CMB INTERNATIONAL
A Wholly Owned Subsidiary Of China Merchants Bank

Yancoal Australia (3668 HK)

Dividend resumed with 56% pay-out ratio

YAL's net profit in 2024 came in at A$1.2bn, down 33% YoY but 8% above our estimates due to a higher-than-expected FX gain (A$149mn). YAL declared a final dividend of A$0.52/share, which is long-awaited by the market. The pay-out ratio of 56% is in line with YAL's dividend policy, which we believe will enhance investors' confidence. YAL introduced guidance for 2025E, with the range of output and unit cost largely the same as that in 2024 while capex will be higher. Our 2025E/26E earnings forecast is revised down by 13%/12%, largely due to lower coal ASP and slightly higher cost assumptions. Our NPV-based TP is revised down to HK$36 from HK$38. We still maintain **BUY** on YAL as (1) the GC Newc (6000kCal) price has already pulled back 17% YTD, and (2) the current valuation, after our earnings cut, is not too excessive (<8x 2025E P/E; >6% yield)**.**

- **Key highlights in 2024 results.** Revenue dropped 12% YoY to A$6.86bn, as the 14% YoY coal sales volume growth (to 37.7mt) was more than offset by the 24% YoY decline in blended coal ASP (to A$176/t). Other income surged 5x YoY to A$159mn due to a FX gain of A$149mn. Net profit declined 33% to A$1.2bn due to operating de-leveraging. In 2H24, revenue/net profit dropped 2%/6% YoY to A$3.7bn/A$796mn.
- **Stable unit cash cost in 2H24 YoY.** YAL achieved unit cash cost (excluding royalties) of A$86/t in 2H24 (largely flat YoY but down 15% HoH), as mines were running at high utilisation rates in 2H.
- **Sitting on large cash balance.** As at end-2024, Yancoal had net cash of A$2.35bn, equivalent to 30% of the current market cap.
- **2025 full-year guidance introduced:** (1) attributable saleable production: 35-39mn tonnes (-5% to +6% YoY); (2) operating cash cost (excluding royalties): A$89-97/t (-4% to +4% YoY); (3) capex: A$750-900mn (up 6%-28% YoY).
- **CMBI will host NDR for YAL on 24 Feb (next Mon).** Please contact your sales representative for details.
- **Key risks:** (1) further decline in coal price; (2) rebound of unit cost; (3) extreme weather that affects production.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (AUD mn)	7,778	6,860	6,552	6,606	6,749
YoY growth (%)	(26.3)	(11.8)	(4.5)	0.8	2.2
Net profit (AUD mn)	1,818.7	1,215.9	1,016.1	1,075.4	1,114.9
EPS (Reported) (AUD)	1.38	0.92	0.77	0.81	0.84
YoY growth (%)	(49.3)	(33.1)	(16.4)	5.8	3.7
Consensus EPS (AUD)	na	na	0.95	0.93	na
P/E (x)	4.2	6.3	7.6	7.1	6.9
P/B (x)	0.9	0.8	0.8	0.8	0.7
Yield (%)	12.0	9.0	6.6	7.0	7.3
ROE (%)	22.1	13.7	10.9	11.1	10.9
Net gearing (%)	(14.8)	(25.2)	(23.0)	(27.9)	(32.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$36.00**
(Previous TP	HK$38.00)
Up/Downside	**25.4%**
Current Price	**HK$28.70**

China Energy

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Stock Data

Mkt Cap (HK$ mn)	37,896.6
Avg 3 mths t/o (HK$ mn)	29.3
52w High/Low (HK$)	38.90/26.25
Total Issued Shares (mn)	1320.4

Source: FactSet

Shareholding Structure

Yankuang Energy	62.3%
China Cinda AM	7.7%

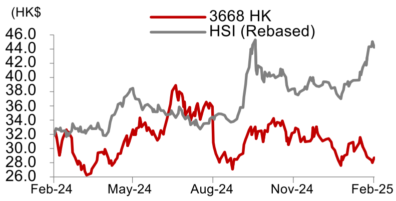
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-1.5%	-13.1%
3-mth	-11.0%	-22.3%
6-mth	-7.0%	-27.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: ShineWing Australia

