

Significant growth in 2Q24 net profit

7 August 2024

BRMS IJ	BUY
Sector	Preci Metal.
Price at 6 Aug 2024 (IDR)	148
Price target (IDR)	236
Upside/Downside (%)	59.4

Stock Information

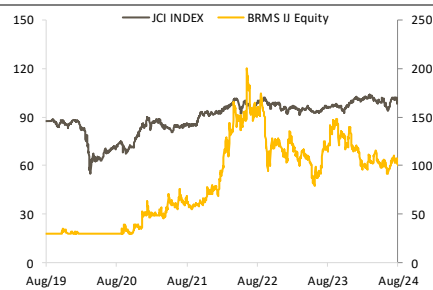
PT Bumi Resources Minerals Tbk operates as a mining company. The Company focuses on exploration and production of copper, gold, zinc, and lead properties.

Market cap (IDR bn)	20,984
Shares outstanding (mn)	141,784
52-week range (IDR)	127 - 226
3M average daily vol. ('000)	128,820
3M average daily val. (IDR mn)	19,269

Shareholders (%)

Emirates Tarian Global	25.1
1st Financial Company Limited	10.05
Sugiman Halim	7.35
Bumi Resources Tbk	20.09
Public	37.41

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(2.6)	(2.6)	(16.5)

Analyst

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BRMS reported strong net profit growth in 2Q24 of USD5 mn (+56.3% yoy; 50.1% qoq), with a significant increase in revenue driven by higher gold output and an increase in the gold ASP, despite a substantial rise in operating expenses. The company anticipates new reserves announcement in Poboya Block and Gorontalo within this year. However, due to higher-than-expected operating expenses in 1H24, we revised down BRMS' earnings forecasts for 2024-25, though we expect a decrease in tax and permit costs in 2025. Reiterate BUY with lower SOTP-based TP of IDR236.

Strong net profit growth in 2Q24 despite higher than expected opex

BRMS reported a net profit of USD5 mn in 2Q24, marking a significant increase of 56.3% yoy and 50.1% qoq. This growth was primarily driven by a substantial increase in revenue, which rose to USD41 mn, up by 307.9% yoy and 101.4% qoq. The strong performance was driven by higher gold output, which grew to 17,121 oz driven by optimum utilization of plant 2, a higher gold grade, and an increase in the ASP of gold to USD 2,336 per oz (+19.8% yoy; +12.1% qoq). However, opex surged by 437.3% yoy and 167.4% qoq to USD10.5 mn in 2Q24.

The increase in opex was primarily driven by higher salary, wages, and other benefits expenses due to the optimum utilization of Plant 2 and the preparation of Plant 3, as well as elevated taxes and permit costs associated mostly with the environmental impact analysis cost (Amdal), dead rent (PNBP) associated to mandatory annual payments by miners to the government for the rights to explore and exploit designated mining areas, and land & building tax. The strong 2Q24 performance led to a robust 1H24 result. BRMS reported a net profit of USD9.0 mn in 1H24, (+61.1% yoy). Due to the higher opex, 1H24 performance came below our expectation.

Potential reserve addition in short-mid term

In 2024, BRMS anticipates announcing new reserves in Blok Poboya and Gorontalo, following the new exploration (Poboya) and discovery of gold & copper during road construction (Gorontalo). This is expected to significantly increase GM's reserves. Conversely, CPM's stated reserve is currently only from Blok Poboya, with the remaining four blocks (Blocks 2, 4, 5, and 6) yet to be estimated. Therefore, we foresee a potential addition of new reserves in the mid-term.

Maintain a bullish stance despite revising our earnings downward

Following higher-than-expected operating expenses, we have revised our earnings forecast for 2024-25 to USD26 mn and USD44 mn, respectively, down from the previous forecasts of USD39 mn and USD57 mn. We anticipate high operating expenses will persist in 2024, particularly for salaries, taxes, and permit costs. However, we expect tax and permit costs to decline significantly in 2025 due to lower environmental impact analysis and PNBP cost. On the other hand, the recent weak job report in the US has doubled the probability of a 50bps rate cut in Sep'24, enhancing the outlook for gold. We maintain our bullish stance on the company, driven by a solid gold price and strong production growth in the mid-term.

