COMPANY DATA

BLOOMBERG CODE	GER.SP
QS SHARE (MM)	2,853
MARKET CAP (USD m / SGD m)	407 / 553
S2 - WK H/LD (SGD)	0.42 / 0.21
TM Average Daily Trd (mm)	0.14

MAJOR SHAREHOLDERS (%)

PT DIAN SWASTATIKA SENTOSA	86.9%
DIMENSIONAL FUND ADVISORS	0.66%
Frank Resource Co	0.55%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(4.1)	(2.1)	(37.1)
SECTOR	1.6	2.8	(2.1)

PRICE VS. \$/T



Source: Bloomberg, PSR

KEY FINANCIALS

YTD Dec	FY17	FY18	FY18e	FY19e
Revenue (US\$ m)	764	1,048	1,128	1,239
EBITDA (US\$mm)	184	351	188	209
PATMI (US\$ m)	43	39	51	57
P/E (x)	6	10.4	7.9	7.1
P/B (x)	1.2	1.3	1.2	1.0
ROE	1.8%	1.9%	1.6%	1.4%
ROA	0%	4%	5%	5%

Source: Company, PSR

VALUATION METHOD

P/E MULTIPLE (P/ER: 6.0x)

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Q & A