

Prime Pure-Gold Play

11 July 2024

BRMS IJ	BUY
Sector	Preci Metal,
Price at 10 July 2024 (IDR)	152
Price target (IDR)	256
Upside/Downside (%)	68.4

Stock Information

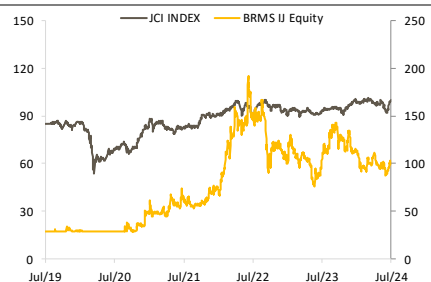
PT Bumi Resources Minerals Tbk operates as a mining company. The Company focuses on exploration and production of copper, gold, zinc, and lead properties.

Market cap (IDR bn)	21,551
Shares outstanding (mn)	141,784
52-week range (IDR)	127 - 226
3M average daily vol. ('000)	154,926
3M average daily val. (IDR mn)	23,410

Shareholders (%)

Emirates Tarian Global	25.1
1st Financial Company Limited	10.0
Sugiman Halim	7.3
Bumi Resources Tbk	5.3
Public	52.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	7.7	(4.4)	(32.4)

BRMS is projected to grow sales volume at a 14.4% CAGR from 2024-2029, driven by higher gold grades from Citra Palu Mineral (CPM), the commercial operation of CPM's third factory in 4Q24, and the commencement of the Gorontalo Mineral (GM) gold project in 3Q26. We expect in the next 5 years, revenue and earnings to grow at a CAGR of 18.8% and 24%, respectively. With anticipated interest rate cuts and mid-term catalysts like the Dairi Prima operation schedule and copper reserve potential, BRMS stands out as a prime pure-gold play. Reinitiate BUY with TP of IDR256 based on SOTP method.

Strong sales volume and earnings outlook

We expect BRMS sales volume to grow at 14.4% CAGR from 2024-29 to 100.8k oz in 2029, driven by higher gold grade from Citra Palu Mineral (CPM), the commercial operation of CPM's third factory in 4Q24, and the commencement of the gold project in Gorontalo Mineral (GM) in 3Q26. We expect the long-term CPM (plant 2) gold grade to gradually improve to 1.8 gr/ tonne (currently ~1.3 gr/tonne), while the GM project gold grade is expected to be at 0.9 gr/ tonne.

The third gold plant in CPM will begin processing approximately 550 tpd in the 3Q24 with long-term grade expectation of 0.65 gr/ tonne. This capacity is expected to increase to 2,200 tpd by the second quarter of 2025, eventually reaching a full capacity of 4,000 tpd by the 4Q26. Similarly, we also expect the plant in GM (2,000 tpd) to ramp up within 2 years since the commercial operation. Additionally, we expect revenue and earnings to grow 18.8% CAGR and 24% CAGR to USD304 mn and USD144 mn, respectively.

Potential new reserve addition

The stated reserve for CPM is solely from Blok Poboya, with the remaining four blocks (Blocks 2, 4, 5, and 6) yet to be valued. Additionally, the commercial operation of the Gorontalo Mineral mine has been delayed by 24 months due to the discovery of copper in the road construction area, which is expected to boost GM's reserves. In Jun'24, BRMS acquired the remaining 3.03% of CPM shares from BUMI for USD4.8 mn, implying a total company valuation of USD159 mn. We view this acquisition as a value creation, as we valued CPM at USD700 mn.

Prime Pure-Gold play amid rate cuts and strategic catalysts

With anticipated interest rate cuts of over 50 basis points in 2024 and our expectation on further reductions by 100 bps in 2025, we expect gold prices to remain steady or even outperform other asset classes. Additionally, mid-term catalysts include clarity on the a) Dairi Prima operation schedule and b) a solid plan to unlock the copper reserve's potential. We view BRMS as the prime pure-gold play, due to its strong and earnings outlook & generation compared with other pure-gold companies. In 2024, we expect BRMS to lead in profit generation among all listed pure-gold producers.

Reinitiate BUY with TP of IDR256

We reinitiate BUY on BRMS with target price of IDR256 using SOTP. BRMS net profit could reach USD144mn 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. Yet, risks to our call included 1) lower gold price; 2) lower than expected gold grade expectation.

