



21 October 2019

research@rakutenrade.my

Investment Idea

Bahvest Resources Bhd

All that glitters is gold!

By Vincent Lau | vincent.lau@rakutenrade.my

We are positive on Bahvest Resources Bhd (“Bahvest”) gold mining activities and their current share price weakness makes it an attractive proposition as it is set to ride on current gold price upcycle. BUY with a target price of RM0.68 premised on average 2-year P/B of 2.4x at an implied 14x PER FY21 which is below the regional average of listed gold mining companies of 22x.

Bahvest’s foray into gold mining is expected to pay off when it realises the potential by 2020 and will see significant earnings accretion by FY21 with up to an estimated 100kg of monthly gold production as compared to the average of 50kg currently. In August 2018, the Company started its mining operations in Bukit Mantri with a maiden production of 23.69kg of gold via a sustainable open pit mining concept that is more cost effective as compared to underground mining.

Bahvest literally strike gold when it acquires Wullersdorf Resources Sdn Bhd for RM96m by issuing shares to major shareholder Dato Lo Fui Meng. The asset is a sub-lease term on a tract of mining land measuring 317.7ha in Bukit Mantri Tawau Sabah with mining rights until September 2048 or another 29 years. To-date Bahvest has invested close to RM50m to set up gold extraction and processing plant with daily production capacity of up to 1,200 tonnes which could produce in excess of 100kg gold monthly. They have identified 28ha of mining area that should sustain them for the next 10 years by just focusing on the top 200 meter of the hill surface anticipated to contain a total gold reserve of 207,000 troy ounces as indicated by the Joint Ore reserves Committee report, issued by Optiro, an independent mining consultant in Perth Australia for the acquisition of the said asset Wullersdorf back in 2017.

For the 1H2019, Bahvest has extracted a total of 296.44kg of gold. Bahvest’s cost to extract per ounce of gold is estimated to be USD430 making them an efficient producer even despite a relatively short 2 year track record. The recent bullish run on gold price to current level of USD1,500 per troy ounce should be an unexpected windfall for Bahvest when it decided to venture into gold mining back in 2017 when prices were just below USD1,200 per troy ounce then. We believe the lucrative earnings from their gold mining will be the catalyst that may transform Bahvest into a pure gold play with an expected net margin of close to 40%.

BUY

Price: **RM0.505**
Target price: **RM0.680**



Source: Thomson Reuters

KLCI	1,571.15
YTD KLCI change	-7.06%
YTD stock price change	26.25%

Stock Information

Market Cap (RM'm)	618.58
Issued Shares (m)	1,223.2
52-week range (H)	0.74
52-week range (L)	0.325

Major Shareholders

Dato Lo Fui Meng	15.40%
Mohd Amir bin Basry	6.04%
Lembaga Tabung Haji	4.39%

Summary Earnings Table

FY Mar (RM'm)	2018A	2019A	2020F	2021F
Turnover	22.2	65.0	90.0	160.0
EBIT	40.0	6.2	50.5	112.0
PBT	30.6	4.3	38.0	85.0
Net Profit	18.5	5.7	28.0	63.0
Consensus	-	-	71	117
EPS (sen)	3.0	0.7	2.3	5.1
EPS growth (%)	-	-76.6	228	121
DPS (sen)	-	-	-	-
PER (x)	16.4	53.6	22.0	9.8
BV/Share (RM)	0.47	0.49	0.27	0.32
ROE (%)	6.4	1.9	8.5	16.1
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research

Technically Speaking

Resistance level	RM0.60
Support level	RM0.46



21 October 2019

 research@rakutentrade.my

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees and further shall not be re-distributed to any other third party. Rakuten Trade Sdn Bhd accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Rakuten Trade Sdn Bhd and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published:

RAKUTEN TRADE SDN BHD (266701-P)

Level 7, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2110 7188 Website: www.rakutentrade.my

Kenny Yee Shen Pin
Head of Research