

# Yancoal Australia (3668 HK)

## 2Q24 sales volume +1%; Full-year target still achievable

Yancoal's (YAL) 2Q24 operating data came in slightly below our expectation, with only 1% YoY increase in attributable sales volume due to adverse weather conditions and operational factors such as longwall move and wash plant throughput rates. Blended ASP dropped 20% YoY in 2Q24 but is in line with the market trend and our expectation. We estimate Yancoal delivered ~A\$1.5bn of revenue in 2Q24 (-20% YoY; +3% QoQ). YAL maintains the full-year sales volume guidance unchanged. We still see chances for YAL to achieve the target range when volume growth improves in 2H24E. We have left our earnings forecast unchanged and will revisit our assumptions upon the release of 1H24 earnings in Aug. Maintain **BUY** and our NPV-based TP of HK\$45. The stock remains attractive at 6.2x 2024E P/E and 8% yield.

- Sales volume in 2Q24:** Attributable sales volume of thermal coal / metallurgical coal was +3%/-17% YoY to 7.5mn/1mn tonnes in 2Q24. Total attributable sales volume increased 1% YoY to 8.6mn tonnes. In 1H24, the total attributable sales volume grew 17% YoY to 16.8mn tonnes, which accounted for 45% of our full-year estimate of 37.3mn tonnes (run rate in 1H23: 43.5%).
- ASP breakdown in 2Q24.** Thermal ASP dropped 17% YoY (+2.5% QoQ) to A\$163/t in 2Q24, within the range of GCNewc 6,000kCal (A\$206/t or US\$136/t) and API5 (A\$134/t or US\$89/t). Metallurgical ASP dropped 21% YoY to A\$318/t (-5% QoQ), which was higher than the benchmarks as YAL's met ASP generally lagged behind the market price by a quarter. The blended ASP dropped 20% YoY (+0.5% QoQ) to A\$181/t.
- Solid balance sheet.** As at end-Jun, Yancoal had a gross cash balance of A\$1.55bn. We expect Yancoal to maintain a strong net cash position going forward.
- 2024E full-year guidance unchanged:** (1) Attributable saleable production: 35-39mn tonnes (up 5%-17% YoY); (2) operating cash cost (excluding royalties): A\$89-97/t (-7% to +1% YoY); (3) capex: A\$650-800mn (up 5%-29% YoY).
- Key risks:** (1) further decline in coal price; (2) rebound of unit cost; (3) unfavourable weather that affects production.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (AUD mn)	10,548	7,778	7,133	6,890	6,876
YoY growth (%)	95.2	(26.3)	(8.3)	(3.4)	(0.2)
Net profit (AUD mn)	3,587.0	1,818.7	1,477.1	1,323.6	1,331.4
EPS (Reported) (AUD)	2.72	1.38	1.12	1.00	1.01
YoY growth (%)	355.0	(49.3)	(18.8)	(10.4)	0.6
Consensus EPS (AUD)	na	na	1.14	1.14	1.16
P/E (x)	2.6	5.0	6.2	6.9	6.9
P/B (x)	1.1	1.1	1.0	0.9	0.9
Yield (%)	17.6	10.0	8.0	7.2	7.2
ROE (%)	50.6	22.1	16.8	14.0	13.2
Net gearing (%)	(25.2)	(14.8)	(25.5)	(31.7)	(39.9)

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** HK\$45.00  
**Up/Downside** 23.1%  
**Current Price** HK\$36.55

**China Energy**

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#### Stock Data

Mkt Cap (HK\$ mn)	48,262.1
Avg 3 mths t/o (HK\$ mn)	73.2
52w High/Low (HK\$)	38.90/23.50
Total Issued Shares (mn)	1320.4

Source: FactSet

#### Shareholding Structure

Yanguang Energy	62.3%
China Cinda AM	7.7%

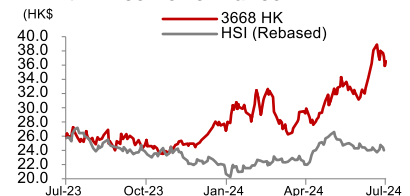
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	17.9%	22.2%
3-mth	22.2%	12.7%
6-mth	36.4%	18.1%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

