

Bumi Resources Minerals

Non-Rated

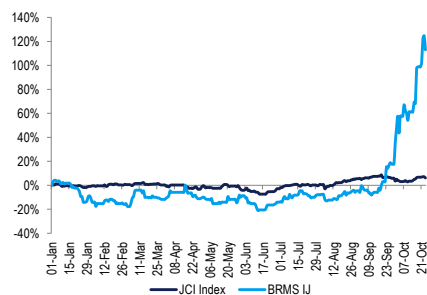
Non-rated | Metals | BRMS IJ | 24 October 2024

Stock Data

Target price	N/A
Prior TP	N/A
Current price	Rp362
Upside/downside	N/A
Shares outstanding (mn)	141,784
Market cap (Rp bn)	51,326
Free float	47%
Avg. 6m daily T/O (Rp bn)	133

Price Performance

	3M	6M	12M
Absolute	133.5%	132.1%	87.6%
Relative to JCI	127.3%	124.5%	74.7%
52w low/high (Rp)	134 – 382		



Major Shareholders

Mineral Industri Indonesia	65.0%
----------------------------	-------

Ryan Winipta

PT Indo Premier Sekuritas
ryan.winipta@ipc.co.id
+62 21 5088 7168 ext. 718

Reggie Parengkuan

PT Indo Premier Sekuritas
reggie.parengkuan@ipc.co.id
+62 21 5088 7168 ext. 714

Junior gold & copper miner proxy with improving fundamentals

- Gold & silver have outperformed other metals YTD (+33/+44%), positive for BRMS that aimed 50koz gold production (+115% yoy) in FY24.
- On the technical side, we see potential for BRMS to be included into MSCI standard-cap index, if it continues to trade at >Rp360/share level.
- With latest production run-rate, current valuation implies FY25F 69x P/E and 47x EV/EBITDA or around ~US\$400/oz on EV/resources basis.

Rising gold production with potential to develop copper in the future

During our group call, BRMS' management has set 50koz gold production target in FY24F (+115% yoy) from Citra Palu Minerals (CPM), mainly driven by the ramp-up in utilization of carbon-in-leach (CIL) plant. Going forward, BRMS also mentioned that its heap-leach plant would be completed by end of FY24F or early FY25F, albeit we expect gradual ramp-up within 12-18 months post completion. Management also foresees potential copper project development through Gorontalo Minerals (80% stake), albeit the current focus would remain on unlocking gold reserves/resources in order to gain cash flow to develop the copper projects. In FY25F, gold production is expected to grow by +30% to 65koz with heap-leach ramp-up in FY26F.

MSCI standard cap index entry scenario; Feb25 entry is more likely

Our calculation indicates that BRMS' share price needed to trade above Rp360/share at the very least (~US\$1.3bn free-float market cap), during MSCI monitoring period. Nonetheless, higher free-float market-cap (>US\$1.5bn) or >Rp410/share, shall provide better guarantee for MSCI inclusion. We see c.20% chance of inclusion in Nov24 review, as BRMS has entered MSCI review period since 14-Oct until 25-Oct, of which it traded below cut-off level in 6 out of 10 days so far (Fig. 4); but note that MSCI would select random day out of the 10 days, hence giving it a potential chance for inclusion in Nov24. Inclusion in Feb25 review is more likely, in our view, but only if BRMS continues trading above Rp360/share.

Implied valuation and comparison with other junior gold miners

At 50koz and 65koz in FY24F/25F, BRMS currently trades at 143x/69x P/E and 84x/47x EV/EBITDA and this has already factored in +103% yoy growth in FY25F EPS. However, since BRMS is categorized as junior mining company, we think EV/resources is a metric that is more appropriate. If we value BRMS' 80% stake in Gorontalo Minerals using the average junior copper miner valuation (~US\$180/CuEq), current share price implies ~US\$400/oz EV/resources valuation for its gold assets, slightly higher vs. junior gold miners globally. Note that BRMS' CPM has higher gold grade (~3.5g/t) on average – which needs to be unlocked via underground mining (FY27F), but is less developed vs. other junior gold miners, reflected in its relatively high EV/EBITDA (Fig. 5).