Related Reports

1. Yancoal Australia (3668 HK) – Potential dividend resumption a catalyst – 21 Jan 2025 (link)
2. Yancoal Australia (3668 HK) – 3Q24 sales volume accelerated to +21% YoY; on track to achieve target – 18 Oct 2024 (link)
3. Yancoal Australia (3668 HK) – 1H24 net profit -57% YoY below expectations; No interim dividend suggests potential M&A – 20 Aug 2024 (link)

Figure 1: YAL's 2024 results

YE Dec 31(A$ mn)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Revenue						
Sales of coal	3,853	3,030	-21.4%	3,731	3,760	0.8%
Sea freight	42	44	4.8%	37	30	-18.9%
Fair value of losses recycled from hedge reserve	0	0	n/a	-1	-125	n/a
Sub-total	**3,895**	**3,074**	**-21.1%**	3,767	3,665	**-2.7%**
Other revenue						
Interest income	52	39	-25.0%	30	50	66.7%
Mining services fees	0	0	n/a	0	0	n/a
Royalty revenue & others	29	25	-13.8%	5	7	40.0%
Total (other revenue)	**81**	**64**	**-21.0%**	**35**	**57**	**62.9%**
Total revenue	**3,976**	**3,138**	**-21.1%**	3,802	3,722	**-2.1%**
Other income/(loss)	25	53	112.0%	1	106	10500.0%
Change in inventories of finished goods & work in progress	-19	-10	-47.4%	61	-34	n/a
Raw materials and consumables used	-549	-585	6.6%	-555	-576	3.8%
Employee benefits	-348	-401	15.2%	-382	-395	3.4%
Transportation	-401	-412	2.7%	-382	-414	8.4%
Contractual services and plant hire	-260	-295	13.5%	-279	-312	11.8%
Government royalties	-365	-261	-28.5%	-320	-378	18.1%
Coal purchase	-94	-102	8.5%	-89	-93	4.5%
Other operating expenses	-153	-138	-9.8%	-181	-164	-9.4%
Depreciation and amortisation	-411	-400	-2.7%	-470	-350	-25.5%
EBIT	**1,401**	**587**	**-58.1%**	**1,206**	**1,112**	**-7.8%**
Finance expenses	-29	-20	-31.0%	-24	-19	-20.8%
Share of profit of JV and associates	16	4	-75.0%	13	25	92.3%
Pretax profit	**1,388**	**571**	**-58.9%**	**1,195**	**1,118**	**-6.4%**
Income tax	-415	-151	-63.6%	-349	-322	-7.7%
After tax profit	**973**	**420**	-56.8%	**846**	**796**	-5.9%
MI	0	0	n/a	0	0	n/a
Net profit	**973**	**420**	**-56.8%**	**846**	**796**	**-5.9%**
D&A	411	400	-2.7%	470	350	-25.5%
EBITDA	**1,812**	**987**	**-45.5%**	**1,676**	**1,462**	**-12.8%**

Source: Company data, CMBIGM

Figure 2: YAL's quarterly statistics

	1Q23	1Q24	*Chg (YoY)*	2Q23	2Q24	*Chg (YoY)*	3Q23	3Q24	*Chg (YoY)*	4Q23	4Q24	*Chg (YoY)*
Marketable coal production (mn tonnes)												
(100 % equity basis)												
Mines												
HVO	1.8	2.8	*56%*	2.4	2.0	*-17%*	3.0	3.2	*7%*	3.3	3.7	*12%*
Mount Thorley Warkworth (MTW)	2.0	2.2	*10%*	2.6	2.5	*-4%*	3.3	3.3	*0%*	3.4	3.2	*-6%*
Moolarben	2.6	5.0	*92%*	4.8	4.5	*-6%*	4.5	5.3	*18%*	4.8	4.2	*-13%*
Stratford Duralie	0.1	0.1	*0%*	0.1	0.0	*-100%*	0.2	0.0	*-100%*	0.2	0.0	*-100%*
Yarrabee	0.4	0.4	*0%*	0.5	0.4	*-20%*	0.5	0.7	*40%*	0.5	0.7	*40%*
Middlemount	0.5	0.5	*0%*	0.5	0.6	*20%*	0.6	0.5	*-17%*	0.6	0.7	*17%*
Ashton	0.3	0.3	*0%*	0	0.3	*n/a*	0.0	0.2	*n/a*	0.1	0.5	*n/a*
Total	**7.7**	**11.3**	*47%*	**10.9**	**10.3**	*-6%*	**12.1**	**13.2**	***9%***	**12.9**	**13.0**	***1%***
Marketable coal production (mn tonnes)												
(Attributable basis)												
Total	**5.9**	**8.8**	***49%***	**8.5**	**8.2**	***-4%***	**9.3**	**10.2**	***10%***	**9.7**	**9.7**	***0%***
Attributable sales volume (mn tonnes)												
Thermal	4.7	7.3	*55%*	7.3	7.5	*3%*	7.7	9.0	*17%*	8.7	8.6	*-1%*
Metallurgical	1.2	1.0	*-17%*	1.2	1.0	*-17%*	0.9	1.4	*56%*	1.4	1.8	*29%*
Total	**5.9**	**8.3**	*41%*	**8.5**	**8.6**	*1%*	**8.6**	**10.4**	*21%*	**10.1**	**10.4**	*3%*
ASP (A$/tonne)												
Thermal	338	159	*-53%*	197	163	*-17%*	178	157	*-12%*	180	163	*-9%*
Metallurgical	383	334	*-13%*	403	318	*-21%*	360	259	*-28%*	292	242	*-17%*
Blended	**347**	**180**	***-48%***	**226**	**181**	***-20%***	**197**	**170**	***-14%***	**196**	**176**	***-10%***