Exhibit 1 : Key Statistics

Year end Dec (USD mn)	2022	2023	2024F	2025F	2026F
Revenue	12	47	108	156	203
EBITDA	2	20	58	87	119
PATMI	14	14	39	57	81
EPS (IDR)	1	1	4	6	9
PER	198.5	191.5	65.1	43.7	31.0
EV/EBITDA (x)	597.9	71.0	24.6	16.1	11.4
ROE%	1.4	1.4	3.9	5.4	7.1
Net gearing	0.1	0.1	0.0	0.0	(0.0)

Sources: Company, KBVS Research

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Exhibit 2: BRMS's Valuation Summary

CPM

USD mn	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBITDA	60	89	108	116	126	126	126
Tax	-13	-20	-24	-26	-28	-28	-28
Chg in WC	17	15	-7	-5	-5	-9	-5
Capex	-20	-5	-5	-5	-5	-5	-5
FCF	43	80	72	80	88	84	89
FCF (Adj. to Disc)	39	65	53	53	52	45	43

Assumptions:

Disc Rate	11.0%
Terminal growth	0%
NAV	738
Net Debt	38
Equity Value (USD mn)	700

	Method	Values (mn USD)
CPM	DCF	700
GM (Gold)	EV/Reserves	304
GM (Copper)	EV/Reserves	638
Linge Minerals	EV/Reserves	22
Dairi Prima Minerals	EV/Reserves	635
Equity value		2,298
O/S		141,784
NAV/share (IDR)		256

Source: Company, Bloomberg, KBVS Research

BRMS leading the profit charts among all listed pure-gold producers. On the other hand, BRMS has the biggest resources compared to other gold producers, and with significant potential yet to be unlocked. BRMS's current gold production lags behind pure-gold producers. However, it is expected to catch up, reaching over 100k oz by 2028.

Exhibit 3: Peers Comparison Pure Gold Producers (EV/ Resources)

Pure-Gold Comparison	Est Resources (Oz)	Current EV/ Resources (Mine Effective Stake Adjusted)
SQMI	1,480,765	32.88
BRMS	10,017,876	118.93
ARCI (2020)	5,528,000	138.39
PSAB (2022)	6,435,000	95.15

Source: Company, KBVS Research

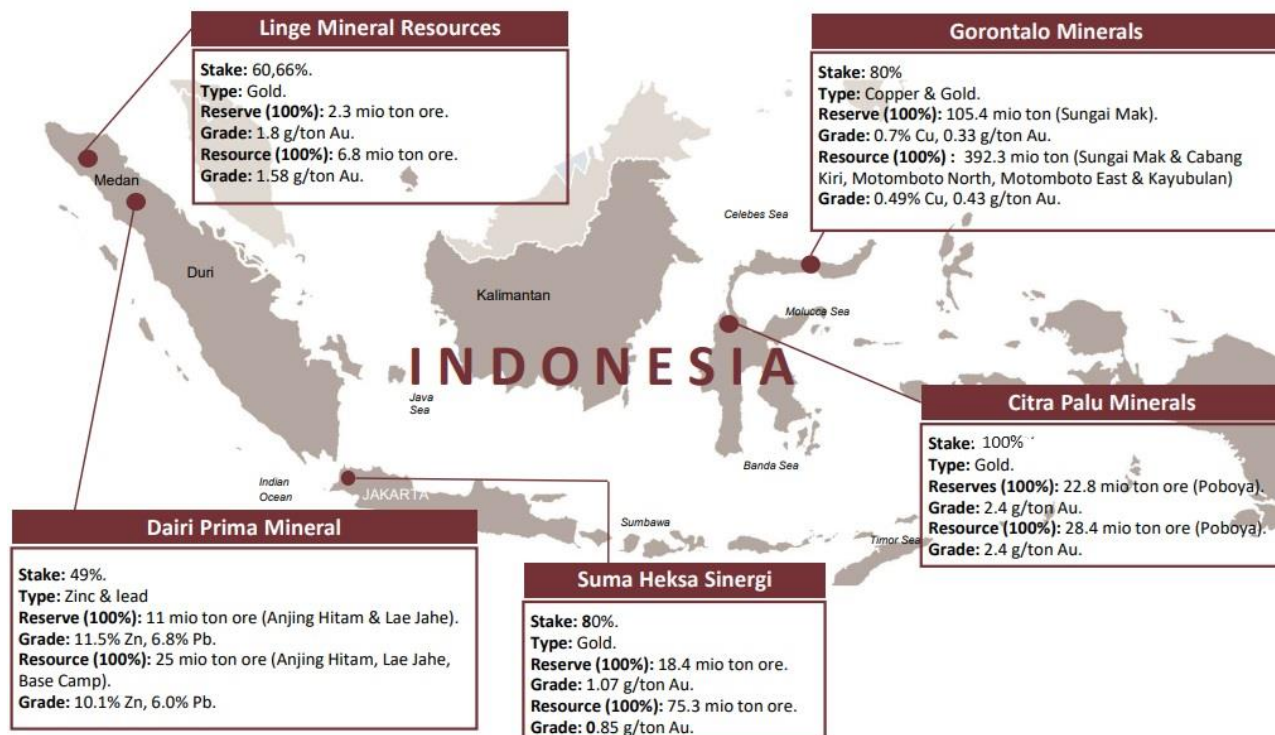
Exhibit 4: Peers Comparison (Production & Profit Generation)

