

COMPANY RESULTS

Zijin Mining (2899 HK)

3Q24: In Line; Mining Entities' Gross Margin Down 1.2ppt qoq On Lower Copper ASP

Zijin reported 9M24 earnings of Rmb24,357.5m (+50.7% yoy), representing 80% of our full-year estimate and within expectations. Mining entities' gross margin fell to 58.5% in 3Q24 (-1.2ppt qoq) on lower copper ASP. 9M24 copper/gold output grew to 789,459/54.3 tonnes (+8.3%/+4.7% yoy). The electricity shortage is constraining Kamao's copper output, which could result in a 2-4% shortfall to Zijin's 2024 copper output target. **Maintain BUY. Target price: HK\$21.90.**

9M24 RESULTS

Year to 31 Dec (Rmbm)	9M23	9M24	yoy chg
Revenue	225,007.8	230,396.5	2.4
Cost of sales	(190,900.6)	(185,396.5)	(2.9)
Gross profit	34,107.2	45,000.0	31.9
SG&A	(5,949.4)	(5,668.5)	(4.7)
Net finance cost	(2,258.2)	(2,255.1)	(0.1)
Operating profit	24,321.4	35,847.8	47.4
Non operating profit/loss	(381.6)	(522.7)	37.0
PBT	23,939.8	35,325.2	47.6
Tax	(3,867.7)	(5,646.8)	46.0
Minority interest	(3,907.1)	(5,320.9)	36.2
Net Profit	16,164.9	24,357.5	50.7
Gross margin (%)	15.2	19.5	4.4
EBIT margin (%)	10.8	15.6	4.8
Net profit margin (%)	7.2	10.6	3.4

Source: Zijin Mining, UOB Kay Hian

RESULTS

- In line.** Zijin Mining (Zijin) reported 9M24 earnings of Rmb24,357.5m (+50.7% yoy), representing 80%/77% of our/consensus full-year estimates and in line with expectations. Impacts of the slump in copper prices in 3Q24 were partially offset by other metal products, especially gold. The diversification strategy over the years has improved earnings resilience.
- 3Q24 consolidated gross margin narrowed to 20.2% (-1.4ppt qoq; +4.1ppt yoy).** 3Q24/9M24 gross margin for mining entities was reported at 58.5%/57.7% respectively (-1.2ppt qoq/+7.4ppt yoy). The correction of copper prices in 3Q24 was the key factor of sequentially lower gross margin in 3Q24.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	270,329	293,403	334,067	344,077	363,905
EBITDA	39,235	41,717	58,431	65,718	76,228
Operating profit	29,108	31,507	47,021	52,647	61,398
Net profit (rep./act.)	20,042	21,119	32,616	37,132	44,253
Net profit (adj.)	20,042	21,119	32,616	37,132	44,253
EPS (Fen)	76.1	80.4	124.2	141.4	168.5
PE (x)	20.9	19.8	12.8	11.3	9.4
P/B (x)	4.7	3.9	3.1	2.6	2.1
EV/EBITDA (x)	15.8	14.9	10.6	9.4	8.1
Dividend yield (%)	1.3	1.6	2.4	2.8	3.3
Net margin (%)	7.4	7.2	9.8	10.8	12.2
Net debt/(cash) to equity (%)	108.7	98.7	81.5	66.8	50.4
Interest cover (x)	20.6	12.8	18.4	21.8	34.2
ROE (%)	25.1	21.5	26.8	24.8	24.6
Consensus net profit	-	-	31,765	38,306	41,053
UOBKH/Consensus (x)	-	-	1.03	0.97	1.08

Source: Zijin Mining, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$17.40
Target Price	HK\$21.90
Upside	+25.9%
(Previous TP)	HK\$21.50

COMPANY DESCRIPTION

Zijin Mining, through its subsidiaries, explores, mines, produces, refines, and sells gold, copper, zinc and other mineral resources in China.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	2899 HK
Shares issued (m):	5,988.8
Market cap (HK\$m):	514,106.6
Market cap (US\$m):	66,141.8
3-mth avg daily t'over (US\$m):	104.6

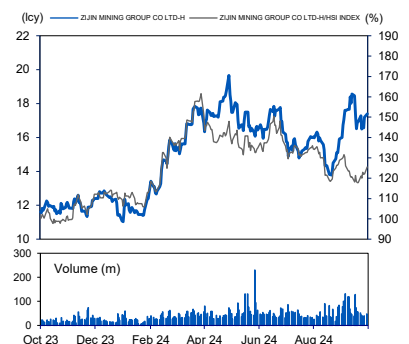
Price Performance (%)

52-week high/low	HK\$19.74/HK\$10.51			
1mth	3mth	6mth	1yr	YTD
9.3	7.3	(0.1)	53.2	39.3