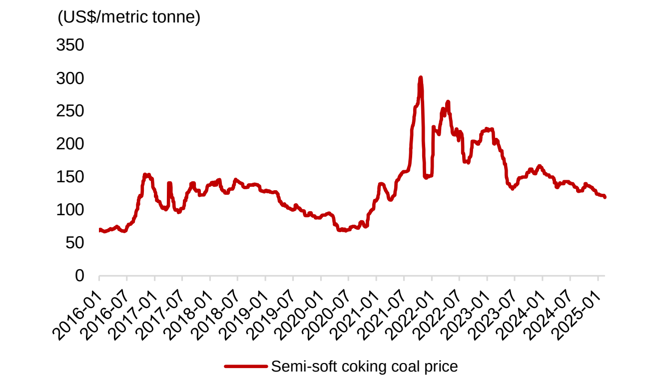
Source: Company data, CMBIGM

Figure 3: Change in key operating assumptions

	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Marketable coal production (mn tonnes)									
(100 % equity basis)									
Consolidated mines									
HVO	14.0	15.0	-	12.5	13.5	14.0	*-10.7%*	*-10.0%*	-
Mount Thorley Warkworth (MTW)	13.5	13.8	-	11.8	12.8	13.5	*-12.6%*	*-7.2%*	-
Moolarben	19.0	19.5	-	19.5	19.5	20.0	*2.6%*	*0.0%*	-
Stratford Duralie	0.0	0.0	-	0.0	0.0	0.0	*n/a*	*n/a*	-
Yarrabee	2.0	2.0	-	2.5	2.0	2.0	*25.0%*	*0.0%*	-
Middlemount	3.0	3.3	-	2.5	3.0	3.0	*-16.7%*	*-9.1%*	-
Ashton	0.3	0.3	-	1.3	1.3	1.3	*333.3%*	*333.3%*	-
Total	**51.8**	**53.9**	-	**50.1**	**52.1**	**53.8**	***-3.3%***	***-3.3%***	-
Sales volume (mn tonnes)									
Thermal	33.3	33.9	-	33.3	33.4	34.5	*0.0%*	*-1.5%*	-
Metallurgical	5.4	6.0	-	5.4	5.9	6.1	*0.0%*	*-1.5%*	-
Total	**38.7**	**39.9**	-	**38.5**	**39.3**	**40.6**	*-0.5%*	*-1.5%*	-
ASP (A$/t)									
Thermal	157	152	-	151	149	148	*-3.8%*	*-2.0%*	-
Metallurgical	258	255	-	258	255	252	*0.0%*	*0.0%*	-
Blended	**171**	**167**	-	**167**	**165**	**163**	*-2.5%*	*-1.5%*	-
Cash operating cost breakdown (A$/tonne)									
Unit cash operating cost	-106	-104	-	-108	-106	-106	*1.9%*	*2.0%*	-
			-						-
Unit cash operating cost (excluding government royalties)	**-91**	**-89**	-	**-93**	**-91**	**-90**	***1.7%***	***1.7%***	-
Unit cash margin (excluding government royalties)	**80**	**78**	-	**74**	**74**	**73**	***-7.3%***	***-5.2%***	-
Net profit (A$ mn)	**1,163**	**1,221**	-	**1,016**	**1,075**	**1,115**	***-12.6%***	***-11.9%***	-