**Auditor: ShineWing Australia**

#### Related Reports

- Yancoal Australia (3668 HK) – Higher coal price assumptions after the fire incident at Grosvenor coal mine – 8 Jul 2024 ([link](#))
- Yancoal Australia (3668 HK) – Decline in 2023 net profit largely expected; Valuation to be supported by attractive yield – 26 Feb 2024 ([link](#))

Figure 1: YAL's quarterly operating statistics

	1Q23	1Q24	Chg (YoY)	2Q23	2Q24	Chg (YoY)	3Q22	3Q23	Chg (YoY)	4Q22	4Q23	Chg (YoY)
<b>Marketable coal production (mn tonnes)</b>												
<b>(100 % equity basis)</b>												
<b>Mines</b>												
HVO	1.8	2.8	56%	2.4	2	-17%	2.4	3.0	25%	1.6	3.3	106%
Mount Thorley Warkworth (MTW)	2.0	2.2	10%	2.6	2.5	-4%	2.1	3.3	57%	2.3	3.4	48%
Moolarben	2.6	5.0	92%	4.8	4.5	-6%	3.4	4.5	32%	3.1	4.8	55%
Stratford Duralie	0.1	0.1	0%	0.1	0	-100%	0.2	0.2	0%	0.2	0.2	0%
Yarrabee	0.4	0.4	0%	0.5	0.4	-20%	0.5	0.5	0%	0.6	0.5	-17%
Middlemount	0.5	0.5	0%	0.5	0.6	20%	0.7	0.6	-14%	0.5	0.6	20%
Ashton	0.3	0.3	0%	0	0.3	n/a	0.3	0.0	-100%	0.2	0.1	-50%
<b>Total</b>	<b>7.7</b>	<b>11.3</b>	<b>47%</b>	<b>10.9</b>	<b>10.3</b>	<b>-6%</b>	<b>9.6</b>	<b>12.1</b>	<b>26%</b>	<b>8.5</b>	<b>12.9</b>	<b>52%</b>
<b>Marketable coal production (mn tonnes)</b>												
<b>(Attributable basis)</b>												
<b>Total</b>	<b>5.9</b>	<b>8.8</b>	<b>49%</b>	<b>8.5</b>	<b>8.2</b>	<b>-4%</b>	<b>7.3</b>	<b>9.3</b>	<b>27%</b>	<b>6.6</b>	<b>9.7</b>	<b>47%</b>
<b>Attributable sales volume (mn tonnes)</b>												
Thermal	4.7	7.3	55%	7.3	7.5	3%	5.8	7.7	33%	5.5	8.7	58%
Metallurgical	1.2	1.0	-17%	1.2	1	-17%	0.9	0.9	0%	1.4	1.4	-2%
<b>Total</b>	<b>5.9</b>	<b>8.3</b>	<b>41%</b>	<b>8.5</b>	<b>8.6</b>	<b>1%</b>	<b>6.7</b>	<b>8.6</b>	<b>28%</b>	<b>6.9</b>	<b>10.1</b>	<b>46%</b>
<b>ASP (A\$/tonne)</b>												
Thermal	338	159	-53%	197	163	-17%	489	178	-64%	430	180	-58%
Metallurgical	383	334	-13%	403	318	-21%	434	360	-17%	389	292	-25%
<b>Blended</b>	<b>347</b>	<b>180</b>	<b>-48%</b>	<b>226</b>	<b>181</b>	<b>-20%</b>	<b>481</b>	<b>197</b>	<b>-59%</b>	<b>422</b>	<b>196</b>	<b>-54%</b>
<b>Revenue (A\$ mn)</b>												
Thermal	1,589	1,161	-27%	1,438	1,223	-15%	2,836	1,371	-52%	2,369	1,566	-34%
Metallurgical	460	334	-27%	484	318	-34%	391	324	-17%	556	409	-27%
<b>Total ex-mine coal revenue</b>	<b>2,048</b>	<b>1,495</b>	<b>-27%</b>	<b>1,922</b>	<b>1,541</b>	<b>-20%</b>	<b>3,227</b>	<b>1,695</b>	<b>-47%</b>	<b>2,926</b>	<b>1,975</b>	<b>-32%</b>

