



Rating
Hold

Company
Zijin Mining

Date
23 March 2015

Asia
China

Reuters 2899.HK Bloomberg 2899 HK Exchange HKG Ticker 2899

Results

Resources
Metals & Mining

Price at 20 Mar 2015 (HKD)	2.19
Price target - 12mth (HKD)	2.10
52-week range (HKD)	2.62 - 1.63
HANG SENG INDEX	24,375

Zijin FY14 results inline with DBe but missed consensus; maintaining Hold

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Zijin FY14 NPAT inline with DBe but missed consensus; maintaining Hold

Zijin announced its FY14 results after market close on 20 March. Its NPAT of RMB2,345m (10% YoY) is in line with DBe and 5% lower than consensus. As the company had announced preliminary results in mid-February, we think the results announcement is a non-event. However, the sustainability of its cost improvement is still our major concern, together with its unfavorable quarterly results. We maintain Hold for Zijin.

Notable cost reduction in 2014 but still cautious regarding its sustainability

We notice that Zijin's unit cost for mined gold had declined 6% YoY in FY14 (RMB144/g) and 7% QoQ in 4Q14 (RMB135/g), mainly due to the intensive cost cut to the Norton/Shuiyindong gold mine. We expect limited room for further cost reduction, however, given 1) Norton gold mine has entered a relatively mature stage, 2) Zijinshan gold mine is in its depletion stage, and 3) there are already aggressive cost controls across mines.

4Q14 trajectory did not look as good as in previous quarters

As shown in Figure 1 below, Zijin's FY2014 PBT reached RMB3.3bn in 2014 with a 13% YoY decline, but its NPAT was RMB2.3bn, up 10% YoY. The contrast was mainly due to the one-off tax benefit of ~RMB150m from Qinghai West and net back from minorities of RMB120m in 4Q14. As a result of the tax benefit and the minority net-back, 4Q14 NPAT is higher than 4Q14 PBT. Zijin's 4Q14 PBT was only RMB94m, significantly down by 93% QoQ and 81% YoY. We attribute this mainly to the significant decline in refinery copper/iron concentrate business (down RMB215m/343m QoQ respectively) and significant impairment loss of RMB249m in 4Q14.

Maintaining Hold and target price at HKD2.1; risks: gold and copper price

With limited room from further cost reduction in the coming years and continued downward pressure from gold and copper prices, we remain cautious on Zijin's earnings. The current share price implies ~17x 2015DBe. Our target price for Zijin is based on DCF life of mine with 8.3% WACC. With 4% downside potential, we maintain our Hold rating for Zijin. Zijin also declared its dividend payout of RMB0.08/share in the results announcement (~70%+ dividend payout ratio, same as last year), which implies a ~4% dividend yield. Major risk: stronger or weaker gold/copper price.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-3.5	0.9	36.9
HANG SENG INDEX	-1.8	5.4	15.1

Source: Deutsche Bank

Forecasts And Ratios

Year End Dec 31	2012A	2013A	2014E	2015E	2016E
Sales (CNYm)	47,873.6	49,772.0	58,751.8	55,856.8	55,605.5
EBIT(CNYm)	9,118	4,451	3,936	4,316	4,250
Reported NPAT (CNYm)	5,211.2	2,125.5	2,345.7	2,244.7	2,161.9
EV/EBITDA (x)	5.7	7.1	8.7	7.6	7.7
DPS (net) (CNY)	0.10	0.08	0.08	0.08	0.07
Yield (net) (%)	4.2	4.7	4.5	4.3	4.1

Source: Deutsche Bank estimates, company data

¹ DB EPS is fully diluted and excludes non-recurring items

² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

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Model updated: 24 February 2015

Running the numbers

Asia
China
Metals & Mining

Zijin Mining

Reuters: 2899.HK Bloomberg: 2899.HK

Hold

Price (20 Mar 15) HKD 2.19
Target Price HKD 2.10
52 Week range HKD 1.63 - 2.62
Market Cap (m) HKDm 47,768
USDm 6,157

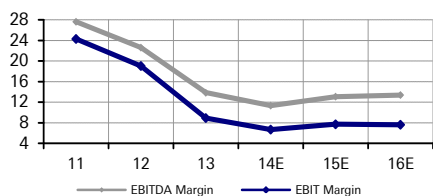
Company Profile

Zijin Mining is a mining conglomerate in the PRC. It is engaged primarily in the exploration, mining and sale of gold and other non-ferrous metals. The company is one of the largest and most efficient mine-produced gold producers in the PRC.