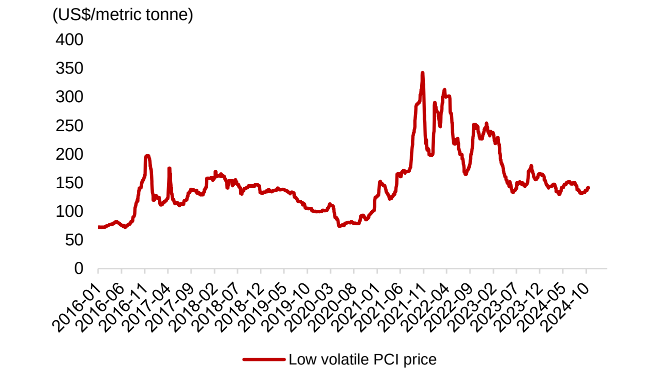
Source: Company data, CMBIGM estimates
Note: Our unit cost figures are slightly different from the company's due to the difference in transportation cost calculation.

Figure 4: Seaborne semi-soft coking coal (SSCC) price



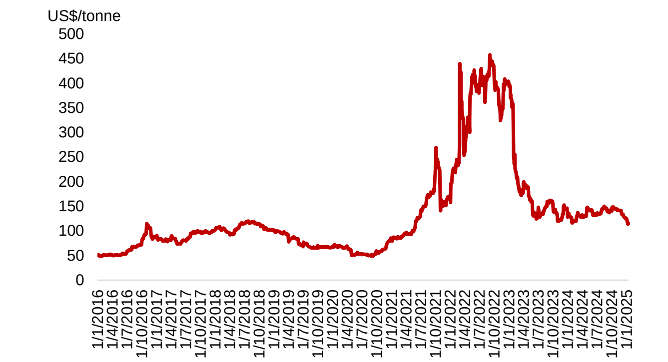
Source: Wind, CMBIGM

Figure 5: Seaborne pulverised coal injection (PCI) price



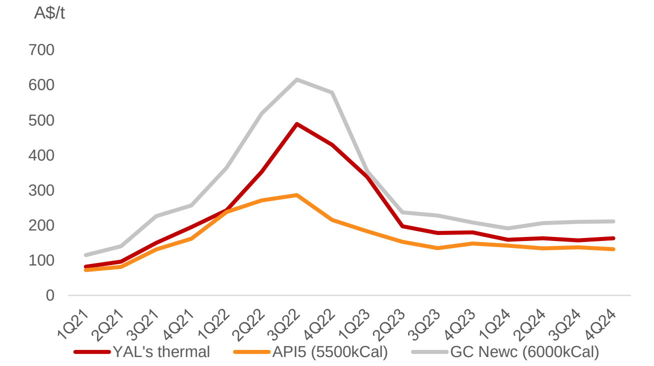
Source: Wind, CMBIGM

Figure 6: GC Newc (6000/kCal) pricing



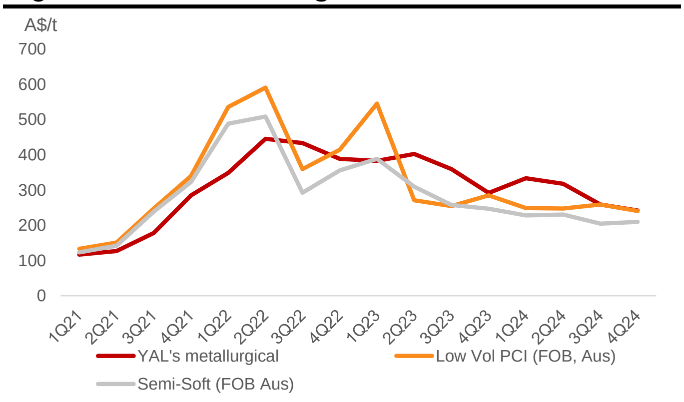
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 7: YAL's thermal ASP vs benchmarks