Source: Company data, CMBIGM

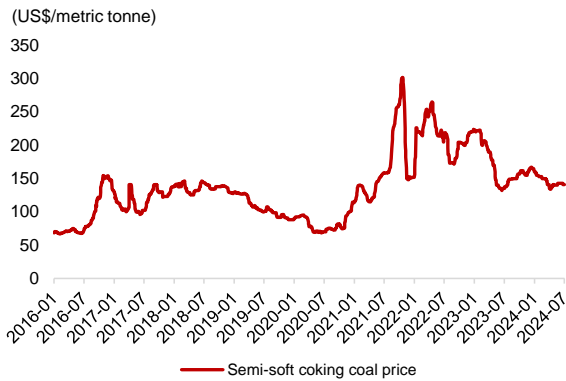
Figure 2: Key operating assumptions

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Marketable coal production (mn tonnes)</b>									
<b>(100 % equity basis)</b>									
<b>Mines</b>									
HVO	13.3	13.7	12.0	10.6	9.6	10.5	13.0	14.0	15.0
Mount Thorley Warkworth (MTW)	12.1	12.1	11.9	11.2	8.1	11.3	13.0	13.5	13.8
Moolarben	16.5	17.8	19.7	18.4	14.9	16.7	18.5	19.0	19.5
Stratford Duralie	0.5	0.8	0.5	0.8	0.7	0.6	0.0	0.0	0.0
Yarrabee	2.6	2.8	3.0	2.6	2.1	1.9	2.0	2.0	2.0
Middlemount	3.8	2.7	2.9	3.7	2.6	2.2	2.7	3.0	3.3
Ashton	1.1	2.2	1.8	1.2	0.9	0.4	0.3	0.3	0.3
<b>Total</b>	<b>49.9</b>	<b>52.1</b>	<b>51.8</b>	<b>48.5</b>	<b>38.9</b>	<b>43.6</b>	<b>49.5</b>	<b>51.8</b>	<b>53.9</b>
<b>Attributable sales volume (mn tonnes)</b>									
Thermal	28.4	30.1	33.2	31.7	24.6	28.4	32.1	33.3	33.9
Metallurgical	5.1	5.5	4.2	5.8	4.7	4.7	5.2	5.4	6.0
<b>Total</b>	<b>33.5</b>	<b>35.6</b>	<b>37.4</b>	<b>37.5</b>	<b>29.3</b>	<b>33.1</b>	<b>37.3</b>	<b>38.7</b>	<b>39.9</b>
<b>Growth (YoY)</b>									
Thermal	83.2%	6.0%	10.3%	-4.5%	-22.4%	15.4%	12.9%	3.8%	2.0%
Metallurgical	34.2%	7.8%	-23.6%	38.1%	-19.0%	0.0%	11.1%	3.8%	10.6%
<b>Average</b>	<b>73.6%</b>	<b>6.3%</b>	<b>5.1%</b>	<b>0.3%</b>	<b>-21.9%</b>	<b>13.0%</b>	<b>12.6%</b>	<b>3.8%</b>	<b>3.2%</b>
<b>ASP (A\$/tonne)</b>									
Thermal	123	100	76	134	372	211	170	157	152
Metallurgical	183	167	123	180	405	356	300	280	260
<b>Blended</b>	<b>132</b>	<b>110</b>	<b>82</b>	<b>141</b>	<b>377</b>	<b>232</b>	<b>188</b>	<b>174</b>	<b>168</b>
<b>ASP growth (YoY)</b>									
Thermal	20.0%	-18.3%	-23.8%	75.4%	177.4%	-43.3%	-19.3%	-7.6%	-3.2%
Metallurgical	12.2%	-8.8%	-26.3%	46.5%	125.0%	-12.1%	-15.7%	-6.7%	-7.1%
<b>Blended</b>	<b>15.4%</b>	<b>-16.2%</b>	<b>-26.1%</b>	<b>72.9%</b>	<b>167.3%</b>	<b>-38.5%</b>	<b>-18.8%</b>	<b>-7.4%</b>	<b>-3.5%</b>
<b>Cash operating cost breakdown (A\$/tonne)</b>									
<b>Unit cash operating cost</b>									
Change (YoY)	2.6%	-0.9%	-8.2%	16.2%	69.6%	-8.0%	-11.7%	-2.8%	-2.2%
<b>Unit cash operating cost (excluding government royalties)</b>	<b>-63</b>	<b>-64</b>	<b>-60</b>	<b>-66</b>	<b>-98</b>	<b>-100</b>	<b>-90</b>	<b>-88</b>	<b>-86</b>
Change (YoY)	0.7%	1.6%	-5.4%	9.5%	48.5%	1.9%	-10.3%	-2.0%	-2.0%

