



BUMI RESOURCES

Takeaway from Bumi Plc Note

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Yesterday, Bumi Plc published its 9M11 operational results. Production in KPC and Arutmin has increased by 16.0% and 5.5%QoQ to 11.6mt and 5.8mt, while ASP remained high at US\$99.0/ton and US\$88.0/ton, respectively. Meanwhile, next year Bumi Resources (BUMI) is expected to obtain US\$356.5m from Bukit Mutiara and Recapital, a move which should ideally provide BUMI with enough cash to support its de-leveraging plan. We continue to put BUMI "under review", while awaiting the release of 9M11 FS.

Accelerated production. Similar to other coal companies, which were able to expand activities during the 3Q11dry season, BUMI managed to record 16.0%QoQ production growth in KPC and 5.5%QoQ increase in Arutmin, to 11.6mt and 5.8mt, respectively. Hence, YTD figures suggest that KPC and Arutmin together have yielded 47.2mt, arriving at 71.5% from FY11E target. Meanwhile, as heavy rains started to fall in mid-to-end October, we believe company will need additional operational capacity in order to achieve 66.0mt in FY11.

ASP remained strong. KPC ASP maintained robust performance in 3Q11, decreasing only by 0.6%QoQ to US\$99.0/ton. Meanwhile, Arutmin's price increased slightly, moving by 3.3%QoQ to US\$88.0/ton. For the rest of this year, coal price should be stable, hovering at current level. The declining trend of benchmark price in 4Q should impact less significantly, due to high index-linked portion of coal sold.

No surprise on strip ratio. The 3Q11 Strip ratio in KPC was 5.6% lower than last quarter, to 11.9x. On the other hand, Arutmin experienced a slight increase of 5.4%QoQ, to 11.8. Overall, blended strip ratio was considered steady at 11.9 in 3Q11 versus 12.1 in 2Q11. However, based on YoY comparison, 9M11 strip ratio increased 11.4% to 12.0x, mostly attributed to the opening of new pits in Arutmin.

Agreement sealed with Bukit Mutiara and Recapital. Agreement has been reached on the repayment of US\$231m investment with Recapital on 1H12. Meanwhile, BUMI is also scheduled to receive its long-term receivable from Bukit Mutiara, amounting to US\$251m; 50% portion will be paid in 2012 and another 50% in 2013. We believe that BUMI will have additional cash available (US\$356.5m in 2012) to exercise the US\$600m prepayment option in Oct-12, toward CIC.

Long term production target is reported on schedule. The facilities developed in KPC and Arutmin are reportedly on track with schedule. The OLC developed in Sangatta and Melawan are underway, projecting completion in 1H12 and 2012, respectively. Meanwhile, the development of the West Mulia and Asam-Asam coal processing plant and conveyor equipment are also on schedule; construction is estimated to achieve completion by 1H12. Management aims to produce 70mt and 40mt coal from KPC and Arutmin respectively in 2014. Meanwhile, for 2012, management-guided production volume will increase by 15%YoY to 75.0-76.0mt.

9M11 Operational Highlight

	2Q11	3Q11	%Chg	9M10	9M11	%Chg
Production						
KPC	10	11.6	16.0	28	29.9	6.8
Arutmin	5.5	5.8	5.5	14.7	17.3	17.7
Sales Volume						
KPC	9.5	10.8	13.7	29.2	29.4	0.7
Arutmin	5.7	5.6	(1.8)	15.5	16.1	3.9
ASP						
KPC	99.6	99.0	(0.6)	73.4	97.6	33.0
Arutmin	85.2	88.0	3.3	62.6	83.8	33.8
Strip Ratio						
KPC	12.6	11.9	(5.6)	12.2	12.7	4.4
Arutmin	11.2	11.8	5.4	8.1	10.7	33.0
Blended	12.1	11.9	(2.0)	10.8	12.0	11.4

Source: Company and Kresna Research

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