Financial Summary (Rp bn)	2018A	2019A	2020A	2021A	2022A
Revenue	4	8	11	12	47
EBITDA	-1	0	1	3	20
Net profit	1	4	69	14	14
EPS growth	N/A	208%	1648%	-80%	2%
ROE	0%	1%	8%	1%	1%
PER (x)	2,577.5	837.5	47.9	242.5	237.9
EV/EBITDA (x)	-4,656.5	-25,989.4	3,820.3	1,282.6	164.9
Dividend yield	N/A	N/A	N/A	N/A	N/A

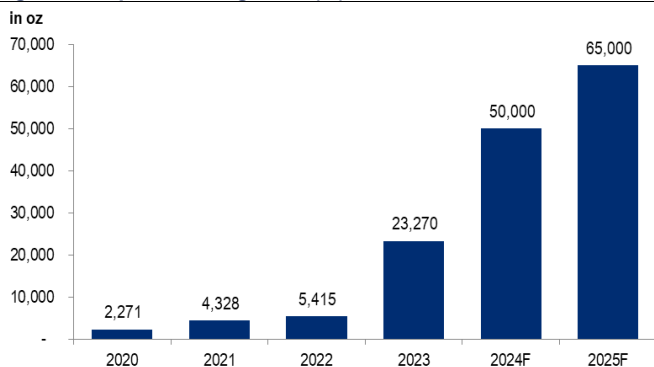
Source: Company, Indo Premier

Share price closing as of: 24 October 2024

Rising gold production with potential to develop copper in the future

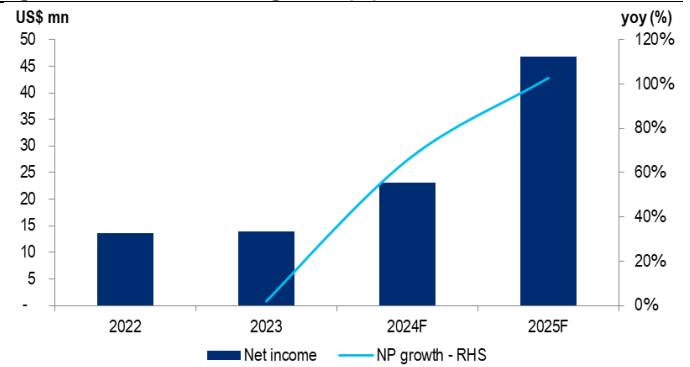
During our group call, BRMS plans to increase its gold production to 50koz and 65koz in FY24F and FY25F from its Citra Palu Minerals (CPM)'s Poboya mine, which may lead to NP growth of +66% and +103% yoy in FY24F and FY25F, under assumption of 1H24 realization and gold price to trade at ~US\$2.7k/oz for the rest of the year and FY25F (Fig. 1). As such, any potential increase in gold price would positively affect ASP; 1% gold price increase would lead to +2.5% in FY25F NP, per our estimates.

Fig. 1: Gold production growth (%)



Source: Company data, Indo Premier estimates

Fig. 2: BRMS's NP and NP growth (%)



Source: Company data, Indo Premier estimates

Aside from CPM, BRMS has other four projects that are currently in development, namely: 1) Gorontalo Minerals (80% stake; 20% stake owned by ANTM), 2) Suma Heksa Sinergi (gold mine), 3) Linge Mineral Resources (gold mine), and 4) Dairi Prima Mineral (zinc & lead; 49% minority stake).

During our discussion with management, the current focus would be to continue the progress within CPM including to develop underground mining (which has 3.5-4.9g/t gold grade on average) with plans to develop gold mining in Gorontalo Minerals (GM) by 2H26F to finance copper project within GM. Meanwhile for Kerta project (SHS) and Linge, BRMS mentioned that SHS has obtained the necessary permit, but its low gold grade makes it less favorable for BRMS to develop in the short-term, while Linge is still obtaining the necessary permit to operate the mine.

Fig. 3: Bumi Resources Minerals (BRMS)' project portfolio (majority stake)

BRMS	mn ton	Grade (%)			Contained metal		
		Cu %	Au (g/t)	Cu Eq	Cu Eq	Cu (Mt)	Moz
Citra Palu Minerals (CPM)	40	0	3.50	2.1%	0.8	0.0	4.5
Gorontalo Minerals	392	0.49%	0.43	0.7%	2.9	1.9	5.4
Suma Heksa Sinergi	75	0	0.85	0.5%	0.4	0.0	2.1
Linge Mineral Resource	7	0	1.58	0.9%	0.1	0.0	0.3

Source: Company data, Indo Premier estimates; CuEq is based on our estimates

To finance the development of gold underground mining, BRMS plans to seek debt-financing, particularly via bank-loan, albeit its actual capital expenditure for the underground mining has remain undisclosed for now. BRMS expects its gold production to achieve peak production by 2H27F, after the underground mining is completed.