Reiterate BUY with lower TP of IDR236

We reiterate BUY on BRMS with slightly lower TP of IDR236 using SOTP. BRMS net profit could reach USD121mn in 2029 due to the optimum commercial operation in CPM and GM. We like BRMS due to 1) substantial progress in third CPM Project; 2) solid gold outlook in the short-mid-term; and 3) potential surprise from the potential new reserve addition as well as more clarity on the monetization of Dairi Prima and copper asset. Risks to our call are: 1) lower gold price; 2) lower than expected gold grade.

Exhibit 1: Key Statistics

Year end Dec (USD mn)	2022	2023	2024F	2025F	2026F
Revenue	12	47	115	163	211
EBITDA	2	20	42	71	101
PATMI	14	14	26	44	65
EPS (IDR)	1	1	3	5	7
PER	104.2	100.5	51.4	30.0	20.2
EV/EBITDA (x)	573.8	68.2	33.2	19.3	13.2
ROE%	1.4	1.4	2.6	4.2	5.9
Net gearing	0.1	0.1	0.1	0.0	0.0

Sources: Company, KBVS Research

Exhibit 2: BRMS's 1H24 Result

USD (mn)	1H24	1H23	YoY (%)	2Q24	2Q23	YoY (%)	QoQ (%)
Revenue	61	16	286.8	41	10	307.9	101.4
COGS	(31)	(7)	342.5	(19)	(5)	304.1	68.6
Gross Profit	31	9	243.4	22	5	311.3	143.6
Operating Expenses	(14)	(4)	269.4	(10)	(2)	437.3	167.4
Operating Profit	16	5	223.3	11	3	237.5	124.9
EBIT	15	5	195.5	10	4	184.6	83.3
EBITDA	12	4	210.0	8	3	164.1	88.0
Interest Income	0	0	169.0	0	0	193.6	58.2
Interest and Finance Charges	(2)	(0)	35,804.5	(1)	(0)	59,571.4	390.9
Net (Loss) Gain on Forex	(1)	0	(1,501.5)	(1)	0	(3,437.7)	(383.3)
Others	0	0	(100.0)	(0)	0	(103.3)	(200.0)
PBT	14	5	166.2	9	4	148.4	67.8
Income tax exp.	(4)	0	(1,217)	(3)	0	n.a	109.8
Minority Interest	(0)	(0)	535.3	(0)	(0)	316.5	81.3
Net Profit	9.0	5.6	61.1	5	3	56.3	50.1
Margins (%)							
Gross Profit Margin	49.9	56.2		53.0	52.5		
EBIT margin	25.1	32.9		24.3	34.9		
Net Margin	14.6	35.1		13.1	34.3		
Operational:							
Gold Output (Oz)	26,744	7,611	251.4	17,121	5,065	238.0	77.9
ASP (USD/oz)	2,209	1,928	14.6	2,336	1,949	19.8	12.1

Exhibit 3: BRMS's Valuation Summary

USD mn	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBITDA	43	73	90	97	106	104	102
Tax	-10	-16	-20	-21	-23	-23	-23
Chg in WC	14	17	-7	-5	-5	-9	-5
Capex	-20	-5	-5	-5	-5	-5	-5
FCF	27	69	58	66	72	67	70
FCF (Adj. to Disc)	25	56	42	43	43	36	34

Assumptions:

Disc Rate	11.0%
Terminal growth	0%
NAV	586
Net Debt	54
Equity Value (USD mn)	532

	Method	Values (mn USD)
CPM	DCF	532
GM (Gold)	EV/Reserves	304
GM (Copper)	EV/Reserves	638
Linge Minerals	EV/Reserves	22
Dairi Prima Minerals	EV/Reserves	635
Equity value		2,130
O/S		141,784
NAV/share (IDR)		237
Adj -down (IDR)		236

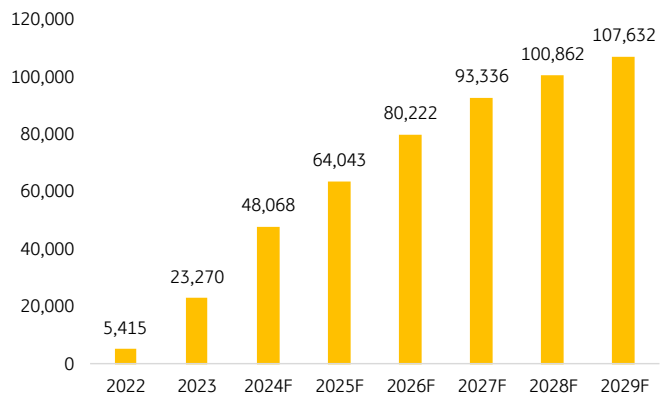
Source: Company, Bloomberg, KBVS Research

