

23 May 2019

Consumer Goods | Food Producer

Bahvest Resources (BORN MK)

Not Rated

A Golden Chance

- DCF-derived fair value of MYR1, 55% upside.** The stock is expected to gain more traction with the upcoming ramp-up in monthly production and sustaining gold price, coupled with low production cost. Potential positive earnings surprise in 4QFY19 is likely to turn FY19 into the black, followed by a projected 3-year CAGR of 229%. The stock is NOT RATED. Our FV implies mid-2020F fully-diluted P/E of 22.2x, at a discount to peers' 24.6x average given its relatively new plant and smaller size.
- Gold price remains at a sweet spot.** Outlook for gold price remains promising on slowing global growth and declining government bond yields as global central banks take a dovish monetary stance. Besides, prolonged uncertainty over the US-China trade war has led to increased volatility in the stock market, which could boost demand for gold as investors seek to preserve wealth. Bahvest, as the only direct proxy to the surging gold price within the domestic equity space, could see a lot more buying interest.
- Lucrative mining operations.** In Aug 2018, the group commenced its mining operations and reported maiden gold production in Sep 2018 of 23.69kg. Its monthly production reached as high as 61.38kg in Feb 2019. On a normalised basis, gold production should yield 70-100kg at full capacity utilisation, which should be realised when the excavation of sulphide and oxide rocks (with higher gold content) commences in 2H19. The all-in sustaining cost (AISC) for Bahvest is estimated at USD424 per ounce (comparable to top quintile of lowest-cost miners in the world) as it is open pit mining with close proximity to infrastructure, coupled with low royalty cost.
- Explosive growth ahead.** With the expected ramp-up in monthly production and sustaining gold price coupled with low AISC and marginal cost of production, we expect positive earnings in 4QFY19 to swing FY19 into the black, followed by an explosive 3-year CAGR of 229%. Note that Bahvest is planning to increase capacity and efficiency at the plant to reach 2,000-2,400 tonnes per day by FY20, with an estimated capex of MYR10-20m. The expected increase in capacity should boost gold production to 140-200kg, improve efficiency, and create economies of scale.
- Scaling down fishery arm.** The group has redirected its focus to the sale of frozen fish as opposed to live adult fish. In 9MFY19, it achieved revenue of MYR20.7m (93% of FY18's revenue) for the aquaculture segment alone. We believe this strategy should support the segment's performance in the near term. For this report, we assume zero earnings contribution from the aquaculture segment as we expect the fishery business to be at breakeven level. Management has indicated that its end goal is to divest this business segment in the medium term.
- Key risks** include slower-than-expected gold production, regulatory risks, unfavourable weather, and fluctuation in gold price.

Forecasts and Valuation	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Total turnover (MYRm)	31	22	62	175	253
Recurring net profit (MYRm)	(4)	(76)	4	71	117
Recurring net profit growth (%)	(13.9)	(1885.8)	N.A.	1569.3	64.2
Recurring P/E (x)	N.A.	N.A.	186.7	11.2	6.8
P/BV (x)	2.9	2.9	2.9	2.9	2.9
P/CF (x)	(0.6)	(0.2)	(8.1)	0.1	0.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	27.9	20.4	54.2	7.1	3.8
ROE (%)	N.A.	N.A.	1.5	25.5	41.8
Net debt to equity (%)	Net	6.2	6.6	Net Cash	Net Cash
Interest coverage (x)	20.0	28.7	3.6	37.0	60.2

Source: Company data, RHB

Fair Value (Return)	MYR1 (+55%)
Price:	MYR0.65
Market Cap:	USD189.9
Avg Daily Turnover (MYR/USD)	2.4m/0.6m

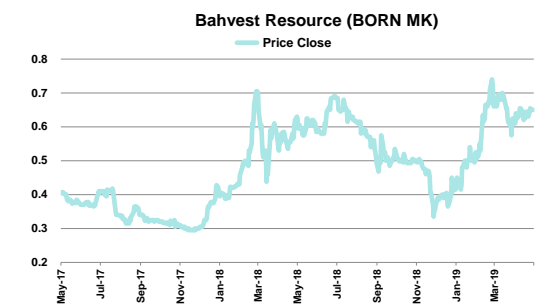
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	62.5	4.0	23.8	30.0	3.2
Relative	67.6	5.1	30.9	36.3	16.7
52-wk Price low/high (MYR)	0.33-0.74				