Price Performance



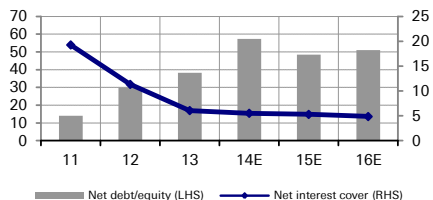
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2011	2012	2013	2014E	2015E	2016E
DB EPS (CNY)	0.26	0.24	0.08	0.11	0.10	0.10
Reported EPS (CNY)	0.26	0.24	0.10	0.11	0.10	0.10
DPS (CNY)	0.10	0.10	0.08	0.08	0.08	0.07
BVPS (CNY)	1.1	1.3	1.3	1.3	1.3	1.3
Weighted average shares (m)	21,812	21,812	21,812	21,812	21,812	21,812
Average market cap (CNYm)	84,410	52,398	36,491	38,162	38,162	38,162
Enterprise value (CNYm)	89,340	62,184	48,751	57,835	55,788	57,592

Valuation Metrics

P/E (DB) (x)	14.8	9.9	19.9	16.3	17.0	17.7
P/E (Reported) (x)	14.8	10.1	17.2	16.3	17.0	17.7
P/BV (x)	2.11	1.92	1.04	1.35	1.33	1.30
FCF Yield (%)	nm	nm	0.9	nm	14.3	4.5
Dividend Yield (%)	2.6	4.2	4.7	4.5	4.3	4.1
EV/Sales (x)	2.3	1.3	1.0	1.0	1.0	1.0
EV/EBITDA (x)	8.2	5.7	7.1	8.7	7.6	7.7
EV/EBIT (x)	9.3	6.8	11.0	14.7	12.9	13.6

Income Statement (CNYm)

Sales revenue	39,382	47,874	49,772	58,752	55,857	55,606
Gross profit	13,158	13,207	10,646	9,633	10,119	10,244
EBITDA	10,881	10,826	6,891	6,672	7,316	7,456
Depreciation	1,313	1,708	2,440	2,736	3,000	3,206
Amortisation	0	0	0	0	0	0
EBIT	9,567	9,118	4,451	3,936	4,316	4,250
Net interest income/(expense)	-496	-804	-733	-712	-815	-873
Associates/affiliates	205	243	117	111	105	96
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	9,276	8,556	3,835	3,335	3,606	3,473
Income tax expense	2,366	2,403	973	509	901	868
Minorities	1,198	942	736	480	460	443
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	5,713	5,211	2,126	2,346	2,245	2,162
DB adjustments (including dilution)	-8	69	-291	0	0	0
DB Net profit	5,705	5,280	1,834	2,346	2,245	2,162

Cash Flow (CNYm)

Cash flow from operations	6,390	5,408	8,842	317	9,560	5,307
Net Capex	-6,885	-7,571	-8,519	-4,407	-4,099	-3,587
Free cash flow	-495	-2,163	324	-4,090	5,461	1,720
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-2,652	-4,035	-3,687	-1,732	-1,710	-1,637
Net inc/(dec) in borrowings	5,546	9,318	484	5,000	0	8,000
Other investing/financing cash flows	-1,273	-1,722	853	-1,058	-1,248	-1,447
Net cash flow	1,126	1,398	-2,027	-1,879	2,503	6,637
Change in working capital	2,335	-1,079	4,027	-6,303	2,607	-1,950

Balance Sheet (CNYm)

