

Bayan Resources

Sector: Coal (Underweight)

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REDUCE

(Unchanged)

Rating momentum*: ↔

Price: IDR11,350

TP: IDR6,000 (Unchanged)

TP/consensus: 103%

TP momentum*: ↓

JCI: 4,099

2Q12 performance: Much lower than expected

- **2Q12 earnings -47% q-q and -53% y-y:** BYAN posted 2Q12 earnings of USD17.5m, down 53% y-y and 47% q-q, partially dragged down by net interest expense which spiked to USD12m (+293% q-q). That said, 1H12 earnings dropped 54% y-y to USD50.4m, reaching only 29% of our full-year estimate and 31% of consensus' expectation.
- **2Q12 top line decreased 3% q-q:** BYAN recorded 2Q12 sales of USD388m (up 4% y-y but down 3% q-q), bringing 1H12 sales to USD767m (+8% y-y). 1H12 revenues accounted for 49% of our 2012 estimate and 51% of consensus' projection.
- **2Q12 gross margin contracted 3.8ppt:** On the cost front, BYAN's 2Q12 gross margin of 18% was lower than 1Q12 margin of 22%, most likely caused by higher coal mining and hauling cost of USD14.2m (+13% q-q) and much higher coal purchases of USD8.9m (+66% q-q).

Outlook: 2012-14 earnings downgrades on the cards

There is potential downside to BYAN's 2012 sales volumes based on our current estimate of 18m tons (+20% y-y), which is already lower than the management's guidance of 20m tons. This coupled with a disappointing set of results and severe operating margin contraction, we will revise down our 2012-14 earnings estimates on BYAN.

Recommendation & valuation: Simply unattractive; Reiterate REDUCE

With earnings downgrades in the offing, BYAN would become even more unattractive. Based on current estimates, BYAN is trading at 2012 PE of 24x and rising to 32x in 2013, the most expensive in the sector. Hence, we expect its underperformance (exhibit 4) to persist. REDUCE with likely downgrade on our current TP (already showing 47% potential downside).

Exhibit 5. Result summary

(USDm)	2Q11	1Q12	2Q12	q-q (%)	y-y (%)	2Q12/2Q12F	1H12	y-y (%)	1H12/2012F	1H12/Cons.
Sales	372.6	399.2	387.5	(2.9)	4.0	88.9	786.7	8.0	48.7	51.4
Gross profit	106.1	88.3	71.0	(19.6)	(33.1)		159.3	(30.0)	46.6	
Operating expense	26.9	36.2	32.8	(9.5)	22.0		69.0	49.4	61.6	
Operating profit	79.2	52.0	38.2	(26.6)	(51.8)	61.6	90.2	(50.2)	39.3	43.8
Net interest inc. /(expenses)	2.1	(3.1)	(12.0)	293.0	(683.8)		(15.1)	0.0	190.8	
Forex gain (expenses)	(0.5)	(1.2)	(3.2)	162.4	513.1		(4.5)	(270.4)	0.0	
Other income/(expenses)	(4.1)	(5.6)	(13.6)	139.9	233.0		(19.2)	406.1	(1,566.5)	
Pretax profit	58.9	46.4	24.6	(46.9)	(58.2)		71.0	(54.6)	29.2	31.8
Taxation	(21.0)	(11.4)	(10.6)	(6.9)	(49.6)		(22.0)	(49.8)	33.9	
Minority interest	(1.1)	(2.1)	3.5	(263.1)	(424.2)		1.3	(160.8)	(32.6)	
Net profit	36.8	32.9	17.5	(46.7)	(52.5)	64.9	50.4	(54.4)	28.9	31.2
BS & Ratio analysis	2Q11	1Q12	2Q12			1H12	2011	2012F	2013F	2014F
Gross margin (%)	28.5	22.1	18.3			20.2	29.1	21.2	18.9	15.7
Operating margin (%)	21.3	13.0	9.9			11.5	17.6	14.2	11.7	8.6
Pretax margin (%)	15.8	11.6	6.4			9.0	19.3	15.1	12.3	8.9
Net margin (%)	9.9	8.2	4.5			6.4	13.8	10.8	8.8	6.4
Inventory Days	38.9	32.9	44.7			45	27.6	46	43	43
Receivable Days	21.9	20.4	23.5			23	13.5	19	18	18
Payable Days	48.9	34.2	40.6			41	36.4	60	58	57
Total cash (USDm)	199.7	138.4	115.9			116	158.4	554	692	645
Total debt (USDm)	233.9	388.7	399.6			400	402.9	525	651	634
Net gearing (%)	8.3	33.1	40.5			40	59.8	(4.5)	nc	nc

Source: Company, Bloomberg, Bahana estimates

Exhibit 1. Company information

Market cap (IDRb/USDm)	: 37,833/3,998
3M avg.daily t.o.(IDRb/USDm)	: 0.4/0.0
Bloomberg code	: BYAN JJ

Exhibit 2. Shareholders information

Tuck Kwong Low (%)	: 51.6
Korea Electric Power Corp (%)	: 20.0
Enel Investment (%)	: 10.0
Wibowo Engki	: 6.0
Free Float (%)	: 12.4

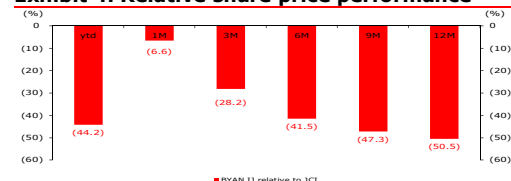
Source: Company

Exhibit 3. Key forecasts and valuations

	2011	2012F	2013F	2014F
Sales (USDm)	1,466	1,614	1,487	1,493
Net profit (USDm)	203	174	131	95
EPS (IDR)	550	480	354	258
EPS growth (%)	147.5	(12.6)	(26.4)	(27.2)
EPS momentum*	-	↓	↓	↑
EV/EBITDA (x)	14.7	15.0	18.6	23.0
P/E (x)	20.7	23.6	32.1	44.1
BVPS (IDR)	1,418	1,699	1,861	1,978
PBV (x)	8.0	6.7	6.1	5.7
DPS (IDR)	96	200	192	141
Yield (%)	0.8	1.8	1.7	1.2

Source: Company, Bahana estimates

Exhibit 4. Relative share price performance



Source: Bloomberg



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