Source: Company data, CMBIGM estimates

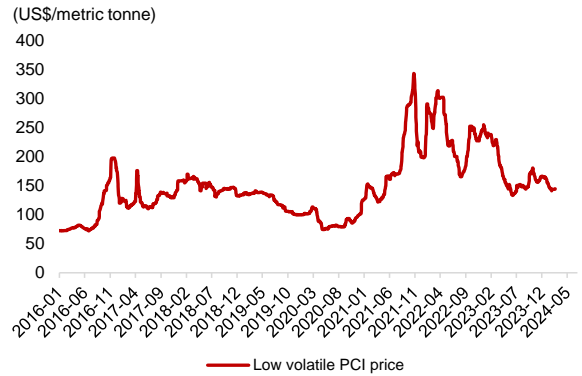
Note: Our unit cost figures are slightly different from the company's due to the difference in transportation cost calculation

**Figure 3: Seaborne semi-soft coking coal (SSCC) price**



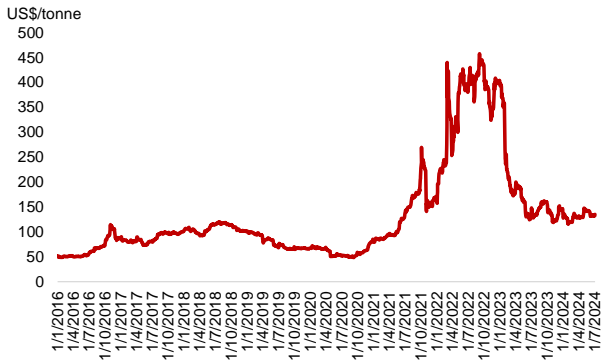
Source: Wind, CMBIGM

**Figure 4: Seaborne pulverised coal injection (PCI) price**



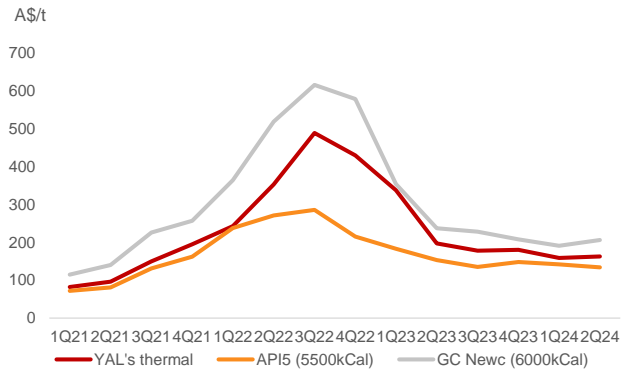
Source: Wind, CMBIGM

**Figure 5: GC Newc (6000/kCal) pricing**



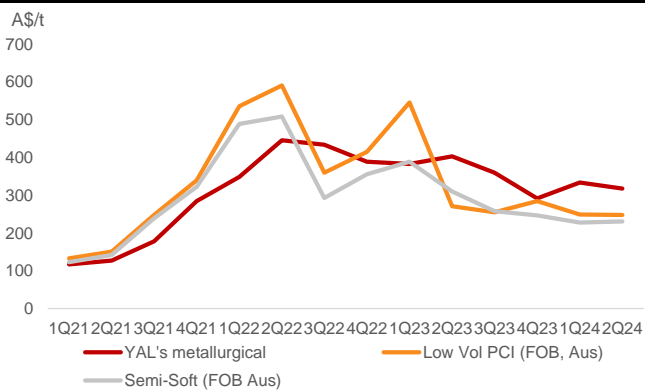
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

**Figure 6: YAL's thermal ASP vs benchmarks**



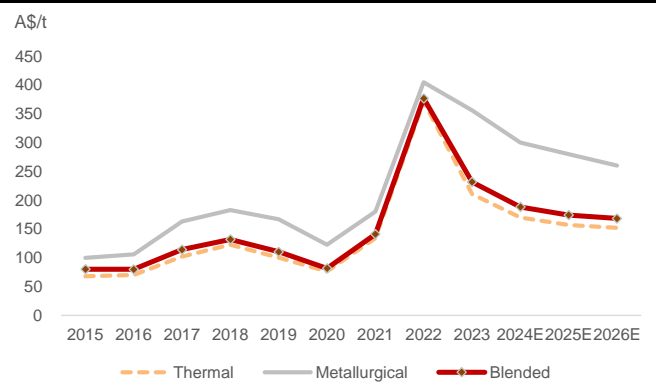
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

**Figure 7: YAL's metallurgical ASP vs benchmarks**



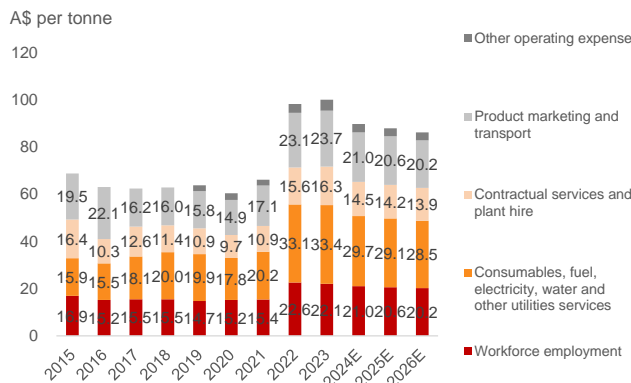
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