Major Shareholders

Minxi Xinghang State-owned Assets Investment Co. Ltd	22.9
-	-
FY24 NAV/Share (Rmb)	5.19
FY24 Net Debt/Share (Rmb)	4.23

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Impacts of copper prices slump partially offset by gold price rally.** The slump in copper prices (the largest earnings contributor) in 3Q24 has weighed on margins. 3Q24 ASP for mine-produced copper concentrate declined to Rmb55,832 per tonne (-9.5% qoq), dragging segment gross margin down to 65.8% (-4.0ppt qoq).
- Despite the margin erosion from copper products, the gold price rally played a role in cushioning the impacts. 3Q24 ASP for mine-produced gold bullion/gold concentrate edged up to Rmb553.4/Rmb516.6 per g (+5.8%/+4.0% qoq), lifting gross margin to 47.6%/68.7% (+3.6/+0.2ppt qoq) respectively. Furthermore, mine-produced zinc's reported gross margin expanded to 47.6% (+9.1ppt qoq) due to an uptick in ASP and lower unit cost of sales.
- **Electricity shortage constraining Kamoia mine output; around 2% copper output shortfall expected.** 9M24 mine-produced copper output was 789,459 tonnes (+4.7% yoy), completing 71% of Zijin's annual target. Zijin's 3Q24 copper mine output increased sequentially to 270,889 tonnes (+5.8% qoq); the quarterly growth was largely contributed by Kamoia-kakula (Kamoia) mine with an output of 51,702 tonnes (+15.5% qoq).
- Electricity shortage will remain as a key constraint for the Kamoia mine. Assuming the mine completes 90% of its 500,000 tonnes 2024 output target, that would translate into over 20,000 tonnes of shortfall for Zijin (about 2% of Zijin's 1,110,000 tonnes output target). We could see a 2-4% shortfall to Zijin's 2024 copper output target, but impact to the current year's earnings should be minimal.
- **On track to achieve gold output of 74,000 kg (+14.1% yoy).** On the other hand, 9M24 mine-produced gold output was 54,265 kg (+8.3% yoy). The growth was mainly contributed by Buritica/Norton mine with ytd output of 7,501/6,036 kg (+24%/+29% yoy). 3Q24 gold mine output saw a modest increase to 18,859 kg (+1.4% qoq). The company is confident in achieving its annual target of 74,000 kg (+14.1% yoy) for 2024.
- **Production cost to remain stable qoq; improved liquidity and indebtedness.** Overall unit cost of sales for copper and gold have stabilised and remained flattish qoq in 3Q24, and the minimal changes were mainly due to fluctuations in exchange rate. Management has successfully curbed the trend of rising production cost while benefitting from the increase in ASP. Zijin does not expect major fluctuations in unit costs of sales in 4Q24, but projects cost reductions achieved ytd to be sustained into 4Q24.
- Thanks to a more stringent working capital management, Zijin's operating cash flow has improved sequentially in 3Q24 to Rmb15.7b (+27.6% qoq) whereas 9M24 operating cash flow was Rmb36.1b (+40.4% yoy). Debt-to-asset ratio as of end-Sep 24 further fell to 55.4% (-4.3ppt vs end-23), partly due to the H-share placement conducted in Jun 24.

EARNINGS REVISION/RISK

- We fine-tune our earnings forecasts for 2024/25/2026 by +6.8%/+3.5%/+5.4% respectively.

VALUATION/RECOMMENDATION

- **We maintain BUY with a higher target price of HK\$21.90, pegged to 16x 2024F PE (+2SD).** The robust volume growth coupled with effective cost reduction measures have lifted the company's margin outlook for 2024 and its competitiveness among peers. The company's lithium carbonate production commencement has been postponed to 2025, easing concerns on the potential drag on current year earnings. The sizeable scale of projects in the pipeline provides high earnings visibility in the next five years, and product diversification has also continued to improve earnings resilience.

SHARE PRICE CATALYST

- Improvement in copper consumption; steeper-than-expected Fed rate cut.

GROSS MARGIN

Products (%)	9M23	9M24	3Q24
Mine-produced			
Gold Bullion	34.16	44.57	47.64
Gold Concentrate	58.38	68.09	68.67
Copper Concentrate	60.48	66.58	65.78
Electrodeposited Copper	45.26	48.58	47.52
Electrolytic Copper	32.05	45.65	45.60
Zinc	22.56	39.90	47.62
Silver	50.72	59.74	62.67
Refined products			
Refined Copper	3.35	2.49	2.51
Refined Zinc	7.21	6.65	5.65
Consolidated Gross Margin	15.16	19.53	20.24
Mining Entities Gross Margin	50.29	57.71	58.48