Gold Production (2024)	Production (oz)
SQMI	n.a
ANTM	33,792
BRMS	45,259
MDKA	100,000-120,000
ARCI (2023; natural disaster occurred in one of the Company's mining pits in 2024)	123,250
PSAB (1Q24 annualized)	133,088
UNTR (Martabe + SJA) *	235,000
AMMN	1,000,000
Freeport Indonesia	1,900,000

Pure-Gold Comparison	Annualize Earnings (USD mn)
SQMI	net losses
BRMS **)	40
ARCI	net losses
PSAB	8.9

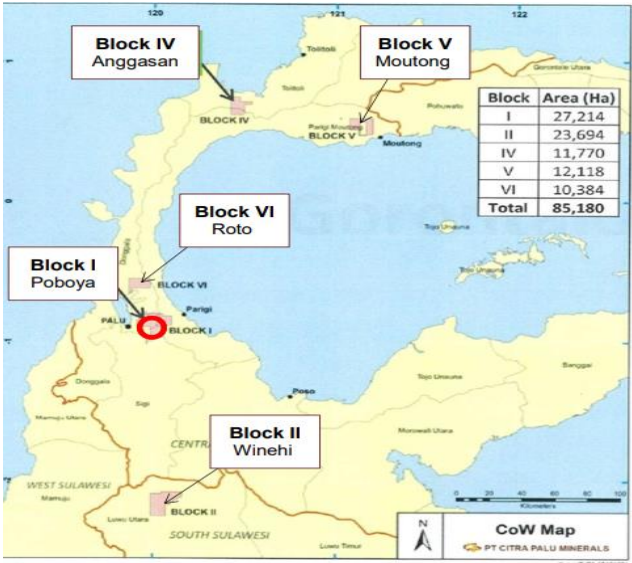
Source: Company, KBVS Research; *) Sales Volume Target; **) KBVS Estimate for 2024F Earnings

Exhibit 5: BRMS's Asset Portfolio



Source: Company, KBVS Research

Exhibit 6: Citra Palu Mineral Sites



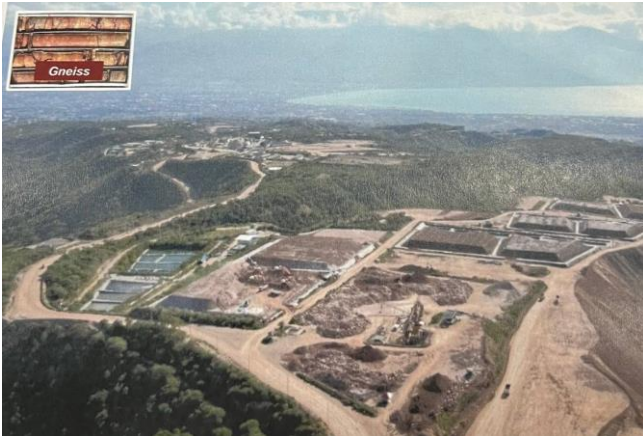
Source: Company, KBVS Research

Exhibit 7: 1st & 2nd gold plants in Block-1 (Poboya, Palu)



Source: Company, KBVS Research

Exhibit 8: 3rd gold plants in Block-1 (Poboya, Palu)



Source: Company, KBVS Research

Exhibit 9: Gorontalo Mineral Infrastructure & Drilling Activities



Source: Company, KBVS Research

Exhibit 10: Discovery of copper porphyry in road (GM's Sungai Mak)