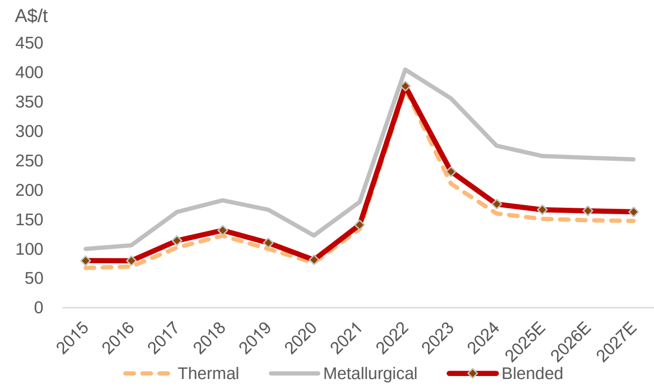
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 8: YAL's metallurgical ASP vs benchmarks



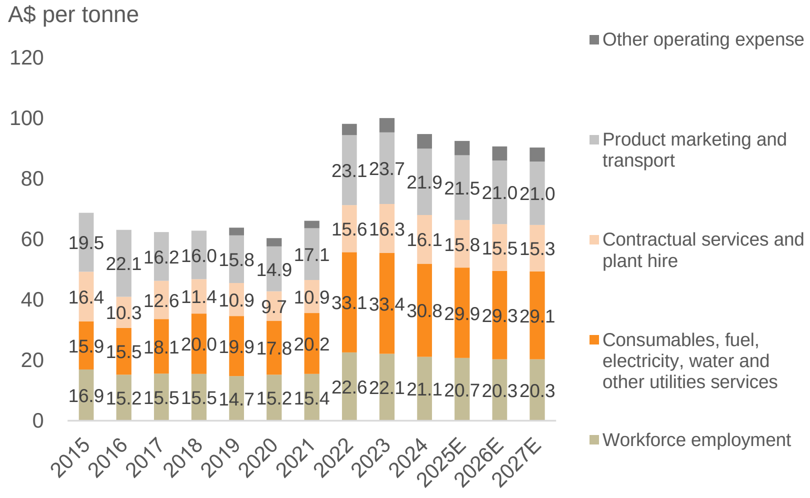
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 9: Assumptions on YAL's ASP



Source: Company data, CMBIGM estimates

Figure 10: YAL's unit cash cost breakdown



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

Valuation

Maintain BUY with new TP of HK$36 (previously HK$38). 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 2028E) of A$130/t and A$200/t respectively;
- Long-term unit cash cost inflation of 1% p.a.;
- WACC of 6.7%, based on risk-free rate of 4% (10-year Australian government bond yield), risk premium of 6%, 0.5x beta, and 10% debt/capital ratio;
- AUD/HKD rate of HK$5.

Figure 11: TP sensitivity to coal price

WACC	LT coal thermal coal price (A$/t)				
	90	110	**130**	150	170
4.7%	16	28	41	53	65
5.7%	16	27	38	49	60
6.7%	16	26	**36**	45	55
7.7%	17	25	34	42	51
8.7%	17	24	32	40	48

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

WACC	LT metallurgical coal price (A$/t)				
	160	180	**200**	220	240
4.7%	36	38	41	43	45
5.7%	34	36	38	40	42
6.7%	32	34	**36**	37	39
7.7%	31	32	34	35	37
8.7%	29	31	32	34	35