**Figure 8: YAL's ASP assumptions**



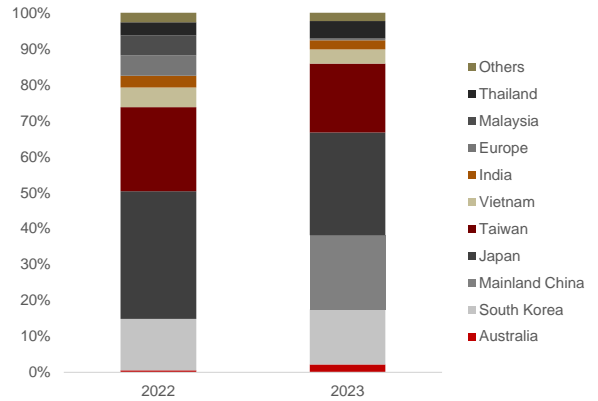
Source: Company data, CMBIGM estimates

**Figure 9: YAL's unit cash cost breakdown**



Source: Company data, CMBIGM estimates  
Note: Excluding government royalties

**Figure 10: YAL's revenue breakdown**



Source: Company data, CMBIGM

## Valuation

**Maintain BUY with unchanged TP of HK\$45.** We value YAL by net present value (NPV), calculated by the future cash flow of all the reserves based on their effective mine life.

Our key assumptions include:

- Long-term thermal and metallurgical coal price (starting 2027E) of A\$130/t and A\$200/t respectively;
- Long-term unit cash cost inflation of 1% p.a.;
- WACC of 6.9%, based on risk-free rate of 4.2% (10-year Australian government bond yield), risk premium of 6%, 0.5x beta, and 10% debt/capital ratio;
- AUD/HKD rate of HK\$5.27.