Source: Bloomberg

Financial Exhibits

Asia	Financial summary	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Malaysia	Recurring EPS (MYR)	(0.00)	(0.06)	0.00	0.06	0.10
Food Producers	Fully diluted EPS (MYR)	(0.00)	(0.04)	0.00	0.04	0.06
Bahvest Resources	DPS (MYR)	-	-	-	-	-
Bloomberg BORN MK	BVPS (MYR)	0.22	0.24	0.24	0.30	0.39
Not Rated	ROE (%)	(143)	(26.09)	145	19.46	24.21

Valuation basis	Valuation metrics	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
We use DCF to value Bahvest	Recurring P/E (x)	(208.8)	(10.5)	186.7	112	6.8
i. WACC of 10.39%	Fully diluted P/E (x)	N.A.	N.A.	278.4	16.7	10.2
ii. Terminal growth of 0%	P/B (x)	2.98	2.74	2.70	2.18	1.65
	FCF Yield (%)	(1.67)	(4.48)	(0.12)	7.22	15.18
	Dividend yield (%)	-	-	-	-	-
	EV/EBITDA (x)	27.9	20.4	54.2	7.1	3.8
	EV/EBIT (x)	37.8	25.7	105.4	7.9	4.1

Key drivers	Income statement (M YRm)	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
i. Ramp-up in gold production	Total turnover	31	22	62	175	253
ii. Increase in gold price	Gross profit	34	55	19	109	169
iii. Expansion plan	EBITDA (adj.)	28	40	15	107	168
	Depreciation & amortisation	(7)	(8)	(7)	(11)	(12)
	Operating profit	20	32	8	96	156
	Net interest	0	0	1	0	1
	Pre-tax profit	19	31	6	93	153
	Taxation	(8)	(12)	(1)	(22)	(37)
	Net profit	11	19	4	71	117
	Recurring net profit	(4)	(76)	4	71	117

Key risks	Cash flow (M YRm)	Mar-17	Dec-18	Dec-19	Dec-20	Dec-21
i. Fluctuation in gold price	Change in working capital	(43)	(61)	17	(4)	(3)
ii. Regulatory risk	Cash flow from operations	(13)	(12)	29	77	126
iii. Dependency on major customers	Capex	(1)	(23)	(30)	(20)	(5)
	Cash flow from investing activities	(97)	(23)	(30)	(20)	(5)
	Dividends paid	-	-	-	-	-
	Cash flow from financing activities	(13)	(36)	(1)	57	121
	Cash at beginning of period	(6)	26	(2)	9	74
	Net change in cash	33	(29)	11	65	121
	Ending balance cash	26	(2)	9	74	195

Company Profile	Balance sheet (M YRm)	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Bahvest is engaged primarily in fish breeding, hatchery, rearing and gold mining operations.	Total cash and equivalents	37	6	17	82	203
	Tangible fixed assets	142	221	229	237	236
	Total investments	-	-	-	-	-
	Total assets	315	361	379	463	584
	Short-term debt	13	16	28	36	36
	Total long-term debt	0	8	8	8	8
	Total liabilities	37	61	74	87	91
	Total equity	277	301	305	376	493
	Total liabilities & equity	315	361	379	463	584

Key metrics	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Revenue growth (%)	69.9	(28.5)	178.5	182.1	45.0
Recurrent EPS growth (%)	(14)	(1886)	N.A.	1569	64
Gross margin (%)	109	249	31	63	67
Operating EBITDA margin (%)	89	179	24	61	66
Net profit margin (%)	35.3	83.5	6.9	40.7	46.1
Capex/sales (%)	2	105	48	11	2
Interest cover (x)	6.0	2.8	1.8	3.4	6.7

Source: Company data, RHB

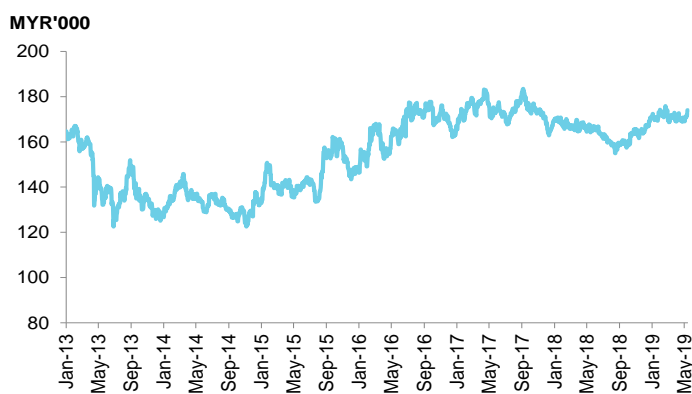
Investment Thesis

Gold price remains in a sweet spot

Outlook for gold price is promising in our view, on slowing global growth and as global central banks take a dovish monetary stance. In Mar 2019, the US Fed decided to pause its monetary tightening process as global risks weigh on economic outlook. We believe this would result in a positive spill over for gold prices as declining government bond yields could boost demand for gold.