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

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (AUD mn)						
Revenue	**10,548**	**7,778**	**6,860**	**6,552**	**6,606**	**6,749**
Royalties and other related payments	(967)	(685)	(639)	(610)	(615)	(629)
Staff costs	(662)	(730)	(796)	(796)	(797)	(824)
Others	(2,548)	(2,901)	(3,135)	(2,985)	(2,991)	(3,075)
Other income	(132)	26	159	33	33	34
EBITDA	**6,239**	**3,488**	**2,449**	**2,193**	**2,236**	**2,256**
Depreciation	(834)	(881)	(750)	(798)	(750)	(715)
EBIT	**5,405**	**2,607**	**1,699**	**1,395**	**1,486**	**1,541**
Interest expense	(459)	(53)	(39)	(6)	(6)	(6)
Others	146	29	29	23	14	14
Pre-tax profit	**5,092**	**2,583**	**1,689**	**1,411**	**1,494**	**1,549**
Income tax	(1,505)	(764)	(473)	(395)	(418)	(434)
After tax profit	**3,587**	**1,819**	**1,216**	**1,016**	**1,075**	**1,115**
Minority interest	0	0	0	0	0	0
Net profit	**3,587**	**1,819**	**1,216**	**1,016**	**1,075**	**1,115**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (AUD mn)						
Current assets	**3,810**	**2,533**	**3,540**	**3,317**	**4,050**	**4,496**
Cash & equivalents	2,699	1,397	2,461	2,278	2,893	3,518
Account receivables	736	662	600	621	646	574
Inventories	330	416	419	361	450	338
Other current assets	45	58	60	58	60	66
Non-current assets	**8,991**	**8,721**	**8,816**	**8,849**	**8,906**	**8,898**
PP&E	3,486	3,582	3,909	4,225	4,514	4,698
Right-of-use assets	4,642	4,278	4,023	3,732	3,496	3,300
Deferred income tax	0	0	0	0	0	0
Investment in JVs & assos	413	431	447	458	465	472
Intangibles	133	131	134	131	128	125
Other non-current assets	317	299	303	303	303	303
Total assets	**12,801**	**11,254**	**12,356**	**12,166**	**12,956**	**13,394**
Current liabilities	**2,532**	**1,048**	**1,234**	**944**	**1,179**	**1,049**
Short-term borrowings	48	44	37	37	37	37
Account payables	863	734	975	685	920	790
Other current liabilities	1,621	270	222	222	222	222
Non-current liabilities	**2,239**	**1,764**	**1,805**	**1,805**	**1,805**	**1,805**
Long-term borrowings	625	102	75	75	75	75
Other non-current liabilities	1,614	1,662	1,730	1,730	1,730	1,730
Total liabilities	**4,771**	**2,812**	**3,039**	**2,749**	**2,984**	**2,854**
Total shareholders equity	**8,028**	**8,440**	**9,315**	**9,416**	**9,969**	**10,538**
Minority interest	2	2	2	2	2	2
Total equity and liabilities	**12,801**	**11,254**	**12,356**	**12,166**	**12,956**	**13,394**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (AUD mn)						
Operating						
Profit before taxation	**5,092**	**2,583**	**1,689**	**1,411**	**1,494**	**1,549**
Depreciation & amortization	834	881	754	798	750	715
Tax paid	0	(2,123)	(660)	(395)	(418)	(434)
Change in working capital	80	(129)	315	(251)	119	48
Others	759	(10)	(47)	(114)	(97)	(93)
Net cash from operations	**6,765**	**1,202**	**2,051**	**1,449**	**1,847**	**1,785**
Investing						
Capital expenditure	(544)	(611)	(698)	(820)	(800)	(700)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	287	97	100	109	96	92
Net cash from investing	**(257)**	**(514)**	**(598)**	**(711)**	**(704)**	**(608)**
Financing						
Dividend paid	(1,626)	(1,413)	(429)	(916)	(521)	(547)
Net borrowings	(1,320)	(496)	(34)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(2,465)	(95)	(42)	(6)	(6)	(6)
Net cash from financing	**(5,411)**	**(2,004)**	**(505)**	**(922)**	**(527)**	**(553)**
Net change in cash						
Cash at the beginning of the year	1,495	2,699	1,397	2,461	2,278	2,893
Exchange difference	107	14	116	0	0	0
Cash at the end of the year	**2,699**	**1,397**	**2,461**	**2,278**	**2,893**	**3,518**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	95.2%	(26.3%)	(11.8%)	(4.5%)	0.8%	2.2%
EBITDA	192.1%	(44.1%)	(29.8%)	(10.4%)	1.9%	0.9%
EBIT	314.3%	(51.8%)	(34.8%)	(17.9%)	6.5%	3.7%
Net profit	353.7%	(49.3%)	(33.1%)	(16.4%)	5.8%	3.7%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
EBITDA margin	59.1%	44.8%	35.7%	33.5%	33.8%	33.4%
Return on equity (ROE)	50.6%	22.1%	13.7%	10.9%	11.1%	10.9%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.1)	(0.3)	(0.2)	(0.3)	(0.3)
Current ratio (x)	1.5	2.4	2.9	3.5	3.4	4.3
Receivable turnover days	25.0	32.8	33.6	34.0	35.0	33.0
Inventory turnover days	47.4	52.2	54.6	53.0	55.0	52.0
Payable turnover days	99.4	87.3	87.0	87.0	84.0	87.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	2.1	4.2	6.3	7.6	7.1	6.9
P/B	1.0	0.9	0.8	0.8	0.8	0.7
Div yield (%)	21.1	12.0	9.0	6.6	7.0	7.3

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

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