



Rating
Buy

Asia
China

Resources
Metals & Mining

Company
Zijin Mining

Reuters 2899.HK Bloomberg 2899 HK Exchange HSI Ticker 2899

Date
21 July 2017

Results

Price at 19 Jul 2017 (HKD)	2.85
Price target - 12mth (HKD)	3.60
52-week range (HKD)	3.17 - 2.32
HANG SENG INDEX	26,672

1H17 preliminary result likely missed on non-op losses

1H17 preliminary result likely missed on non-op losses

Zijin released preliminary 2017 interim results with NPAT of RMB1.5b, increasing 179%YoY, only achieving 33% and 39% of DBe and consensus, respectively. Pre-tax profit and NPAT dropped 27%QoQ and 50%QoQ in 2Q17, respectively, despite 3%QoQ increase in revenue. With a fairly strong gold price and stable copper/zinc price in the second quarter (shown in below Figure 2), we believe there might be some non-op losses recorded during the period. We will revisit our model after tomorrow's conference call.

Valuation and risks

Our target price of HKD3.6 is based on a life-of-mine DCF methodology (7.9% WACC; 3.9% Rf, 5.6% MRP and Beta of 1.3). The stock is currently trading at 12x 2017/18 DBe EPS and 1.6x 2017/18 DBe BVPS. Downside risks include higher-than-expected production costs, lower commodity prices and lower volumes.

Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	74,303.6	78,851.1	88,182.1	94,088.1	102,401.9
EBITDA (CNYm)	6,384.9	6,731.2	11,332.2	11,918.3	14,149.3
EBIT(CNYm)	3,076	2,615	7,200	7,484	9,137
Reported EPS FD(CNY)	0.08	0.09	0.21	0.21	0.28
Reported NPAT (CNYm)	1,655.7	1,839.8	4,555.2	4,605.5	5,938.9
DB EPS growth (%)	–	11.2	147.6	1.1	29.0
DB EPS FD(CNY)	0.08	0.09	0.21	0.21	0.28
PER (x)	24.9	24.8	11.7	11.5	8.9
EV/EBITDA (x)	10.0	11.8	7.4	7.0	5.9
DPS (net) (CNY)	0.06	0.00	0.16	0.12	0.15
Yield (net) (%)	3.1	0.0	6.4	4.8	6.2

Source: Deutsche Bank estimates, company data

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	9.6	-0.7	-3.1
HANG SENG INDEX	2.9	11.9	23.1

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	15.2
Net debt/equity (%)	104.7
Book value/share (CNY)	1.50
Price/book (x)	1.6
Net interest cover (x)	5.7
Operating profit margin (%)	8.2

Source: Deutsche Bank



Figure 1: 1H17 preliminary result key data

	1H17	1H16	YoY	2H16	HoH	17FY DBE	% of DBE	17FY Cons	% of Cons
Revenue	37,524	38,890	-4%	39,961	-6%	88,182	43%	87,115	43%
PBT	2,150	617	249%	1,509	42%	6,042	36%	5,361	40%
NPAT	1,504	538	179%	1,301	16%	4,555	33%	3,899	39%
Commodity price									
Gold	RMB/g	277	258	7%	279	-1%			
Copper (incl. VAT)	RMB/t	46,528	36,238	28%	40,001	16%			
Zinc (incl. VAT)	RMB/t	22,946	14,738	56%	19,431	18%			

Source: Deutsche Bank estimate, company info, Bloomberg Finance LP

Figure 2: 2017 quarterly key data

		1Q17	2Q17	QoQ
Revenue	mn RMB	18,457	19,066	3.3%
PBT	mn RMB	1,241	909	-26.8%
NPAT	mn RMB	1,006	498	-50.4%
NPAT excl. non-op items*	mn RMB	527	na	na

*: non-op items include fair value gain/loss, impairment loss, and investment income/loss

Commodity price (incl. VAT)