**Figure 11: TP sensitivity to coal price**

WACC	LT coal thermal coal price (A\$/t)				
	90	110	130	150	170
4.9%	25	38	51	64	78
5.9%	24	36	48	59	71
<b>6.9%</b>	24	34	<b>45</b>	55	65
7.9%	23	33	42	51	60
8.9%	23	31	40	48	56

Note: Assuming LT thermal coal price = A\$130/t

WACC	LT metallurgical coal price (A\$/t)				
	160	180	200	220	240
4.9%	46	49	51	54	56
5.9%	43	45	48	50	52
<b>6.9%</b>	41	43	<b>45</b>	46	48
7.9%	39	40	42	44	45
8.9%	37	38	40	41	43

Note: Assuming LT metallurgical coal price = A\$200/t

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (AUD mn)</b>						
<b>Revenue</b>	<b>5,403</b>	<b>10,548</b>	<b>7,778</b>	<b>7,133</b>	<b>6,890</b>	<b>6,876</b>
Royalties and other related payments	(421)	(967)	(685)	(628)	(607)	(606)
Staff costs	(578)	(662)	(730)	(783)	(796)	(805)
Others	(2,232)	(2,548)	(2,901)	(2,819)	(2,856)	(2,864)
Other income	(36)	(132)	26	36	34	34
<b>EBITDA</b>	<b>2,136</b>	<b>6,239</b>	<b>3,488</b>	<b>2,938</b>	<b>2,665</b>	<b>2,635</b>
Depreciation	(831)	(834)	(881)	(859)	(800)	(750)
<b>EBIT</b>	<b>1,305</b>	<b>5,405</b>	<b>2,607</b>	<b>2,079</b>	<b>1,865</b>	<b>1,885</b>
Interest expense	(259)	(459)	(53)	(8)	(8)	(8)
Others	57	146	29	26	22	14
<b>Pre-tax profit</b>	<b>1,103</b>	<b>5,092</b>	<b>2,583</b>	<b>2,098</b>	<b>1,880</b>	<b>1,891</b>
Income tax	(312)	(1,505)	(764)	(620)	(556)	(559)
<b>After tax profit</b>	<b>791</b>	<b>3,587</b>	<b>1,819</b>	<b>1,477</b>	<b>1,324</b>	<b>1,331</b>
Minority interest	0	0	0	0	0	0
<b>Net profit</b>	<b>791</b>	<b>3,587</b>	<b>1,819</b>	<b>1,477</b>	<b>1,324</b>	<b>1,331</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (AUD mn)</b>						
<b>Current assets</b>	<b>2,531</b>	<b>3,810</b>	<b>2,533</b>	<b>3,492</b>	<b>4,328</b>	<b>5,329</b>
Cash & equivalents	1,495	2,699	1,397	2,484	3,245	4,316
Account receivables	707	736	662	647	598	645
Inventories	264	330	416	307	427	315
Other current assets	65	45	58	53	57	53
<b>Non-current assets</b>	<b>9,269</b>	<b>8,991</b>	<b>8,721</b>	<b>8,575</b>	<b>8,287</b>	<b>8,043</b>
PP&E	3,232	3,486	3,582	3,774	3,761	3,744
Right-of-use assets	5,149	4,642	4,278	3,930	3,646	3,416
Deferred income tax	0	0	0	0	0	0
Investment in JVs & assos	303	413	431	444	455	462
Intangibles	138	133	131	128	125	122
Other non-current assets	447	317	299	299	299	299
<b>Total assets</b>	<b>11,800</b>	<b>12,801</b>	<b>11,254</b>	<b>12,067</b>	<b>12,614</b>	<b>13,372</b>
<b>Current liabilities</b>	<b>826</b>	<b>2,532</b>	<b>1,048</b>	<b>1,145</b>	<b>1,073</b>	<b>1,163</b>
Short-term borrowings	66	48	44	44	44	44
Account payables	743	863	734	831	759	849
Other current liabilities	17	1,621	270	270	270	270
<b>Non-current liabilities</b>	<b>4,828</b>	<b>2,239</b>	<b>1,764</b>	<b>1,764</b>	<b>1,764</b>	<b>1,764</b>
