



Rating
Sell

Asia
China

Resources
Metals & Mining

Company
Tianqi Lithium Alert

Reuters 002466.SZ Bloomberg 002466 CH Exchange SHZ Ticker 002466

Date
18 August 2017

Results

Price at 17 Aug 2017 (CNY)	64.70
Price target - 12mth (CNY)	41.00
52-week range (CNY)	70.93 - 32.38
HANG SENG INDEX	27,344

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Stock data

Market cap (CNYm)	64,339
Market cap (USDm)	9,648
Shares outstanding (m)	-
Major shareholders	-
Avg daily value traded (USDm)	258.7
Free float(%)	-

Source: Deutsche Bank

Key data

FYE 12/31	2016A	2017E	2018E
Sales (CNYm)	3,905	4,259	4,225
Net Profit (CNYm)	1,512.1	1,424.2	1,279.4
DB EPS (CNY)	1.52	1.43	1.29
PER (x)	25.9	45.2	50.3
Yield (net) (%)	0.5	0.3	0.2

Source: Deutsche Bank

Mismatch of D/S balance vs. demanding valuation; Sell maintained

1H17 results beat DBe but in-line with Bloomberg consensus

Tianqi Lithium announced its 1H17 result after market close on 17 August 2017. The company delivered revenue of RMB2.4bn in 1H17, accounting for 57% FY17 DBe and 50% Bloomberg 2017 full year estimates. NPAT for 1H17 amounted to RMB924m, achieving 65% FY17 DBe and 48% Bloomberg 2017 full year consensus. 1H17 results beat DBe due to slower-than-expected lithium carbonate ASP drop, while in line with Bloomberg consensus.

Strong supply response let risk of price correction high in coming weeks

YTD Australian lithium import into China has gone up strongly 26% YoY, while YTD China EV production also enjoyed 30% YoY uplift (but EV batteries only account for c.20-30% of total lithium demand). As per our Australian research team (report: "Mt. Marion site visit - Proving the point" dated 8 August 2017), spodumene concentrates from Wodgina (Mineral Resources) could have sold into China, equivalent to c.80ktpa LCE, which will likely impact the lithium carbonate price some time in 2H17. With big supply responses to high lithium carbonate prices, we expect D/S of lithium carbonate will likely be loosened and correct lithium carbonate prices over coming quarters.

Mismatch of D/S balance vs. demanding valuation; Sell maintained

The company is currently trading at c. 34x 2017E consensus PE. With a high risk of lithium carbonate price correction in coming quarters due to strong supply responses, we believe this high valuation is not justifiable, especially when Tianqi might not be able to have volume growth in 2018E. We re-iterate our Sell rating.