Gold	RMB/g	259	280	8.0%
Copper	RMB/t	47,148	45,908	-2.6%
Zinc	RMB/t	23,100	22,792	-1.3%

Source: Deutsche Bank estimate, company info, Bloomberg Finance LP



Model updated: 01 May 2017

Running the numbers

Asia

China

Metals & Mining

Zijin Mining

Reuters: 2899.HK

Bloomberg: 2899 HK

Buy

Price (19 Jul 17) HKD 2.85

Target Price HKD 3.60

52 Week range HKD 2.32 - 3.17

Market cap (m) HKDm 62,164
USDm 7,961.2

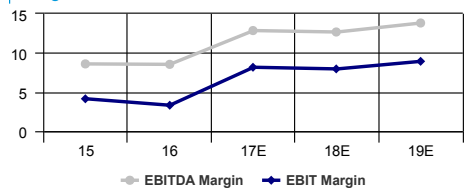
Company Profile

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.

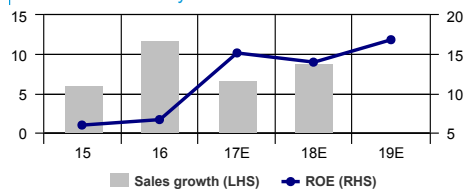
Price Performance



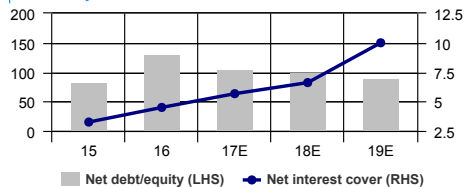
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec

Financial Summary

	2015	2016	2017E	2018E	2019E
DB EPS (CNY)	0.08	0.09	0.21	0.21	0.28
Reported EPS (CNY)	0.08	0.09	0.21	0.21	0.28
DPS (CNY)	0.06	0.00	0.16	0.12	0.15
BVPS (CNY)	1.3	1.3	1.5	1.6	1.7
Weighted average shares (m)	21,557	21,541	21,543	21,543	21,543
Average market cap (CNYm)	41,277	45,642	53,790	53,790	53,790
Enterprise value (CNYm)	63,631	79,437	84,332	83,665	83,480

Valuation Metrics

P/E (DB) (x)	24.9	24.8	11.7	11.5	8.9
P/E (Reported) (x)	24.9	24.8	11.7	11.5	8.9
P/BV (x)	1.29	1.66	1.64	1.58	1.44
FCF Yield (%)	13.3	7.4	9.0	10.2	7.4
Dividend Yield (%)	3.1	0.0	6.4	4.8	6.2
EV/Sales (x)	0.9	1.0	1.0	0.9	0.8
EV/EBITDA (x)	10.0	11.8	7.4	7.0	5.9
EV/EBIT (x)	20.7	30.4	11.7	11.2	9.1

Income Statement (CNYm)

Sales revenue	74,304	78,851	88,182	94,088	102,402
Gross profit	8,795	12,277	15,412	16,258	18,855
EBITDA	6,385	6,731	11,332	11,918	14,149
Depreciation	3,309	4,116	4,132	4,435	5,012
Amortisation	0	0	0	0	0
EBIT	3,076	2,615	7,200	7,484	9,137
Net interest income(expense)	-946	-582	-1,271	-1,132	-914
Associates/affiliates	-44	92	112	112	112
Exceptionals/extraordinary	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0
Profit before tax	2,086	2,126	6,042	6,464	8,335
Income tax expense	743	439	1,247	1,616	2,084
Minorities	-313	-153	240	242	313
Other post-tax income/(expense)	0	0	0	0	0
Net profit	1,656	1,840	4,555	4,605	5,939
DB adjustments (including dilution)	0	0	0	0	0
DB Net profit	1,656	1,840	4,555	4,605	5,939

Cash Flow (CNYm)

