



# Golden Energy and Resources (GER SP)

## Better offer and better take it

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### Amendment of the previous General Offer.

The **all cash consideration option** is revised upward by 15% from S\$0.846 to S\$0.973. To break down, the first component which is the cash alternative price increases by 18% to IDR6,500, which will be paid in SGD based on a fixed SGD/IDR:1/11,432.09 exchange rate, and the second component which is the exit offer price increases by 13% to S\$0.181.

The **GEMS shares consideration and cash option** is down a bit to S\$0.964 from the previous S\$1.045 due to the change in the market price of GEMS shares. Meanwhile, the exit cash offer is the same as the **all cash consideration option**, which is S\$0.181.

### Analyst view.

Golden Energy and Resources delivered a phenomenal performance in FY22 due mainly to the favourable coal prices which benefited from the Russia-Ukraine military conflicts. The share price jumped approximately 170.0%, marking one of the top-performing stocks in the Singapore market.

Figure 1: FY22 results

Financial Highlights	2H2022	2H2021	Change	FY2022	FY2021	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	3,185,164	1,067,384	198.4	5,616,803	1,874,097	199.7
Gross Profit	1,482,462	483,449	203.7	2,552,686	817,145	212.4
Gross Profit Margin (%)	46.1	45.3	0.8 ppt <sup>1</sup>	45.4	43.6	1.8 ppt
Net Profit	777,862	171,028	354.8	1,280,847	251,260	409.8
Profit attributable to Owners of the Company	432,588	85,234	407.5	711,575	114,323	522.4
Basic Earnings Per Share (US cents)	16.72	3.62	361.9	27.50	4.86	465.8

Source: Company

Figure 2: 2022 to-date price performance



Source: Bloomberg

**All cash consideration option is preferred.** Given the current macro environment, it is better for investors to keep cash from a prudent perspective. Moreover, the all cash option

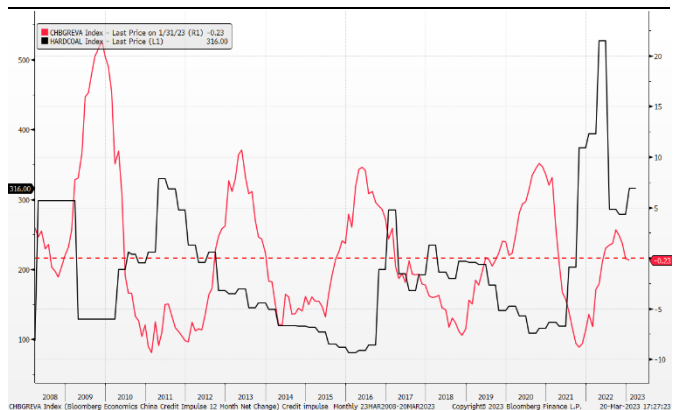
returns shareholders at a higher gain, compared to the other option which exposes them to liquidity and FX risks.

**Shareholders better take the second chance to realise profits.** Firstly, the outlook for coal will not be as good as it was last year. Besides the Russia-Ukraine military conflict which is a non-recurring factor, China's recovery is gloomy. Coal like most hard commodities is cyclical. China's demand plays a decisive role in its pricing. Referring to Figure 3, coal's cycle lags China's credit cycle by 12-15 months. China's credit stimulus peaked in 3Q22, and hence, coal is expected to go back to a downward trajectory moving forward. In fact, coal prices did peak in the middle of 2022.

Secondly, the S\$0.973 offering price is above the highest price ever since the reverse take-over in 2015 and compared to other recent price revisions, GEAR's 15% increase is one of the highest. Current shareholders who may or may not take the previous placements (S\$0.67 and S\$0.305) will not be subject to losses.

Finally, the coal sector is out of favour in the long term when ESG investment is increasingly popular and perceived by institutions. Fewer investors lead to lower liquidities, and shareholders will be more difficult to cash out.

Figure 3: China credit impulse change and hard coking coal price



Source: KGI Research

**Conclusion.** S\$0.973 is a better price for shareholders to exit. There are always better opportunities to generate alpha.

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