MSCI standard cap index entry scenario

Our calculation indicates that for MSCI standard-cap index inclusion, BRMS share price needs to trade at least above Rp360/share level (equivalent to US\$1.3bn free-float market capitalization) during MSCI

market monitoring period – typically last 10 trading days in prior month from MSCI review. For Nov24 MSCI semi-annual review, we see only c.20% chance of inclusion for BRMS as during monitoring period, BRMS's free-float market cap is trading below our estimated cut-off level of US\$1.3-1.5bn free float market cap in 6 out of 10 days so far (Fig. 4).

Note that MSCI is using 40% free float for BRMS instead of 49%/52% in IDX disclosure but this actually matched the free-float reported in BRMS' financial statement in FY23 (at 35.08%, rounded up to 40%). There's also risk for MSCI to lower BRMS' free float to 35% (from initial 40%) as latest disclosures in 1Q24/1H24 financial statement indicated a reduction of free float from 35.08% to 34.13% (rounded up to 35% by MSCI methodology). Hence, we think Feb25 entry is more likely for BRMS, but only if share price traded above Rp360/share level during monitoring period in Jan25.

Other than free-float market cap, MSCI also requires certain liquidity threshold measured by ATVR (average traded value ratio), however, since BRMS is already included into MSCI small cap index, it has already reached the liquidity threshold especially with daily turnover even picking-up in the past few months during the share price rally.

Fig. 4: BRMS during MSCI market monitoring period for Nov24 semi-annual review

MSCI review - BRMS (40% free float)	14-Oct	15-Oct	16-Oct	17-Oct	18-Oct	21-Oct	22-Oct	23-Oct	24-Oct	25-Oct
Market cap (US\$ mn)	2,496	2,626	2,604	3,065	3,098	3,139	3,443	3,450	3,296	
FF Market cap (US\$ mn)	998	1,051	1,042	1,226	1,239	1,256	1,377	1,380	1,318	
Rp/share (closing)	274	288	286	336	338	344	378	382	362	
MSCI review - BRMS (35% free float)	14-Oct	15-Oct	16-Oct	17-Oct	18-Oct	21-Oct	22-Oct	23-Oct	24-Oct	25-Oct
Market cap (US\$ mn)	2,496	2,626	2,604	3,065	3,098	3,139	3,443	3,450	3,296	
FF Market cap (US\$ mn)	874	919	911	1,073	1,084	1,099	1,205	1,208	1,153	
Rp/share (closing)	274	288	286	336	338	344	378	382	362	
MSCI cut-off	1,300-1,500									

Source: Company data, Bloomberg, Indo Premier estimates

Implied valuation and comparison with other junior gold miners

We compiled EV/resources of several junior gold miners globally and found that junior gold miners are trading at US\$325/oz resources and 10x FY25F EV/EBITDA on average (Fig. 5). At current price, BRMS is trading at 47x FY25F EV/EBITDA and ~US\$300/oz EV/resources (ownership-adjusted), which was relatively on par with the average global junior gold miners.

However, we think variation in EV/resources multiples are determined by multiple factors, including: 1) gold grade (g/t), 2) development stages (i.e. PFS, FS, exploration stage, etc), 3) geological factors that shall affect mining operation (i.e. open-pit/underground mining), among other factors. By looking at EV/EBITDA of global junior gold miners, we think BRMS is still behind its global peers in terms of development stages and internal cash flow generation capability with several junior miners even trading below 10x EV/EBITDA as of FY25F.