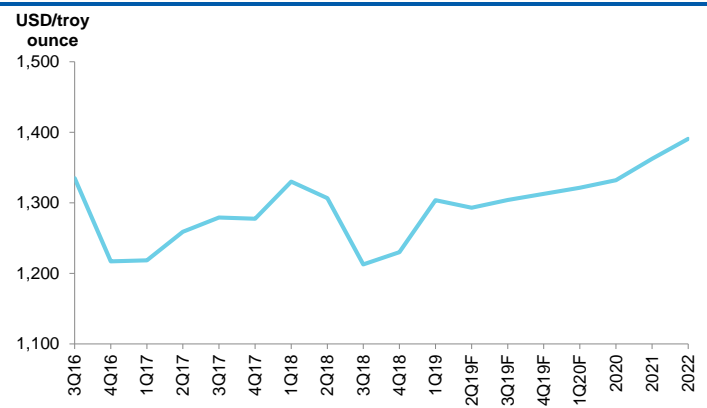
Besides, prolonged uncertainty over the US-China trade war is another reason for the strong demand as investors seek to preserve wealth. Note that gold price has been on an uptrend at USD1,304 per troy ounce (MYR171,524 per kg) in 1Q19 vs USD1,230 per troy ounce (MYR164,942 per kg) in 4Q18. Based on consensus estimates, gold prices are expected to trend upwards in the coming quarters at USD1,304 per troy ounce and USD1,313 per troy ounce for 3Q19 and 4Q19 respectively (Figure 2).

Figure 1: Gold spot price (MYR per kg)



Source: Bloomberg

Figure 2: Gold price forecast (USD per troy ounce)



Source: RHB, Company data

Proxy for safe haven

In times of uncertainty, gold is always a preferred asset class as investors search for safe haven to preserve asset value. The prolonged trade war between the US and China coupled with slower global growth expectations have led to increased volatility in the stock market.

The negative correlation between the precious metal and equity as well as risky assets is one of the main reasons for gold's strong performance, inching past USD1,300 per troy ounce recently. Bahvest, being the only direct proxy to surging gold price in the domestic equity space, could see a lot more buying interest.

Firstly, it can serve to diversify portfolios as buying into this gold mining business can be a viable hedge on equity positions or currency fluctuation given that gold output is sold at prevalent market prices. Secondly, it can be among counters that investor could choose to preserve wealth during times of uncertainty.

Lucrative mining operations

In Aug 2018, the group commenced mining operations at Bukit Mantri after acquiring a 100% stake in Wullersdorf Resources in Jan 2017. Out of a total land size of 317.7ha, the group identified 28ha (only 8.8%) of land to begin mining operations. The identified 28ha of mining area (out of the 317.7ha site) should sustain their earnings for >15 years, with the top 200 meter of hill surface itself containing total reserves of 207,000 troy ounces as indicated by the Joint Ore Reserves Committee (JORC) report, issued by Optiro, an independent mining consultant in West Perth, Australia.

The sub-lease term on the mining land of 317.7ha runs until Sep 2048, which provides more than enough land resources for Bahvest to sustain their business for years to come.

To note, Bahvest is doing surface mining at the top soil at this juncture, which supposedly has lower gold content and yield vs the indicated gold content of 2.72 grams per tonne according to the JORC report. Besides, excavation at the top soil involves the processing of muddy soil, which is relatively more time consuming due to density as compared to sulphide and oxide rock processing.

23 May 2019

Consumer Goods | Food Producer

We expect gold production output to trend even higher when quartz vein mining begins, which is expected in 2HFY19. The final output is in the form of gold dore bars, usually at 80-90% purity. They are then sold to several domestic bullion traders at an agreed formula on the prevalent market price. To mitigate inventory risks, it practices just-in-time production, where off-takers would collect the gold dore 1-2 days after the smelting process is completed.

Figure 3: Carbon-in-leach plant



Source: RHB

For FY20F, our gold production assumption of 74kg per month is based on plant utilisation rate of 85% (out of its daily full production capacity of 1,200 tonnes) and 88% gold recovery rate. Bahvest reported maiden gold production in Sep 2018 amounting to 23.69kg and the group's production per month reached as high as 61.38kg in Feb 2019.