Cash and other liquid assets	6,180	7,473	4,492	2,560	5,066	6,299
Tangible fixed assets	18,378	24,127	29,529	31,684	33,175	33,954
Goodwill/intangible assets	7,477	9,033	8,995	8,786	8,545	8,299
Associates/investments	4,406	5,658	5,854	5,854	5,854	5,854
Other assets	15,879	21,064	18,029	24,395	20,472	23,379
Total assets	52,320	67,354	66,898	73,278	73,111	77,785
Interest bearing debt	10,393	17,516	17,133	22,133	22,133	24,727
Other liabilities	11,795	16,256	16,680	16,965	15,805	16,917
Total liabilities	22,188	33,771	33,813	39,098	37,938	41,644
Shareholders' equity	25,009	28,182	27,612	28,226	28,761	29,286
Minorities	5,124	5,401	5,473	5,954	6,413	6,856
Total shareholders' equity	30,133	33,583	33,085	34,180	35,174	36,142
Net debt	4,213	10,042	12,641	19,573	17,067	18,428

Key Company Metrics

Sales growth (%)	nm	21.6	4.0	18.0	-4.9	-0.4
DB EPS growth (%)	na	-7.4	-65.3	27.9	-4.3	-3.7
EBITDA Margin (%)	27.6	22.6	13.8	11.4	13.1	13.4
EBIT Margin (%)	24.3	19.0	8.9	6.7	7.7	7.6
Payout ratio (%)	38.2	41.9	81.5	72.9	72.9	72.9
ROE (%)	24.4	19.6	7.6	8.4	7.9	7.4
Capex/sales (%)	19.0	16.7	17.3	7.5	7.3	6.5
Capex/depreciation (x)	5.7	4.7	3.5	1.6	1.4	1.1
Net debt/equity (%)	14.0	29.9	38.2	57.3	48.5	51.0
Net interest cover (x)	19.3	11.3	6.1	5.5	5.3	4.9

Source: Company data, Deutsche Bank estimates



Zijin 2014 results summary

Figure 1: Zijin's 2014 results summary

	FY14	FY13	YoY	4Q14	3Q14	QoQ	4Q13	YoY	14FYDBe	% of DBe	14FY Cons	% of Cons
Revenue	58,761	49,772	18%	18,160	16,615	9%	12,743	43%	58,752	100%	50,713	116%
COGS	(51,720)	(41,566)	24%	(16,860)	(14,381)	17%	(10,757)	57%	(51,855)	100%	(43,025)	120%
GP	7,040	8,206	-14%	1,300	2,234	-42%	1,986	-35%	6,897	102%	7,688	92%
GPM	12%	16%	na	7%	13%	na	16%	na	12%	na	15%	na
SG&A	(3,081)	(2,691)	14%	(815)	(850)	-4%	(711)	15%	(3,231)	95%	(3,060)	101%
SG&A % of revenue	5%	5%	na	4%	5%	na	6%	na	5%	na	6%	na
Others	(111)	1,064	na	102	(316)	na	864	na	(270)	41%	na	na
EBIT	4,071	4,451	-9%	383	1,700	-77%	411	-7%	3,936	103%	4,628	88%
PBT	3,324	3,835	-13%	94	1,380	-93%	493	-81%	3,335	100%	4,244	78%
NPAT	2,345	2,125	10%	376	860	-56%	336	12%	2,346	100%	2,477	95%
Dividend announced	1,726	1,732	na	na	na	na	na	na	1,710	101%	na	na
Dividend payout ratio	74%	81%	na	na	na	na	na	na	73%	101%	na	na
Operating cash flows	6,321	8,842	-29%	2,416	1,070	126%	1,520	59%	na	na	na	na

Source: Deutsche Bank, Company data

Figure 2: Zijin's operational matrix

		FY14	FY13	DBe	4Q14	3Q14	2Q14	1Q14
AR days	Days	5	5	10	8	8	10	11
AP days	Days	32	41	35	25	32	40	46
Inventory turnover days	Days	65	86	80	56	65	76	81
Gearing ratio	%	54%	36%	49%	54%	47%	41%	37%
Effective tax rate	%	21%	25%	25%	-173%	26%	24%	29%