Exhibit 12: US Rate Cut Probability (2 Aug'24)

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES											
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
9/18/2024							0.0%	0.0%	0.0%	69.5%	30.5%
11/7/2024		0.0%	0.0%	0.0%	0.0%	0.0%	60.1%	35.8%	4.1%	0.0%	0.0%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	59.3%	34.7%	4.0%	0.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.1%	5.0%	58.0%	33.1%	3.8%	0.0%	0.0%	0.0%
3/19/2025	0.0%	0.0%	0.5%	9.1%	56.1%	30.9%	3.5%	0.0%	0.0%	0.0%	0.0%
4/30/2025	0.0%	0.3%	6.3%	41.2%	38.9%	12.2%	1.1%	0.0%	0.0%	0.0%	0.0%
6/18/2025	0.2%	4.4%	29.8%	39.6%	20.9%	4.7%	0.4%	0.0%	0.0%	0.0%	0.0%
7/30/2025	1.9%	14.7%	33.8%	32.0%	14.3%	2.9%	0.2%	0.0%	0.0%	0.0%	0.0%

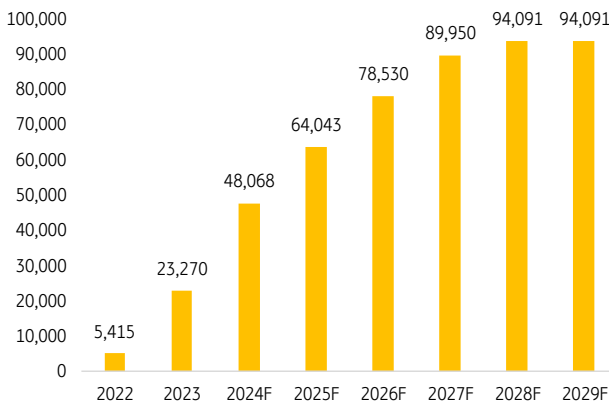
Source: CME, KBVS Research

Exhibit 13: BRMS's Sales Volume



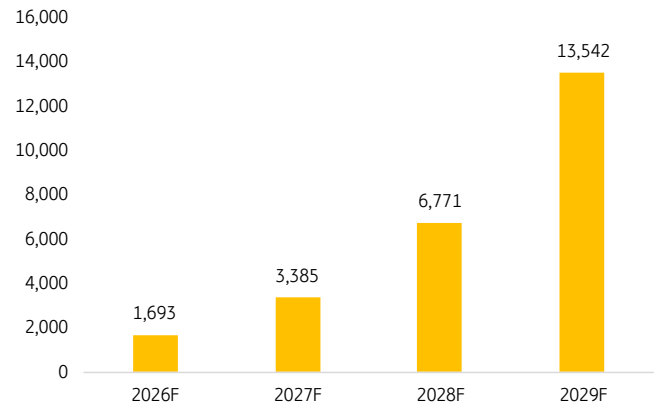
Source: Company, KBVS Research

Exhibit 14: CPM's Sales Volume



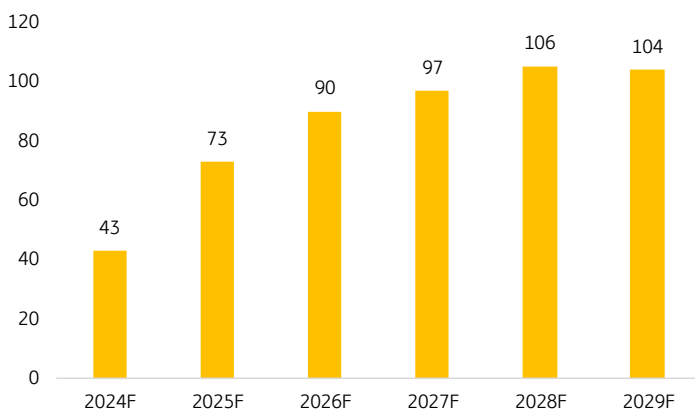
Source: Company, KBVS Research

Exhibit 15: GM's Sales Volume



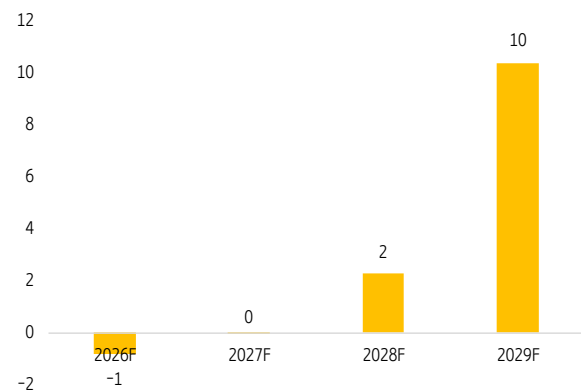
Source: Company, KBVS Research

Exhibit 16: CPM EBITDA (USD mn)