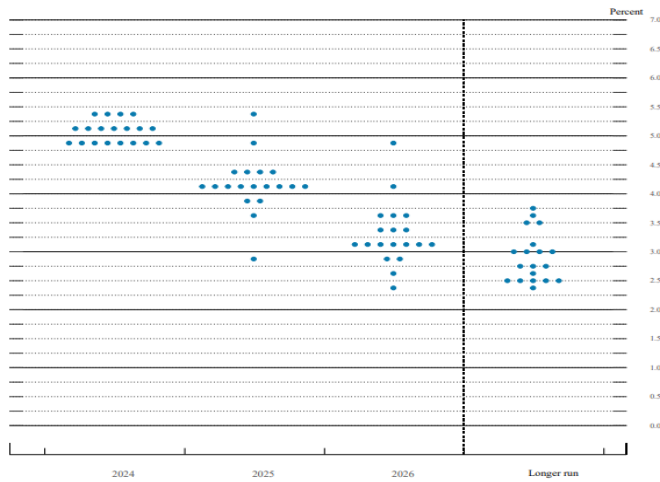
Source: Company, KBVS Research

Exhibit 11: Dairi Prima Underground Mining Construction



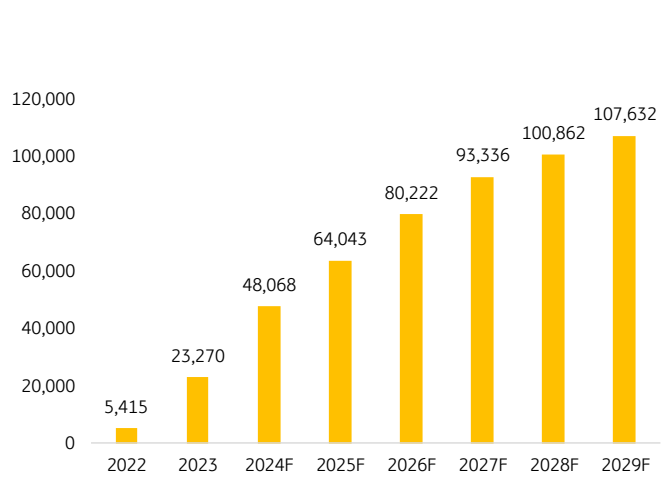
Source: Company, KBVS Research

Exhibit 12: The FED Dot Plot (Jun'24)



