

Yancoal Australia (3668 HK)

Strong production volume growth in 2Q25 but sales affected by logistical issue

Yancoal's (YAL) 2Q25 attributable production/ sales volume +15%/-6% YoY, due mainly to temporary port closure as a result of adverse weather that affected delivery. Blended ASP dropped 22% YoY in 2Q25 but was largely in-line with market trend. We estimate Yancoal delivered ~A\$1.14bn of revenue in 2Q25 (-26% YoY; -14% QoQ). Our 2025E/26E/27E earnings forecasts are revised down by 22%/17%/13%, largely due to lower coal ASP despite slightly higher volume assumptions. That said, we maintain our **BUY** rating as (1) we expect the sales to production ratio to increase in 3Q25E, driven by the improvement of the logistical issue; (2) the thermal coal price has been rebounding since Jun. Our NPV-based TP is revised down to HK\$34 from HK\$36.

- Likely hit the high end of full-year target due to strong production volume in 2Q25:** Attributable sales volume of thermal coal/ metallurgical coal was -9%/+30% YoY to 6.8mn/1.3mn tonnes in 2Q25 (total attributable sales volume -6% YoY to 8.1mn tonnes). On the production side, the total attributable volume grew 15% YoY to 9.4mn tonnes in 2Q25. In 1H25, the total attributable production volume grew 11% YoY to 18.9mn tonnes, which accounted for 48-54% of YAL's full-year guidance (35-39mn tonnes). Management is confident of reaching the upper end of the range for the full year.
- ASP breakdown in 2Q25.** Thermal ASP dropped 20% YoY to A\$130/t in 2Q25, within the range of GCNewc 6,000kCal (A\$157/t or US\$100/t) and API5 (A\$107/t or US\$68/t). Metallurgical ASP dropped 38% YoY to A\$197/t, which was close to the market price of Low Vol PCI.
- Sitting on large cash balance.** As at Jun-2025, Yancoal had gross cash of A\$1.8bn, equivalent to ~20% of the current market cap.
- 2025 full-year guidance unchanged:** (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).
- Key risks:** (1) further decline in coal price; (2) rebound of unit cost; (3) extreme weather that affects production and delivery.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (AUD mn)	7,778	6,860	6,256	6,314	6,513
YoY growth (%)	(26.3)	(11.8)	(8.8)	0.9	3.1
Net profit (AUD mn)	1,818.7	1,215.9	795.1	890.7	965.4
EPS (Reported) (AUD)	1.38	0.92	0.60	0.67	0.73
YoY growth (%)	(49.3)	(33.1)	(34.6)	12.0	8.4
Consensus EPS (AUD)	na	na	0.73	0.73	na
P/E (x)	4.5	6.8	10.4	9.3	8.6
P/B (x)	1.0	0.9	0.9	0.8	0.8
Yield (%)	11.1	8.3	4.8	5.4	5.8
ROE (%)	22.1	13.7	8.6	9.4	9.7
Net gearing (%)	(14.8)	(25.2)	(22.3)	(25.9)	(30.7)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$34.00**
 (Previous TP) **HK\$36.00**
Up/Downside **6.4%**
Current Price **HK\$31.95**

China Energy

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Stock Data

Mkt Cap (HK\$ mn)	42,188.0
Avg 3 mths t/o (HK\$ mn)	29.0
52w High/Low (HK\$)	36.65/21.85
Total Issued Shares (mn)	1320.4

Source: FactSet

Shareholding Structure

Yankuang Energy	62.3%
China Cinda AM	7.7%

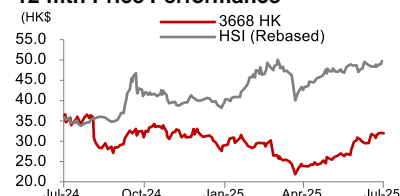
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.4%	1.2%
3-mth	35.1%	18.0%
6-mth	10.2%	-10.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: ShineWing Australia

Related Reports

- Yancoal Australia (3668 HK) – Dividend resumed with 56% pay-out ratio – 21 Feb 2025 ([link](#))
- Yancoal Australia (3668 HK) – Potential dividend resumption a catalyst – 21 Jan 2025 ([link](#))
- Yancoal Australia (3668 HK) – 3Q24 sales volume accelerated to +21% YoY; on track to achieve target – 18 Oct 2024 ([link](#))