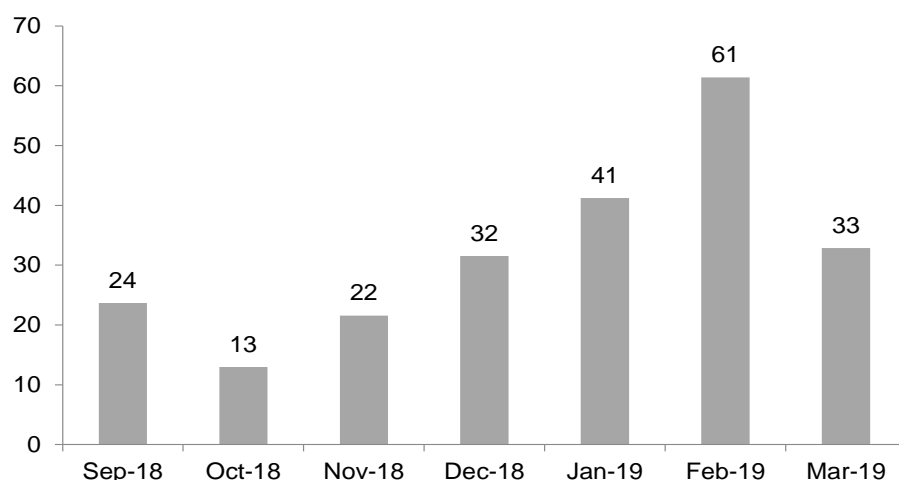
We note that production dropped to 32.87kg in Mar 2019, mainly dragged by lower yield due to new formulation testing. On a normalised basis, gold production should yield 50-70kg per month based on 2/3 capacity utilisation and 70-100kg at full capacity utilisation (Figure 4). While the mining site contains 8.28 grams of silver per tonne of ore production, the group is focusing its resources to maximise gold production and sacrificing silver content given the vast difference in value. As such, silver production was only nominal at 15.5kg and 4.11kg in March and February.

Figure 4: Mineral resources (based on Valmin)

Indicated mineral resource	Tonnes of ore (m)	Gold grade (g/tonne)	Estimated resources (tonnes)	Estimated gold resources (troy ounces)
Gold	1.69	2.72	4.6	148,000
Silver	1.69	8.28	1.9	60,000

Source: Company data, JORC report based on 28 ha

Figure 5: Monthly gold production since commencement



Source: RHB, Company data

Marginal cost of production

Bahvest is using the pit mining method as it is mining in an open space hill. Pit mining is deemed as more cost effective than shaft mining because more ore can be extracted more rapidly as compared to underground mining. Working conditions are also safer for miners because there is no risk of cave in or toxic gasses. Being in close proximity to infrastructure (15km from main road and power grid) and airport (25km from the Tawau airport) are among reasons it is able to produce at low cost, coupled with the relatively low royalty cost at 5%.

The AISC for Bahvest is estimated at USD424 per ounce based on gold production of 31,000 ounces, which is comparable to lower-cost miners (Figure 5). For meaningful comparison, AISC provides a more comprehensive look at the all-in cost, which includes important expenses such as overhead outlays and capital used in ongoing exploration, mine development and production as compared to direct mining cash costs. The average AISC for Bahvest is expected to improve further when the plant expansion and efficiency kick in.

Excavating of sulphide and oxide rocks should commence by 2HFY19 as guided, which will yield higher gold production at >80kgs monthly at a shorter processing time. As monthly gold production picks up, we expect the direct mining cash cost of approximately USD350 per troy ounce to increase only marginally as plant utilisation is still at c.67% (full capacity at 1,200 tonnes per day) for its carbon-in-leach plant.

The marginal incremental cost will only be on the additional cost of chemicals such as cyanite, sulfuric acid as well as water. Besides, Bahvest is planning to increase the capacity and efficiency of the plant to reach 2,000-2,400 tonnes per day by FY20, with an estimated capex of MYR10-20m. The increase in capacity is expected to boost efficiency, and provide economies of scale to lower cost.

Figure 6: 2018 all-in sustaining costs (AISC) per ounce

Mine	Country	Major owner	USD/OZ	2018 gold production (ounce)
Svetloye	Russia	Polymetal	425.0	135,000
Forsterville	Australia	Kirkland Lake	442.0	356,000
Olimpiada	Russia	Polyus	468.0	1,322,000
Voro	Russia	Polymetal	477.0	106,000
South Arturo	U.S	Barrick	478.0	21,000
Long Canyon	U.S	Newmont	505.0	170,000
Fekola	Mali	B2Gold	533.0	439,000
Cerro Negro	Argentina	Goldcorp	535.0	489,000
Blagodatnoye	Russia	Polyus	547.0	416,000
Moose River	Canada	Atlantic Gold	564.0	91,000
Bukit Mantri*	Malaysia	Bahvest	423.8	31,434

Source: Mining Intelligence, RHB

*FY20 estimated cost

23 May 2019

Consumer Goods | Food Producer

Exponential growth ahead

Based on plant utilisation rate of 85% (67% in FY19), a full 12-month production for the year (vs seven months in FY19) and recovery rate of 88%, we believe that the group will return to the black with an impressive revenue of MYR127-167m, while PAT margin should register at 45-51% based on average gold production assumption of 65-85kgs.