Long-term borrowings	3,369	625	102	102	102	102
Other non-current liabilities	1,459	1,614	1,662	1,662	1,662	1,662
<b>Total liabilities</b>	<b>5,654</b>	<b>4,771</b>	<b>2,812</b>	<b>2,909</b>	<b>2,837</b>	<b>2,927</b>
<b>Total shareholders equity</b>	<b>6,144</b>	<b>8,028</b>	<b>8,440</b>	<b>9,156</b>	<b>9,775</b>	<b>10,443</b>
Minority interest	2	2	2	2	2	2
<b>Total equity and liabilities</b>	<b>11,800</b>	<b>12,801</b>	<b>11,254</b>	<b>12,067</b>	<b>12,614</b>	<b>13,372</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (AUD mn)</b>						
<b>Operating</b>						
Profit before taxation	1,103	5,092	2,583	2,098	1,880	1,891
Depreciation & amortization	831	834	881	859	800	750
Tax paid	0	0	(2,123)	(620)	(556)	(559)
Change in working capital	(193)	80	(129)	226	(147)	159
Others	332	759	(10)	(102)	(131)	(133)
<b>Net cash from operations</b>	<b>2,073</b>	<b>6,765</b>	<b>1,202</b>	<b>2,460</b>	<b>1,846</b>	<b>2,108</b>
<b>Investing</b>						
Capital expenditure	(268)	(544)	(611)	(700)	(500)	(500)
Acquisition of subsidiaries/ investments	(100)	0	0	0	0	0
Others	69	287	97	96	128	134
<b>Net cash from investing</b>	<b>(299)</b>	<b>(257)</b>	<b>(514)</b>	<b>(604)</b>	<b>(372)</b>	<b>(366)</b>
<b>Financing</b>						
Dividend paid	0	(1,626)	(1,413)	(761)	(704)	(664)
Net borrowings	(494)	(1,320)	(496)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(447)	(2,465)	(95)	(8)	(8)	(8)
<b>Net cash from financing</b>	<b>(941)</b>	<b>(5,411)</b>	<b>(2,004)</b>	<b>(769)</b>	<b>(712)</b>	<b>(671)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	637	1,495	2,699	1,397	2,484	3,245
Exchange difference	25	107	14	0	0	0
<b>Cash at the end of the year</b>	<b>1,495</b>	<b>2,699</b>	<b>1,397</b>	<b>2,484</b>	<b>3,245</b>	<b>4,316</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	55.6%	95.2%	(26.3%)	(8.3%)	(3.4%)	(0.2%)
EBITDA	na	192.1%	(44.1%)	(15.8%)	(9.3%)	(1.1%)
EBIT	na	314.3%	(51.8%)	(20.2%)	(10.3%)	1.1%
Net profit	na	353.7%	(49.3%)	(18.8%)	(10.4%)	0.6%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
EBITDA margin	39.5%	59.1%	44.8%	41.2%	38.7%	38.3%
Return on equity (ROE)	13.9%	50.6%	22.1%	16.8%	14.0%	13.2%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.3	(0.3)	(0.1)	(0.3)	(0.3)	(0.4)
Current ratio (x)	3.1	1.5	2.4	3.0	4.0	4.6
Receivable turnover days	35.5	25.0	32.8	33.5	33.0	33.0
Inventory turnover days	53.3	47.4	52.2	52.0	52.0	52.0
Payable turnover days	100.8	99.4	87.3	86.0	86.0	86.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	11.6	2.6	5.0	6.2	6.9	6.9
P/B	1.5	1.1	1.1	1.0	0.9	0.9
Div yield (%)	10.1	17.6	10.0	8.0	7.2	7.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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