## Rating <br> Sell

Asia
China
Resources
Metals \& Mining

# Company <br> Tianqi Lithium Alert 

Reuters 002466.SZ<br>Bloomberg 002466 CH<br>Exchange Ticker SHZ 002466

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

1H17 results beat DBe but in-line with Bloomberg consensus
Tianqi Lithium announced its 1 H 17 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. 1 H 17 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 2 H 17 . 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. $34 x$ 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.

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 |


| James Kan |  |  |
| :---: | :---: | :---: |
| Research Analyst (+852) 22036146 james.kan@db.com |  |  |
| 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 $1,512.1$ <br> (CNYm)  | 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 |  |  |

Research Analyst
(+852) 22036146
james.kan@db.com

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=002466.SZ MCI (P) 083/04/2017.

