

Monday, 4 February 2008

BUY

Unchange

Price	Rp6,650
Target Price	Rp 9,100 Upgrade
Reuters Code	BUMI.JK
Bloomberg Code	BUMI IJ
No. of shares (mn)	19,404
Market cap (Rp bn)	129,036
(US\$ mn)	14,010
Weight in JCI (%)	6.9
3m Avg. daily T/O (US\$ mn)	83.5

Price	(Rp)
12 mos Hi/Lo	6,650/1,020

Core PER - 2008F	(x)
12mos Hi/Lo	20.5/3.1

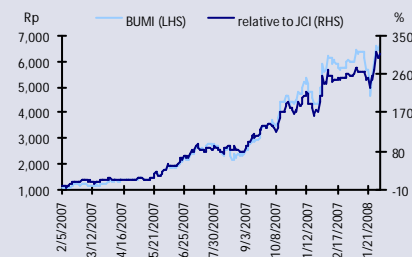
EV/EBITDA - 2008F	(x)
12 mos Hi/Lo	9.2/0.9

Key Financial	08F/09F
Net Gearing, %	net cash
ROAA, %	27.7/30.4
ROAE, %	57.9/54.8

Price Relative to JCI	(%)
1 mo	14.4
3 mos	43.3
6 mos	125.9
12 mos	310.4

USD/IDR - YE	(Rp)
2007	9,400
2008F	9,445

Major shareholders	(%)
Bank of New York qq Willow Finance	22.1
Credit Suisse Singapore	10.5
Others	67.4



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MINING SECTOR/ COMPANY UPDATE

Bumi Resources**Higher coal prices****Higher coal prices will lead to higher earnings**

We have raised our short-to-medium term coal price assumptions on the back of tighter supplies and stronger demand. We have thus raised BUMI's FY08-09 ASP's by 10% and 18% to US\$59.4/ton and US\$71.2/ton, respectively. In our opinion BUMI should be able to meet our FY08 ASP estimate as it has only secured 30% of its volume at US\$55/ton. However, we have also adjusted downward our FY08-09 volume estimates by 7% and 6% to 63mn tons and 71.6mn tons, respectively, to be in line with the Company's plans. All in all, we upgrade our FY08 and FY09 earnings forecasts by 17% and 30% respectively.

Long-term cost reduction plans

Although we are positive in regard to BUMI's long-term cost reduction program, we think that BUMI's short-term earnings may still be vulnerable to high oil prices. Our analysis suggests that BUMI's FY08-09 earnings will be downgraded significantly should the oil price stay at above US\$90-95/barrel.

The Herald acquisition is in line with the company's long-term plans

We have a positive view on BUMI's plans to acquire Herald Resources as the proposed acquisition is in line with the Company's long-term goal of becoming a diversified mining company. At the same time, we are also confident that BUMI has the capability to counter ANTM's bid for Herald. The impact on earnings in our view would be in the mid-term rather than the short-term since there are still some technical issues to be resolved before the project kicks off. Note that we have not factored in the proposed acquisition into our analysis.

Higher TP, BUY

We maintain our positive stance on BUMI as we believe that the Company is well placed to leverage the upside potential of the coal business. Our DCF-driven target price has been increased to Rp9,100 on the back of the higher coal price assumptions. Our new target price implies 28.1x FY08 earnings and offers 37% upside potential. BUY.

Year to Dec, US\$m	2005	2006	2007F	2008F	2009F
Sales	1,751	1,852	2,287	3,397	4,625
EBITDA	315	392	494	1,431	2,365
EBITDA growth, %	(0.8)	24.5	25.9	189.7	65.3
Net profit	123	222	548	684	1,148
Core profit	117	214	301	684	1,148
EPS, US\$	0.01	0.01	0.03	0.04	0.06
EPS growth, %	3.2	80.4	146.5	24.8	67.8
Core EPS, US\$	0.01	0.01	0.02	0.04	0.06
Core EPS growth, %	4.3	81.9	41.0	127.0	67.8
PER, x	113.8	63.1	25.6	20.5	12.2
Core PER, x	119.4	65.6	46.6	20.5	12.2
EV/EBITDA, x	46.0	38.2	28.1	9.2	5.0
Yield, %	0.0	0.2	1.0	0.0	0.0

Exhibit 1. Danareksa's new coal prices assumptions (in US\$/ton)