Source: Deutsche Bank, company data



Figure 3: Zijin's operational results by segment

		2014	2013	YoY	1Q14	2Q14	3Q14	4Q14	1Q13	2Q13	3Q13	4Q13
Sales volume												
Mined gold	kg	33,776	32,050	5%	6,823	8,999	8,445	9,509	6,609	8,119	8,440	8,882
Refined gold	kg	125,093	77,225	62%	19,094	24,626	36,371	45,002	17,214	24,097	14,026	21,888
Mined silver	kg	171,617	157,397	9%	31,002	41,541	46,241	52,833	34,515	40,611	48,936	33,335
Mined copper	t	136,838	125,571	9%	28,914	39,177	30,818	37,929	26,754	33,863	34,055	30,899
Refined copper	t	234,939	209,063	12%	51,380	58,569	60,667	64,323	38,520	58,449	60,078	52,016
Mined zinc	t	96,416	75,327	28%	16,653	24,537	29,145	26,081	17,689	18,589	17,618	21,431
Refined zinc	t	207,303	181,228	14%	53,333	43,065	54,806	56,099	39,383	46,147	42,402	53,296
Iron concentrates	t	2,829,300	2,568,900	10%	116,000	1,247,900	1,038,000	427,400	9,100	991,000	865,000	703,800
Sales Unit price												
Mined gold	RMB/g	232.00	266.09	-13%	243	237	236	215	310	257	262	245
Refined gold	RMB/g	248.84	274.39	-9%	259	258	254	235	334	270	275	232
Mined silver	RMB/g	2.47	2.92	-15%	3	2	3	2	4	3	3	2
Mined copper	RMB/t	35,804	39,422	-9%	36,582	35,690	36,297	34,928	43,270	39,670	37,364	38,086
Refined copper	RMB/t	41,872	45,155	-7%	41,906	42,030	42,982	40,655	48,648	44,801	44,585	43,624
Mined zinc	RMB/t	8,146	7,570	8%	7,611	7,514	8,579	8,599	7,672	7,487	7,549	7,575
Refined zinc	RMB/t	13,612	12,881	6%	12,728	12,934	14,202	14,396	13,144	12,760	12,780	12,871
Iron concentrates	RMB/t	535	631	-15%	666	533	546	479	828	672	591	620
Cost												
Mined gold	RMBm	4,862	4,882	0%	1,046	1,317	1,220	1,279	1,014	1,137	1,447	1,285
Refined gold	RMBm	31,056	21,254	46%	4,908	6,334	9,218	10,596	5,727	6,657	3,833	5,037
Mined silver	RMBm	278	277	0%	55	59	80	83	62	55	97	62
Mined copper	RMBm	2,527	2,249	12%	566	613	514	835	491	615	565	577
Refined copper	RMBm	9,724	9,588	1%	2,237	2,413	2,426	2,648	1,902	2,767	2,675	2,244
Mined zinc	RMBm	338	291	16%	47	88	99	105	65	58	63	105
Refined zinc	RMBm	2,689	2,269	19%	676	551	696	765	493	586	532	658
Iron concentrates	RMBm	536	547	-2%	26	243	143	124	3	225	168	151
Unit cost												
Mined gold	RMB/g	143.95	152.34	-6%	153	146	144	135	153	140	171	145
Refined gold	RMB/g	248.26	275.22	-10%	257	257	253	235	333	276	273	230
Mined silver	RMB/g	1.62	1.76	-8%	2	1	2	2	2	1	2	2
Mined copper	RMB/t	18,467	17,908	3%	19,567	15,636	16,666	22,016	18,360	18,156	16,597	18,689
Refined copper	RMB/t	41,391	45,861	-10%	43,544	41,205	39,981	41,171	49,377	47,335	44,520	43,150
Mined zinc	RMB/t	3,509	3,862	-9%	2,793	3,570	3,389	4,043	3,652	3,102	3,599	4,911
Refined zinc	RMB/t	12,971	12,519	4%	12,678	12,801	12,700	13,645	12,528	12,697	12,541	12,341
Iron concentrates	RMB/t	189.39	213	-11%	223	195	138	290	312	228	194	215
GPM												
	%			ppt YoY change								
Mined gold	%	38%	43%	-5%	37%	38%	39%	38%	51%	46%	35%	41%
Refined gold	%	0%	0%	1%	1%	0%	0%	0%	0%	-2%	1%	1%
Mined silver	%	34%	40%	-5%	29%	41%	39%	27%	57%	47%	24%	23%
Mined copper	%	48%	55%	-6%	47%	56%	54%	37%	58%	54%	56%	51%
Refined copper	%	1%	-2%	3%	-4%	2%	7%	-1%	-1%	-6%	0%	1%
Mined zinc	%	57%	49%	8%	63%	52%	60%	53%	52%	59%	52%	35%
Refined zinc	%	5%	3%	2%	0%	1%	11%	5%	5%	0%	2%	4%
Iron concentrates	%	65%	66%	-2%	66%	63%	75%	39%	62%	66%	67%	65%
Excl. smelting and refining	%	45%	49%	-4%	42%	48%	49%	38%	53%	52%	45%	46%