Note that our assumptions are conservative as the group has successfully excavated 60kg of gold (based on 67% plant utilisation) in Feb 2019. At its full capacity of 1,200 tonnes at its carbon-in-leach plant, the group is capable of producing 90-100kgs of gold per month.

For the expansion plan, the group is expected to increase efficiency and plant capacity to process up to 2,000-2,400 tonnes of ore per day by end-FY20, potentially doubling gold production to up to 200kg at full capacity. Assuming 85% plant utilisation and 85% recovery rate, gold production could potentially hit 144kg per month based on our estimates.

Based on monthly production of 74kg and gold price of MYR167,000 (USD1,308 per troy ounce), FY20F revenue and PAT for mining segment could reach MYR146m and MYR71m (FY20 EPS of MYR0.058). Meanwhile, contribution from silver production is negligible at less than MYR1m given the low recovery rate and price.

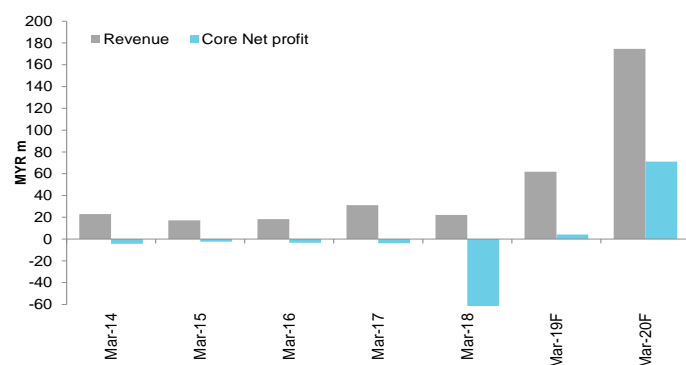
Following the capacity expansion and improved efficiency, the estimated FY21F PAT is circa MYR117m based on monthly gold production of 111kg and gold price of MYR170 (USD1,332 per troy ounce), and it is estimated to hit MYR151m in FY22F, potentially generating a 3-year CAGR of 229%.

Scaling down aquaculture segment

During 2017 and 2018, its topline was solely driven by its fishery segment at MYR24.3m and MYR22.2m respectively. However, in view of rising competition from fish suppliers in Hong Kong and China – Bahvest's export markets – the group redirected its focus to the sale of frozen fish (c.4% of total segment revenue).

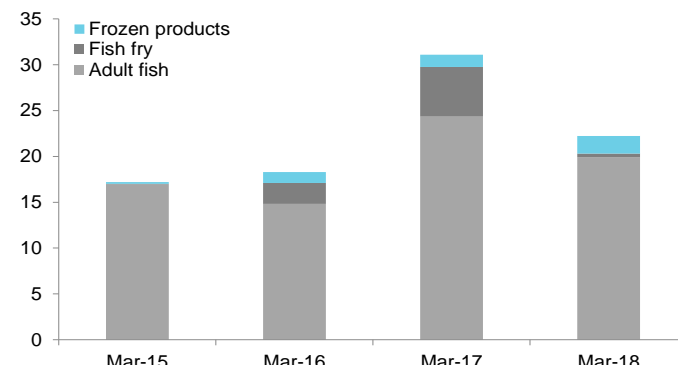
In 9MFY19, the group achieved revenue of MYR20.7m (93% of FY18 revenue) at the aquaculture segment alone. We believe this strategy should support the segment's performance in the near term. For this report, we assume zero earnings contribution from the aquaculture segment as we expect the fishery business to be at breakeven level. Management has indicated that its end goal is to divest this business segment in the medium term.

Figure 7: Aquaculture revenue and net profit trend



Source: RHB, Company data

Figure 8: Contribution from fishery arm



Source: RHB, Company data

Financial Highlights

In 3QFY19, the group recorded revenue and net profit of MYR23.4m and MYR1.1m, reversing losses incurred in both 2QFY19 and 3QFY18. The better performance was driven by higher contributions from both the aquaculture and mining operations.

The aquaculture operations recorded revenue and gross profit of MYR11.9m (+196%) and MYR2.2m (+104%) respectively, mainly due to the increase in sales of larger grouper fish during the festive season in Hong Kong and China during the quarter.