Source: Company, KBVS Research

Exhibit 17: GM EBITDA (USD mn)



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 18: Profit & Loss summary

Profit & Loss (USD mn)	2022	2023	2024F	2025F	2026F
Revenue	12	47	115	163	211
Cost of revenue	(5)	(20)	(46)	(71)	(87)
Gross profit	7	26	69	92	124
Opex	(6)	(9)	(31)	(31)	(36)
Operating profit	1	17	38	61	88
EBITDA	2	20	42	71	101
Finance income	0	0	0	0	1
Finance expense	(0)	(0)	(5)	(4)	(3)
Gain (loss) on Forex	1	(0)	1	1	1
Other Income (loss)	30	0	0	0	0
Pre-tax profit	33	17	34	58	87
Tax expense	(19)	(3)	(8)	(13)	(19)
Minority interest	(0)	(0)	(1)	(1)	(2)
Net profit to parent entity	14	14	26	44	65
EPS (IDR)	1	1	3	5	7

Source: Company, KBVS Research

Exhibit 19: Balance sheet

Balance Sheet (USD mn)	2022	2023	2024F	2025F	2026F
Cash and equivalents	10	5	11	26	30
Trade Receivables	-	0	0	0	1
Inventories	9	5	6	5	6
Fixed Assets	174	198	215	246	262
Other assets	886	898	884	864	887
Total Assets	1,080	1,105	1,117	1,142	1,186
Trade payables	10	14	6	4	4
Short-term debt + CMLTD	9	21	40	30	20
Long term loan	54	45	25	33	18
Other liabilities	52	55	51	38	42
Total Liabilities	125	136	122	104	85
Issued Capital	1,953	1,953	1,953	1,953	1,953
Retained earnings	(799)	(785)	(759)	(715)	(649)
Minority interest	(207)	(207)	(208)	(209)	(211)
Other equities	9	9	9	9	9
Total Equity	955	969	994	1,037	1,101

Source: Company, KBVS Research

Exhibit 20: Cash flow

Cash Flow (USD mn)	2022	2023	2024F	2025F	2026F
Net income	14	14	26	44	65
Depreciation & amortization	1	3	3	10	13
Change in working capital	12	40	14	17	(7)
Cash flow from operations	27	57	43	71	71
Capex	(82)	(55)	(28)	(45)	(35)
Others	(87)	(11)	(6)	(6)	(7)
Cash flow from investments	(169)	(65)	(34)	(52)	(42)
Changes in debt	30	3	(1)	(2)	(24)
Changes in equity	61	-	(1)	(1)	(2)
Dividends paid	-	-	-	-	-
Others	1	0	0	0	0
Cash flow from financing	92	3	(2)	(4)	(26)
Net Cash Flow	(50)	(6)	6	15	3
Net income	14	14	26	44	65

Source: Company, KBVS Research

Exhibit 21: Ratio analysis

Key Ratios (%)	2022	2023	2024F	2025F	2026F
Revenue growth	10.1	300.5	147.6	40.8	29.7
EBIT growth	23.2	1,508.1	124.5	59.0	44.2
EBITDA growth	54.3	746.6	104.4	69.5	43.4
Net profit growth	(80.2)	1.9	85.6	70.3	48.9
Gross margin	56.4	56.3	60.0	56.5	58.6
EBIT margin	9.1	36.7	33.2	37.5	41.7
EBITDA margin	20.7	43.7	36.1	43.4	48.0
Net margin	117.3	29.8	22.4	27.1	31.1
ROA	1.3	1.3	2.3	3.9	5.5
ROE	1.4	1.4	2.6	4.2	6.0
Net gearing (x)	0.1	0.1	0.1	0.0	0.0
Net debt/EBITDA (x)	22.2	3.0	1.3	0.5	0.1
Interest coverage ratio (x)	4,839	64,205	786	1,688	3,398


Source: Company, KBVS Research

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