Source: Zijin Mining, UOB Kay Hian

PRODUCTION VOLUME

Products (tonne)	9M23	9M24	3Q24
Mine-produced			
Gold (kg)	50,091	54,265	18,859
Copper	754,248	789,459	270,889
Zinc	323,236	309,735	109,652
Silver (kg)	310,364	331,114	120,861
Refined products			
Copper	544,049	574,772	183,258
Zinc	239,624	273,085	92,473

Source: Zijin Mining, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	293,403.2	334,066.8	344,076.8	363,905.0
EBITDA	41,716.9	58,430.7	65,718.3	76,228.0
Deprec. & amort.	10,209.5	11,409.3	13,071.1	14,829.5
EBIT	31,507.4	47,021.4	52,647.1	61,398.5
Total other non-operating income	(649.1)	0.0	0.0	0.0
Associate contributions	3,697.6	4,470.5	5,371.9	6,389.8
Net interest income/(expense)	(3,268.5)	(3,173.4)	(3,009.1)	(2,229.0)
Pre-tax profit	31,287.5	48,318.5	55,009.9	65,559.2
Tax	(4,747.9)	(7,332.3)	(8,347.8)	(9,948.6)
Minorities	(5,420.2)	(8,370.6)	(9,529.8)	(11,357.3)
Net profit	21,119.4	32,615.6	37,132.4	44,253.3
Net profit (adj.)	21,119.4	32,615.6	37,132.4	44,253.3

CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	36,860.1	48,945.1	55,602.0	65,340.6
Pre-tax profit	31,287.5	48,318.5	55,009.9	65,559.2
Tax	(4,747.9)	(7,332.3)	(8,347.8)	(9,948.6)
Deprec. & amort.	10,209.5	11,409.3	13,071.1	14,829.5
Associates	(3,697.6)	(4,470.5)	(5,371.9)	(6,389.8)
Working capital changes	7,763.4	(1,752.0)	(439.5)	(860.1)
Non-cash items	(4,266.6)	882.1	926.3	972.6
Other operating cashflows	311.8	1,890.0	753.9	1,177.8
Investing	(33,964.6)	(48,533.2)	(43,533.2)	(43,533.2)
Capex (growth)	0.0	0.0	0.0	0.0
Investments	31,632.3	39,043.6	46,915.5	55,805.3
Others	(70,798.6)	(87,576.9)	(90,448.7)	(99,338.5)
Financing	(5,817.0)	3,758.6	(24,852.3)	(28,851.4)
Dividend payments	(15,174.6)	(5,252.0)	(10,159.6)	(11,566.6)
Proceeds from borrowings	58,743.7	0.0	0.0	0.0
Loan repayment	(51,113.0)	(20,989.5)	(24,692.6)	(17,284.8)
Others/interest paid	1,726.8	30,000.0	10,000.0	0.0
Net cash inflow (outflow)	(2,921.5)	4,170.5	(12,783.5)	(7,044.1)
Beginning cash & cash equivalent	19,666.7	17,692.5	21,862.9	9,079.4
Changes due to forex impact	947.3	0.0	0.0	0.0
Ending cash & cash equivalent	17,692.5	21,862.9	9,079.4	2,035.4

BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	117,720.0	144,850.2	165,860.4	185,539.6
Other LT assets	147,657.2	162,435.5	177,240.6	192,636.3
Cash/ST investment	17,692.5	21,862.9	9,079.4	2,035.4
Other current assets	59,936.1	65,641.8	66,535.8	68,642.8
Total assets	343,005.7	394,790.4	418,716.2	448,854.0
ST debt	20,989.5	24,692.6	17,284.8	12,099.4
Other current liabilities	63,193.0	68,009.5	69,199.1	71,605.2
LT debt	102,817.6	108,125.0	100,840.1	88,740.7
Other LT liabilities	17,014.2	18,525.0	19,451.3	20,423.9
Shareholders' equity	107,505.9	136,210.8	163,183.6	195,870.2
Minority interest	30,856.9	39,227.5	48,757.3	60,114.6
Total liabilities & equity	343,005.7	394,790.4	418,716.2	448,854.0

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	14.2	17.5	19.1	20.9
Pre-tax margin	10.7	14.5	16.0	18.0
Net margin	7.2	9.8	10.8	12.2
ROA	6.5	8.8	9.1	10.2
ROE	21.5	26.8	24.8	24.6
Growth				
Turnover	8.5	13.9	3.0	5.8
EBITDA	6.3	40.1	12.5	16.0
Pre-tax profit	4.3	54.4	13.8	19.2
Net profit	5.4	54.4	13.8	19.2
Net profit (adj.)	5.4	54.4	13.8	19.2
EPS	5.7	54.4	13.8	19.2
Leverage				
Debt to total capital	47.2	43.1	35.8	28.3
Debt to equity	115.2	97.5	72.4	51.5
Net debt/(cash) to equity	98.7	81.5	66.8	50.4
Interest cover (x)	12.8	18.4	21.8	34.2

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