The mining operations on the other hand reported revenue and gross profit of MYR11.5m (+1,019%) and MYR2.3m (+168%) respectively. The explosive growth was mainly driven by approximately 69.34 kg of net gold sold during the quarter while 17.26 kg of net gold was kept in inventory.

The group started extracting gold from top soil clearing in 2QFY19 and has yet to start drilling and mining sulphide and oxide rocks/ore at the identified mining site. This explains the low production currently as the sulphide and oxide rocks are expected to have much higher gold content. The substantial increase in sales and production compared to previous quarters were mainly due to high grade/volume of gold mined for processing into gold dore bars and also due to the smooth running of the gold mine plant.

For 9MFY19, the aquaculture segment reported PAT of MYR0.38m while mining was at a loss of MYR2.5m as mining activity only commenced in August and production at the initial stage was still at a low level.

At the group level, the core loss narrowed to MYR3.1m compared to MYR61.2m in 9MFY18. With the mining operations now running at a consistent state and generating healthy gold production coupled with the improving aquaculture business, we should see further improvement in 4QFY19 as well as in FY20. For FY18, the core operations were incurring losses. The headline profit number was mainly due to fair value gain of MYR94m as the group adopted MFRS 141 since 1 Jan 2018 to recognise biological assets (fish fry, broodstock and livestock) at fair value less cost to sell.

Figure 9: Bahvest's 9MFY19 results

FYE Mar (MYRm)	3QFY18	2QFY19	3QFY19	QoQ (%)	YoY (%)	9MFY18	9MFY19	YoY (%)
Revenue	4.0	6.6	23.4	256.0	481.4	21.5	33.2	54.8
Aquaculture	4.0	5.6	11.9	114.9	196.1	21.5	20.7	
Mining	0.0	1.0	11.5	1,019.5	nm	0.0	12.5	
Quarry operations	0.0	0.0	0.0	nm	nm	0.0	0.0	
EBITDA	(0.4)	(1.1)	4.2	nm	nm	(54.2)	5.7	(110.5)
EBITDA Margin (%)	(10.5)	(16.6)	17.9			(252.3)	17.2	
Depreciation	(2.2)	(2.6)	(2.6)	0.0	(18.4)	(6.3)	(7.3)	15.8
EBIT	(2.6)	(3.7)	1.6	nm	nm	(60.5)	(1.6)	(97.3)
EBIT Margin (%)	(65.2)	(56.2)	6.8			(281.8)	(4.9)	
Interest expense	(0.2)	(0.5)	(0.5)	(2.3)	(100.4)	(0.7)	(1.5)	102.2
Pretax profit	(2.9)	(4.2)	1.1	nm	nm	(61.2)	(3.1)	(95.0)
Pretax Margin (%)	(71.3)	(63.6)	4.6			(285.1)	(9.2)	
Tax	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
Effective tax rate (%)	0.0	0.0	0.0			0.0	0.0	
Minority Interest	0.0	(0.0)	0.0	nm	nm	0.0	(0.0)	nm
Net Profit	(2.9)	(4.2)	1.1	nm	nm	(61.2)	(3.1)	(95.0)
Net Margin (%)	-71.3	-63.6	4.6			-285.1	(9.2)	
Core Net Profit	(2.9)	(4.2)	1.1	nm	nm	(61.2)	(3.1)	(94.9)
Core Net Margin (%)	-71.3	-64.1	4.6			-285.1	(9.3)	

Source: RHB

Valuation

Our fair value (FV) of MYR1 is derived from our DCF valuation (WACC: 10.4% and terminal value: 0%) as depicted in Figure 10. We believe using DCF to value the stock is fair given the visible and predictable cash flow projections based on the output of gold and gold spot price projections, premised on the sub-lease mining rights on 317.7ha of land that runs until Sep 2048. Our TP of MYR1 implies mid-2020F fully-diluted P/E of 22.2x and FY21F P/E of 15.7x. While there is no like-for-like comparison for Bahvest given the differences in mining sites, technology and cost structures (eg royalty), our forward P/E is at a discount to regional sector peers (Figure 13) that are trading at around 25x.

Given that Bahvest's mining business is only at seven months of operations, we believe our valuation is fair at the current juncture. The stock is under owned by institutional shareholders, which is estimated at below 5% and could gain more interest upon realising the scalability of its gold mining operations and the turnaround of the group's earnings. The stock is NOT RATED.