Cash flow from operations	10,269	8,602	9,360	9,734	12,014
Net Capex	-4,794	-5,238	-4,597	-4,304	-8,069
Free cash flow	5,476	3,363	4,763	5,431	3,945
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	-3,414	-2,865	0	-3,388	-2,534
Net inc/(dec) in borrowings	1,083	-7,849	0	0	0
Other investing/financing cash flows	-2,493	-3,393	-1,690	-1,552	-1,333
Net cash flow	652	-10,743	3,073	490	78
Change in working capital	2,679	-2,196	-837	-680	-163

Balance Sheet (CNYm)

Cash and other liquid assets	5,498	5,023	8,096	8,586	8,664
Tangible fixed assets	35,760	36,710	37,387	37,529	40,779
Goodwill/intangible assets	10,781	10,721	10,520	10,258	10,257
Associates/investments	8,461	10,237	10,657	11,076	11,496
Other assets	23,413	26,528	27,631	28,480	28,823
Total assets	83,914	89,218	94,289	95,929	100,019
Interest bearing debt	31,922	45,701	45,701	45,701	45,701
Other liabilities	20,063	12,400	12,677	12,857	13,229
Total liabilities	51,986	58,101	58,378	58,558	58,930
Shareholders' equity	27,537	27,762	32,318	33,535	36,940
Minorities	4,391	3,354	3,594	3,836	4,149
Total shareholders' equity	31,928	31,117	35,912	37,371	41,089
Net debt	26,424	40,678	37,605	37,115	37,037

Key Company Metrics

Sales growth (%)	nm	6.1	11.8	6.7	8.8
DB EPS growth (%)	na	11.2	147.6	1.1	29.0
EBITDA Margin (%)	8.6	8.5	12.9	12.7	13.8
EBIT Margin (%)	4.1	3.3	8.2	8.0	8.9
Payout ratio (%)	78.1	0.0	74.4	55.0	55.0
ROE (%)	6.0	6.7	15.2	14.0	16.9
Capex/sales (%)	6.5	7.0	5.2	4.6	7.9
Capex/depreciation (x)	1.5	1.3	1.1	1.0	1.6
Net debt/equity (%)	82.8	130.7	104.7	99.3	90.1
Net interest cover (x)	3.3	4.5	5.7	6.6	10.0

Source: Company data, Deutsche Securities estimates



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Zijin Mining	2899.HK	2.82 (HKD) 20 Jul 2017	13, 14, 15

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Historical recommendations and target price. Zijin Mining (2899.HK)

(as of 07/19/2017)



Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	09/29/2015	Hold, Target Price Change HKD 2,30 James Kan	4.	10/03/2016	Buy, Target Price Change HKD 3,30 James Kan
2.	02/28/2016	Upgraded to Buy, Target Price Change HKD 2,80 Sharon Ding	5.	03/16/2017	Buy, Target Price Change HKD 3,70 Sharon Ding
3.	08/29/2016	Buy, Target Price Change HKD 3,20 Sharon Ding	6.	03/28/2017	Buy, Target Price Change HKD 3,60 Sharon Ding

Equity Rating Key

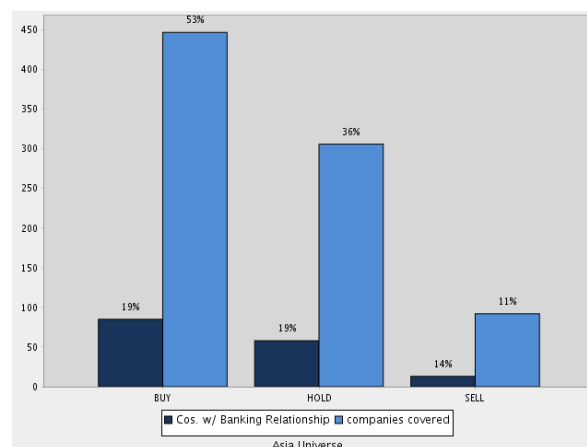
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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.

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

Equity rating dispersion and banking relationships





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