Source: Deutsche Bank, company data



Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Zijin Mining	2899.HK	2.19 (HKD) 20 Mar 15	6,9,14

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies

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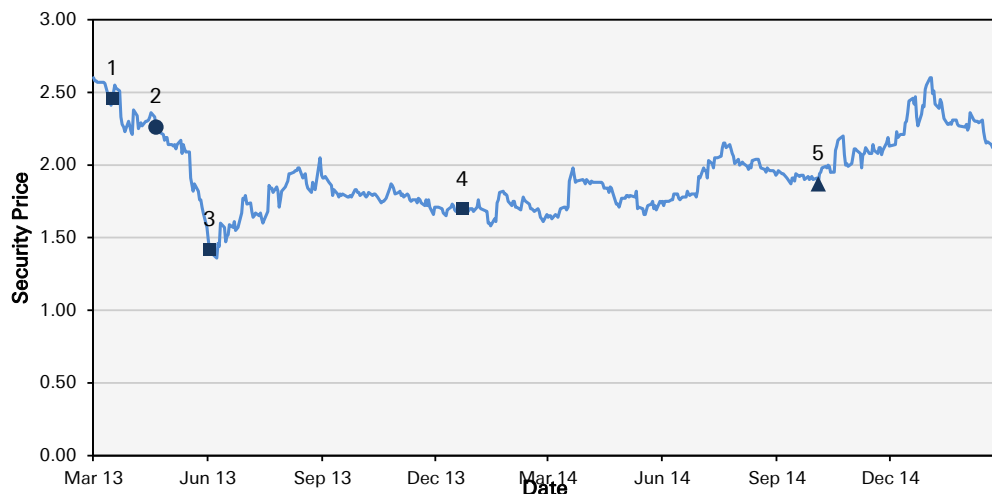
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Historical recommendations and target price: Zijin Mining (2899.HK)
 (as of 3/20/2015)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9,2002

1. 09/04/2013:	Buy, Target Price Change HKD3.20	4. 15/01/2014:	Sell, Target Price Change HKD1.10
2. 14/05/2013:	Downgrade to Sell, Target Price Change HKD1.80	5. 28/10/2014:	Upgrade to Hold, Target Price Change HKD2.10
3. 26/06/2013:	Sell, Target Price Change HKD1.20		

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

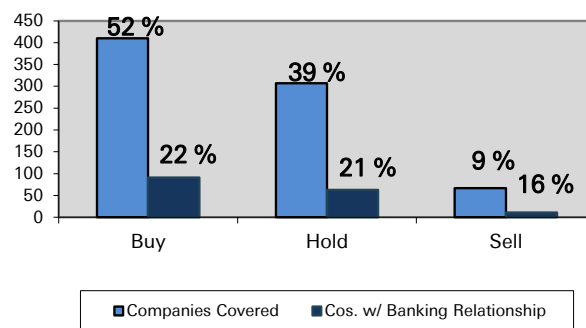
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Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Asia-Pacific Universe



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