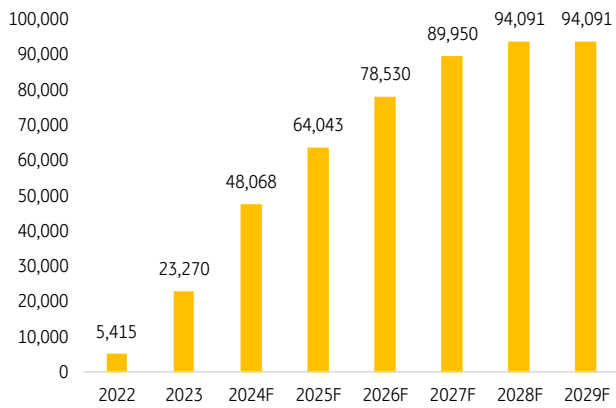
Source: The Fed, KBVS Research

Exhibit 13: BRMS's Sales Volume



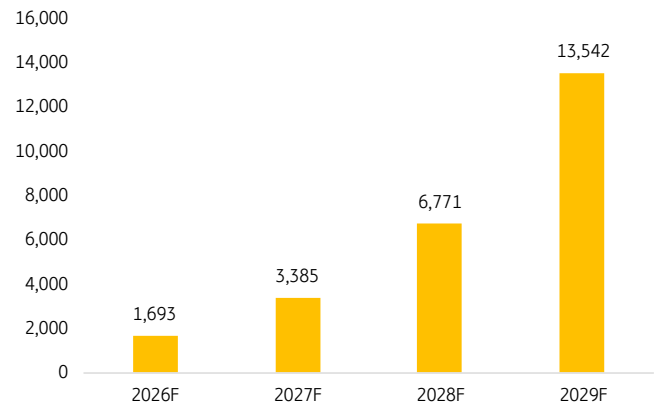
Source: Company, KBVS Research

Exhibit 14: CPM's Sales Volume



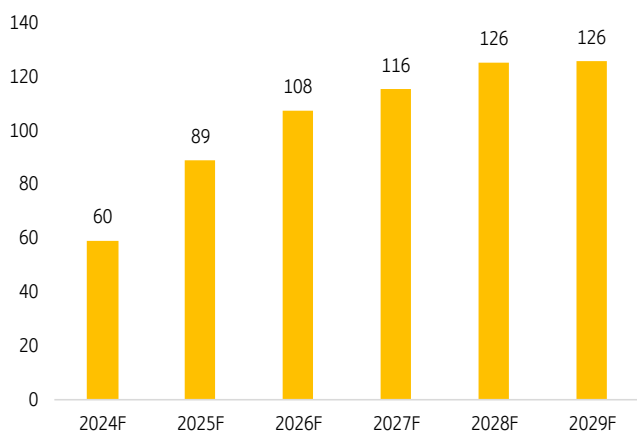
Source: Company, KBVS Research

Exhibit 15: GM's Sales Volume



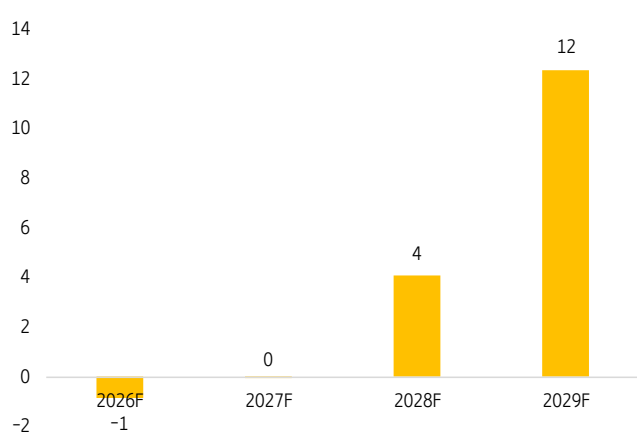
Source: Company, KBVS Research

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	108	156	203
Cost of revenue	(5)	(20)	(44)	(68)	(84)
Gross profit	7	26	65	88	119
Opex	(6)	(9)	(10)	(11)	(14)
Operating profit	1	17	55	77	105
EBITDA	2	20	58	87	119
Finance income	0	0	0	1	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	50	74	104
Tax expense	(19)	(3)	(11)	(16)	(23)
Minority interest	(0)	(0)	(0)	(1)	0
Net profit to parent entity	14	14	39	57	81
EPS (IDR)	1	1	4	6	9

Source: Company, KBVS Research

Exhibit 19: Balance sheet

Balance Sheet (USD mn)	2022	2023	2024F	2025F	2026F
Cash and equivalents	10	5	15	30	59
Trade Receivables	-	0	0	0	1
Inventories	9	5	6	5	6
Fixed Assets	174	198	215	246	262
Other assets	886	898	878	862	885
Total Assets	1,080	1,105	1,114	1,142	1,212
Trade payables	10	14	6	4	4
Short-term debt + CMLTD	9	21	6	4	3
Long term loan	54	45	46	33	18
Other liabilities	52	55	49	36	41
Total Liabilities	125	136	107	78	66
Issued Capital	1,953	1,953	1,953	1,953	1,953
Retained earnings	(799)	(785)	(746)	(688)	(607)
Minority interest	(207)	(207)	(208)	(208)	(208)
Other equities	9	9	9	9	9
Total Equity	955	969	1,008	1,065	1,146

Source: Company, KBVS Research

Exhibit 20: Cash flow

Cash Flow (USD mn)	2022	2023	2024F	2025F	2026F
Net income	14	14	39	57	81
Depreciation & amortization	1	3	3	10	13
Change in working capital	12	40	17	15	(7)
Cash flow from operations	27	57	59	82	87
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	(14)	(15)	(16)
Changes in equity	61	-	(0)	(1)	0
Dividends paid	-	-	-	-	-
Others	1	0	0	0	0
Cash flow from financing	92	3	(14)	(16)	(16)
Net Cash Flow	(50)	(6)	10	15	29
Net income	14	14	39	57	81

Source: Company, KBVS Research

Exhibit 21: Ratio analysis

Key Ratios (%)	2022	2023	2024F	2025F	2026F
Revenue growth	10.1	300.5	132.1	44.3	30.0
EBIT growth	23.2	1,508.1	219.4	41.2	36.9
EBITDA growth	54.3	746.6	184.0	49.7	37.0
Net profit growth	(80.2)	1.9	179.4	47.6	41.6
Gross margin	56.4	56.3	59.8	56.4	58.7
EBIT margin	9.1	36.7	50.4	49.3	52.0
EBITDA margin	20.7	43.7	53.5	55.5	58.5
Net margin	117.3	29.8	35.9	36.8	40.0
ROA	1.3	1.3	3.5	5.0	6.7
ROE	1.4	1.4	3.9	5.4	7.1
Net gearing (x)	0.1	0.1	0.0	0.0	(0.0)
Net debt/EBITDA (x)	22.2	3.0	0.6	0.1	(0.3)
Interest coverage ratio (x)	4,839	64,205	1,093	2,072	3,985

Source: Company, KBVS Research

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