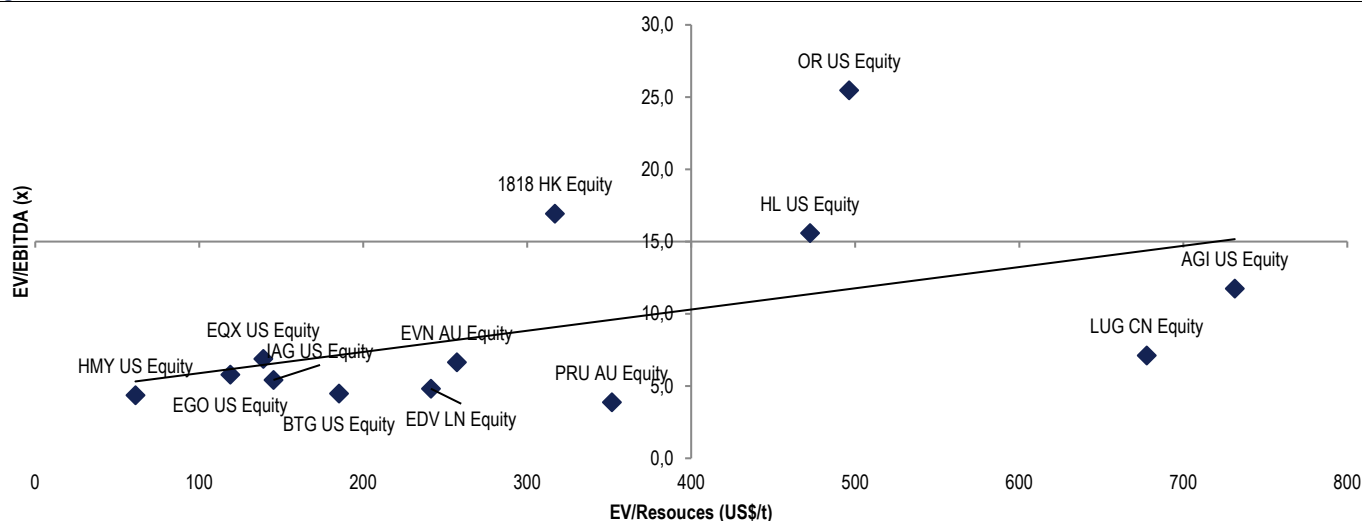
If we assume Gorontalo Minerals to be valued at ~US\$180/CuEq or around ~US\$650mn in enterprise value (EV) as a copper project given its nascent stage of development, current BRMS share price implies an EV/resources of US\$400/oz, which is relatively higher vs. other junior gold miners globally.

Fig. 5: Global junior gold miners peers comparison

Company name	Market cap (US\$m)	EV (US\$m)	Total resources			EV/Resources	FY25F EV/EBITDA
			Ore (Mt)	Grade (g/t)	Gold (moz)		
Alamos Gold Inc	8,977	8,314	236	1.4	12	711	8.2
Evolution Mining	7,121	7,660	678	1.3	30	252	6.2
B2Gold Corp	4,548	4,438	579	1.2	25	178	2.9
Hecla Mining Co.	4,742	4,865	410	0.7	11	453	10.4
Endeavour Mining	6,075	6,115	479	1.7	28	215	3.1
Imangold Corp	3,486	3,687	888	0.9	28	130	3.2
Osisko Gold	3,930	3,793	26	8.6	8	480	19.3
Zhaojin Mining	6,349	10,620	273	3.5	33	317	13.0
Eldorado Gold	3,822	3,912	815	1.2	33	117	4.5
Perseus Mining	2,734	2,153	140	1.2	6	351	4.6
Lunding Gold	6,064	5,367	32	7.6	8	634	6.0
Equinox Gold	2,520	3,439	950	0.8	28	125	3.1
Bumi Resources Minerals	3,295	3,350	428	0.7	11	306	46.4
Average						329	10.1

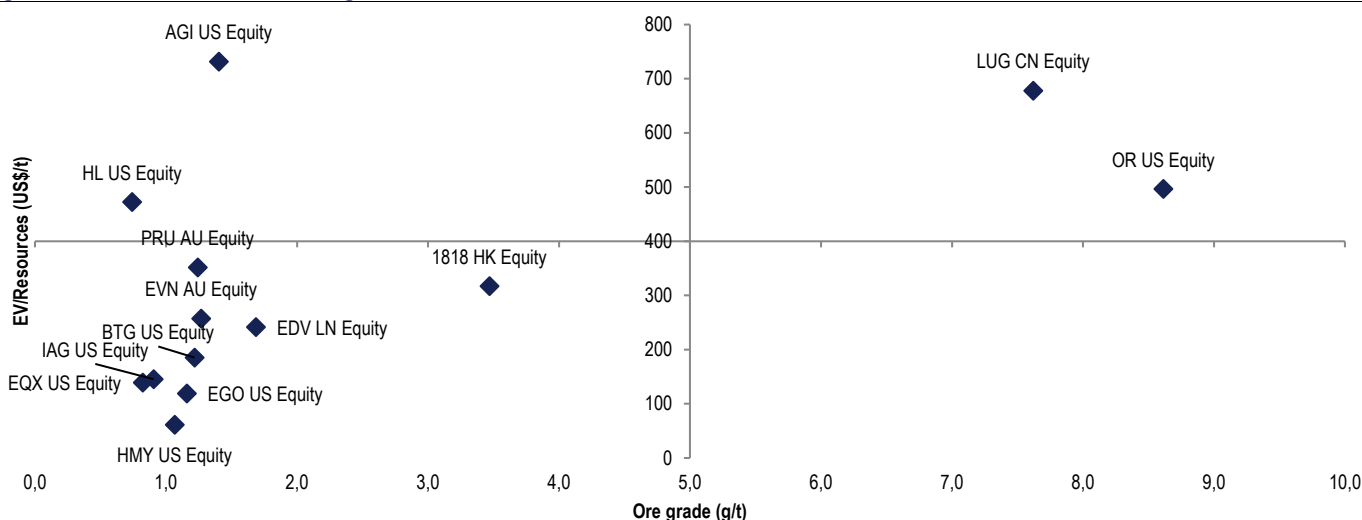
Source: Company data, Bloomberg, Indo Premier estimates