FY20F PAT is estimated to grow exponentially to MYR71m from FY19F's PAT of MYR4.3m, representing a 3-year CAGR of 233%. Our average gold production assumption is at 74kg per month vs the group's capability of producing 90-100kgs of gold per month at full capacity of 1,200 tonnes of ore per day. By FY21, the group is expected to increase efficiency and plant capacity to process up to 2,000-2,400 tonnes of ore per day. Our major capex assumptions of MYR35m are in year 10 (FY29) and year 20 (FY39), on top of MYR20 for plant expansion in year 1 (FY20). A summary of key assumptions and sensitivity analysis are summarised in Figures 11 and 12.

Figure 10: DCF valuation

FYE Mar	Mar-20F	Mar-21F	Mar-22F	Mar-23F	Mar-24F	Mar-25F	Mar-26F	Mar-27F	...	Sep-49F
EBIT	96.1	156.1	201.8	216.5	220.1	224.0	228.0	232.1	...	273.6
EBIT x (1-Tax)	73.0	118.6	153.4	164.5	167.3	170.2	173.3	176.4	...	207.9
(+) Depreciation & Amortization	10.6	12.0	12.3	12.7	13.0	13.4	13.7	14.1	...	26.0
(-) Capex	(20.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	...	(5.0)
(-) Working capital requirements	(4.2)	(3.0)	(10.7)	(4.5)	(2.4)	(2.6)	(2.8)	(3.1)	...	(23.0)
Free cash flow	59.4	122.7	150.1	167.8	172.9	176.0	179.2	182.4	...	206.0
NPV of free cash flow	53.8	100.7	111.6	113.0	105.5	97.3	89.7	82.7	...	10.6
Key assumptions										
Terminal growth	0									
Terminal value	0									
Firm Value	1592.6									
(+) 3Q19 Net cash	(19.2)									
(-) 3Q19 Minority interests	0.0									
Equity value	1573.5									
Proceeds from warrant conversion	258.0									
Warrant outstanding	600.0									
Total share outstanding	1223.0									
Fully diluted share based	1823.0									
Equity value per share (MYR)	1.00									
Implied mid-2020 P/E	22.21									
WACC	10.39									
Beta	1.02									
Expected market return	11.42									
Risk-free rate	3.8									
Cost of Equity	11.54									
Equity Weighting	90%									
Cost of Debt	6%									
Effective tax rate	24%									

Source: RHB

Figure 11: Key assumptions

Key assumptions	Mar-19F	Mar-20F	Mar-21F
Average gold price (USD per Troy ounce)	1250	1308	1332
Average silver price (USD per Troy ounce)	14	15	15
Total gold production (kg)	1634	1671	1671
Daily production capacity (tonne)	1200	1200	1800
Plant utilization (%)	60	85	85
Gold recovery rate (%)	60	88	88
Silver recovery rate (%)	5	10	10
Fishery livestock	53800	53800	53800

Source: RHB

Figure 12: Sensitivity analysis (FY20F PAT)

FY20F PAT (MYR m)	Gold production (KG)				
Gold price (USD/troy ounce)	660	780	891	1020	1140
1288	42.6	56.5	69.4	84.4	98.3
1298	43.2	57.2	70.2	85.3	99.4
1308	43.8	57.9	71.0	86.3	100.4
1318	44.4	58.7	71.9	87.2	101.5
1328	45.0	59.4	72.7	88.1	102.5

Source: RHB

Figure 13: Peer comparison

Regional Peers	Currency	Market Cap (USD m)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROE (%)		Net Gearing FY18
			FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	
Aurelia Metals	AUD	382.0	9.6	4.6	2.3	1.5	3.5	2.1	26.1	37.3	Net Cash
New Century Res.	AUD	251.9	18.1	NA	10.4	1.3	11.3	1.2	NA	NA	4.8
Ramelius Resources	AUD	381.5	27.3	7.9	NA	NA	4.7	3.2	7.8	24.6	Net Cash
Sandfire Resources NL	AUD	721.0	8.9	5.4	1.7	1.4	2.9	2.1	19.9	28.2	Net Cash
Silver Lake Resources	AUD	444.6	13.6	9.4	NA	NA	4.4	3.8	14.3	17.2	Net Cash
St Barbara	AUD	1,038.3	9.4	10.5	1.7	1.6	4.4	4.3	20.2	15.4	Net Cash
Hunan Gold Corp	CNY	1,343.8	24.1	19.5	1.8	1.7	11.3	10.9	6.7	7.9	0.1
Shandong Gold Mining	CNY	8,783.4	45.4	38.6	2.9	2.7	13.1	12.2	6.5	7.5	0.2
Zhaojin Mining Industry	HKD	2,798.3	31.7	26.6	1.5	1.4	13.8	11.5	5.3	5.9	0.8
Aneka Tambang Tbk	IDR	1,178.1	13.0	9.4	0.8	0.8	7.5	6.3	6.0	7.8	0.3
Agnico Eagle Mines	USD	9,658.9	71.9	41.5	2.1	2.0	11.9	9.5	3.3	5.0	0.3
Kincross Gold	USD	3,926.0	22.4	19.4	0.8	0.8	4.7	4.5	3.4	3.3	0.3
CNMC Goldmine Hol.	SGD	59.2	12.5	12.5	1.8	1.5	3.1	2.9	14.0	13.0	Net Cash
Market cap weighted average		3485.0	43.9	30.8	2.0	1.9	10.5	9.1	6.0	7.5	0.3
Simple average		2575.6	24.6	17.5	2.6	1.5	7.8	6.0	10.8	14.5	1.0