	2008F	2009F	2010F	2011F	2012F	2013F	2014F
New assumption	90.0	100.0	90.0	80.0	70.0	60.0	50.0
Old assumption	75.0	80.0	75.0	70.0	60.0	50.0	50.0
Change, %	20.0	25.0	20.0	14.3	16.7	20.0	0.0

Source: Danareksa Sekuritas

Exhibit 2. Changes of forecasts

	FY08	FY09
Average selling price, US\$/ton		
New	59.4	71.2
Old	53.8	60.4
Change, %	10.4	17.8
Coal sales volume, mn tons		
New	63.0	71.6
Old	67.5	75.9
Change, %	(6.7)	(5.7)
Net sales, US\$ mn		
New	3,397	4,625
Old	3,296	4,164
Change, %	3.1	11.1
EBITDA, US\$ mn		
New	1,431	2,365
Old	1,224	1,831
Change, %	16.9	29.1
Net profit, US\$ mn		
New	684	1,148
Old	583	884
Change, %	17.4	29.8

Source: Danareksa Sekuritas

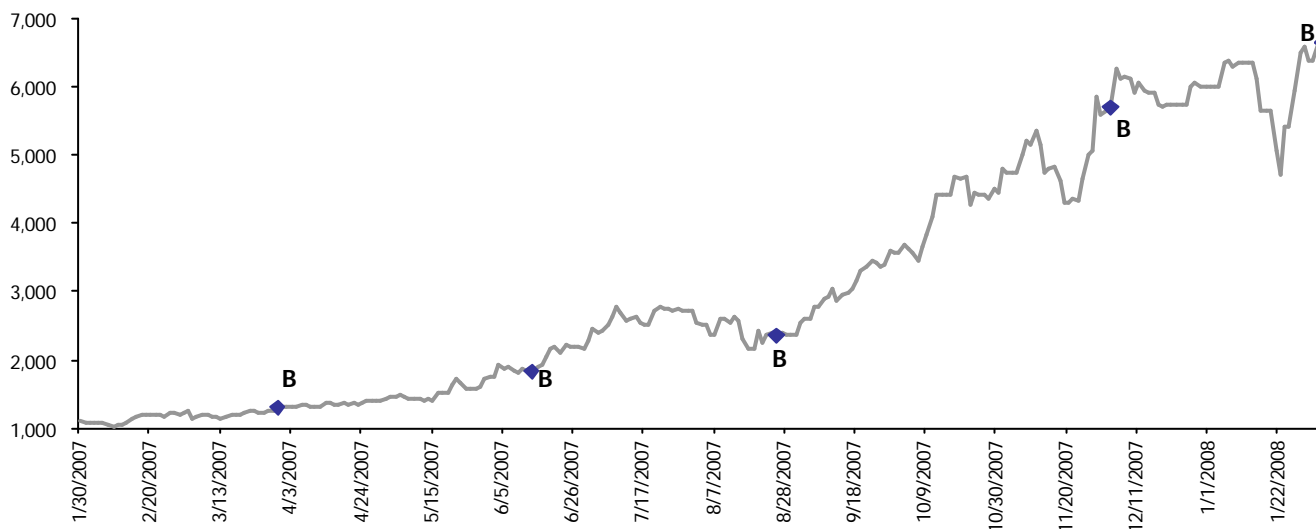
Exhibit 3. BUMI's earnings' sensitivities to changes in oil prices

	FY08 earnings US\$mn	Change %	FY09 earnings US\$mn	Change %
Base case +US\$30/b	606	(11.4)	1,057	(7.9)
Base case +US\$20/b	632	(7.6)	1,087	(5.3)
Base case +US\$10/b	658	(3.8)	1,117	(2.6)
Oil price - base case (08: US\$75/b, 09: US\$70/b)	684	0.0	1,148	0.0
Base case -US\$10/b	710	3.8	1,178	2.6
Base case -US\$20/b	736	7.6	1,208	5.3
Base case -US\$30/b	762	11.4	1,238	7.9

Source: Danareksa Sekuritas

Share price and Recommendation

Date Rec.	3-Jan-07	2-Apr-07	13-Jun-07	3-Dec-07	2-Feb-08
Target Price, Rp	BUY 1,150	BUY 1,150	BUY 3,000	BUY 7,500	BUY 9,100



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