Fig. 6: Peers EV/EBITDA vs. EV/Resources



Source: Bloomberg

Fig. 7: Peers EV/Resources vs. Ore grade



Source: Bloomberg

Income Statement (US\$ mn)	2018A	2019A	2020A	2021A	2022A
Net revenue	4	8	11	12	47
Cost of sales	(0)	(2)	(4)	(5)	(20)
Gross profit	4	6	6	7	26
SG&A Expenses	(5)	(6)	(5)	(6)	(9)
Operating profit	(1)	(0)	1	1	17
Net interest	0	0	0	0	0
Others	2	14	120	31	0
Pre-tax income	1	14	121	33	17
Income tax	0	(10)	(52)	(19)	(3)
Minority interest	0	(0)	(1)	(0)	(0)
Net income	1	4	69	14	14

Balance Sheet (US\$ mn)	2018A	2019A	2020A	2021A	2022A
Cash & equivalent	1	2	60	10	5
Receivable	0	1	0	0	0
Inventory	2	9	7	9	5
Other current assets	35	36	183	165	136
Total current assets	38	47	250	184	146
Fixed assets	145	155	310	390	441
Other non-current assets	440	386	420	506	518
Total non-current assets	584	541	730	896	959
Total assets	622	588	980	1,080	1,105
Payable	5	6	10	10	14
ST loans	0	0	0	0	0
Current portion of LT loans	54	0	34	9	21
Other payables	54	62	41	48	49
Total current liab.	114	67	84	66	84
Long term loans	0	0	12	54	33
Other LT liab.	79	34	5	4	18
Total non-current liabilities	79	34	17	59	51
Total liabilities	193	101	101	125	136
Equity	1,567	1,619	1,891	1,953	1,953
Retained earnings	(886)	(882)	(813)	(799)	(785)
Minority interest	(260)	(259)	(208)	(208)	(207)
Others	9	9	9	9	9
Total SHE + minority int.	429	487	880	955	969
Total liabilities & equity	622	588	980	1,080	1,105

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2018A	2019A	2020A	2021A	2022A
Pre-tax income	14	121	33	17	33
Minority interest	(0)	(1)	(0)	(0)	(1)
Depr. & amortization	1	1	1	2	3
Tax	1	(1)	(1)	(1)	(8)
Changes in working capital	(1)	(162)	23	37	(26)
Others	0	0	0	0	0
Cash flow from operating	14	(41)	56	54	1
Capital expenditure	(12)	(283)	(82)	(53)	(25)
Others	(0)	13	(103)	(10)	0
Cash flow from investing	(12)	(270)	(185)	(63)	(25)
Loans	(54)	46	18	3	30
Equity	53	324	61	0	0
Dividends	0	0	0	0	0
Others	0	0	0	0	0
Cash flow from financing	(1)	370	79	3	30
Changes in cash	1	58	(50)	(6)	7

Key Ratios	2018A	2019A	2020A	2021A	2022A
Gross margin	92%	72%	59%	56%	56%
Operating margin	-16%	-2%	8%	9%	37%
Pre-tax margin	28%	166%	1147%	279%	37%
Net margin	29%	47%	653%	117%	30%
ROA	0%	1%	7%	1%	1%
ROE	0%	1%	8%	1%	1%
Acct. receivables TO (days)	N/A	15	N/A	N/A	370
Inventory TO (days)	0.2	0.3	0.6	0.5	4.4
Payable TO (days)	0.1	0.4	0.5	0.5	1.4
Debt to equity	13%	0%	5%	7%	6%
Interest coverage ratio (x)	36.0	27.1	-29.7	-21.4	-538.6
Net gearing	12%	0%	-2%	6%	5%

Source: Company, Indo Premier