Source: Bloomberg, RHB

Key Risks

- i. Slower-than-expected gold production;
- ii. Regulatory risk;
- iii. Unfavourable weather;
- iv. Fluctuation in gold price;
- v. Dependency on major customers;
- vi. Differences in gold content vs JORC's report.

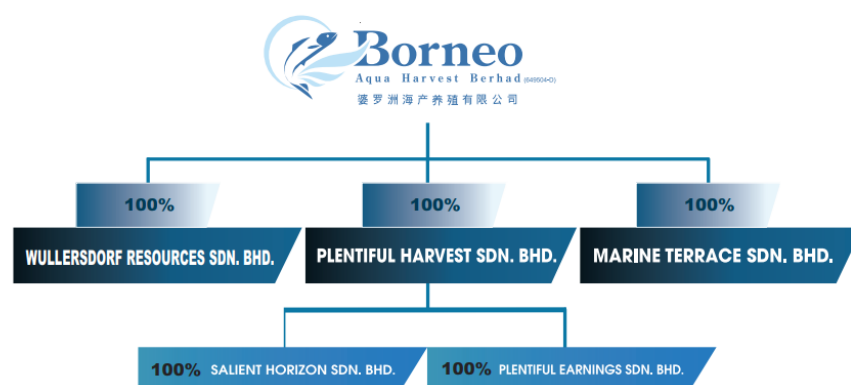
Company Background

Bahvest (formerly known as Borneo Aqua Harvest) was incorporated in 2004, primarily involved in the entire process of sustainable aquaculture, which includes brood stock management, research & development, breeding, hatching, rearing, production of live feed, marketing transportation of live fishes and distribution of fish products.

The group is certified by Skim Pensijilan Ladang Akuakultur Malaysia (SPLAM), a voluntary scheme managed by the Department of Fisheries under the Ministry of Agriculture and Agro-based Industry Malaysia, which aims to promote responsible and eco-friendly aquaculture practices. To date, its footprint for this business segment spans across Hong Kong and China, where it supplies fish fry and live adult fishes to local distributors.

In 2017, the group diversified its core operations into mining via the acquisition of Wullersdorf Resources in Jan 2017. The acquisition involved the takeover of land totalling 317.7ha, of which 28ha have been identified for mining operations. The 28ha land was surveyed by a mining consultant called *Optiro* to produce a report which adheres to the JORC's standards. JORC is a professional code of practice that sets the minimum standards for public reporting of mineral exploration results and mineral/ore resources. Bahvest's maiden gold production took place in Sep 2018.

Figure 14: Corporate structure



Source: RHB, Company data

Management

The group is led by its major shareholder (15.8%) Datuk Lo Fui Ming. He assumes the role of managing director and CEO, and is instrumental in leading Bahvest to venture into the lucrative gold mining business as well as its fishery and hatchery business. He is primarily responsible for overseeing the overall business operations and development as well as formulation and implementation of the group's corporate strategies. He started his own logging company and was involved in various aspects of the timber industry including timber concession holding, logging contracting, timber trading and timber processing before venturing into the plantation industry.

His son, Lo Teck Yong is the director in charge of the daily operations of the group's fish farms, primarily responsible for overseeing the nurseries for fish fries and the rearing centre for adult fishes at the aquaculture operation site. He is also involved in the operations of the mining site.

The R&D strategies and activities are helmed by Akinori Hotani, who is the former head of Ocean Research and Development Department with Nitto Seimo Corp (Nitto), Japan. He also has vast knowledge in the formulation of aquaculture medicine and chemical, water environment control.

Chong Tzu Khen, who is the group CFO and company secretary oversees the group's finance. Meanwhile, Chong Khing Chung, a chartered member of the Malaysian Institute of Accountants and a fellow member of CPA Australia, oversees finance at the subsidiary level at Wullersdorf Resources Sdn Bhd.

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