Figure 1: YAL's quarterly statistics

	1Q24	1Q25	Chg (YoY)	2Q24	2Q25	Chg (YoY)	3Q23	3Q24	Chg (YoY)	4Q23	4Q24	Chg (YoY)
Marketable coal production (mn tonnes)												
(100 % equity basis)												
Mines												
HVO	2.8	3.5	25%	2.0	3.1	55%	3.0	3.2	7%	3.3	3.7	12%
Mount Thorley Warkworth (MTW)	2.2	2.8	27%	2.5	2.7	8%	3.3	3.3	0%	3.4	3.2	-6%
Moolarben	5.0	4.8	-4%	4.5	5.0	11%	4.5	5.3	18%	4.8	4.2	-13%
Stratford Duralie	0.1	0.0	n/a	0.0	0.0	n/a	0.2	0.0	-100%	0.2	0.0	-100%
Yarrabee	0.4	0.6	50%	0.4	0.7	75%	0.5	0.7	40%	0.5	0.7	40%
Middlemount	0.5	0.7	40%	0.6	0.7	17%	0.6	0.5	-17%	0.6	0.7	17%
Ashton	0.3	0.2	-33%	0.3	0.2	-33%	0.0	0.2	n/a	0.1	0.5	400%
Total	11.3	12.6	12%	10.3	12.4	20%	12.1	13.2	9%	12.9	13.0	1%
Marketable coal production (mn tonnes)												
(Attributable basis)												
Total	8.8	9.5	8%	8.2	9.4	15%	9.3	10.2	10%	9.7	9.7	0%
Attributable sales volume (mn tonnes)												
Thermal	7.3	7.0	-4%	7.5	6.8	-9%	7.7	9.0	17%	8.7	8.6	-1%
Metallurgical	1.0	1.4	40%	1.0	1.3	30%	0.9	1.4	56%	1.4	1.8	29%
Total	8.3	8.4	1%	8.6	8.1	-6%	8.6	10.4	21%	10.1	10.4	3%
ASP (A\$/tonne)												
Thermal	159	145	-9%	163	130	-20%	178	157	-12%	180	163	-9%
Metallurgical	334	218	-35%	318	197	-38%	360	259	-28%	292	242	-17%
Blended	180	157	-13%	181	142	-22%	197	170	-14%	196	176	-10%
Revenue (A\$ mn)												
Thermal	1,161	1,015	-13%	1,223	884	-28%	1,371	1,413	3%	1,566	1,402	-10%
Metallurgical	334	305	-9%	318	256	-19%	324	363	12%	409	436	7%
Total ex-mine coal revenue	1,495	1,320	-12%	1,541	1,140	-26%	1,695	1,776	5%	1,975	1,837	-7%

Source: Company data, CMBIGM

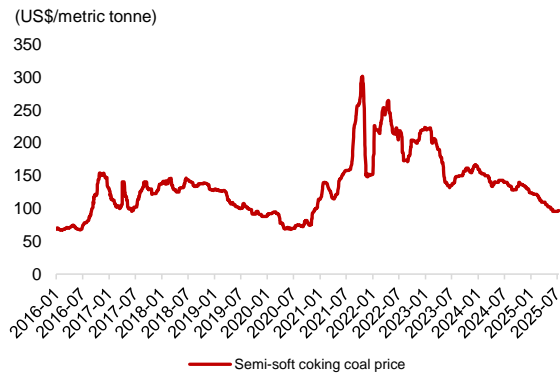
Figure 2: Change in key operating assumptions

	2025E	Old 2026E	2027E	2025E	New 2026E	2027E	2025E	Change 2026E	2027E
Marketable coal production (mn tonnes)									
(100 % equity basis)									
Consolidated mines									
HVO	12.5	13.5	14.0	13.1	13.5	14.0	4.8%	0.0%	0.0%
Mount Thorley Warkworth (MTW)	11.8	12.8	13.5	11.8	12.8	13.5	0.0%	0.0%	0.0%
Moolarben	19.5	19.5	20.0	19.5	19.5	20.0	0.0%	0.0%	0.0%
Stratford Duralie	0.0	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a
Yarrabee	2.5	2.0	2.0	2.7	2.0	2.0	8.0%	0.0%	0.0%
Middlemount	2.5	3.0	3.0	2.6	3.0	3.0	4.0%	0.0%	0.0%
Ashton	1.3	1.3	1.3	1.3	1.3	1.3	0.0%	0.0%	0.0%
Total	50.1	52.1	53.8	51.0	52.1	53.8	1.8%	0.0%	0.0%
Sales volume (mn tonnes)									
Thermal	33.3	33.4	34.5	33.5	33.4	34.5	0.8%	0.0%	0.0%
Metallurgical	5.4	5.9	6.1	5.5	5.9	6.1	0.8%	0.0%	0.0%
Total	38.5	39.3	40.6	39.0	39.3	40.6	1.3%	0.0%	0.0%
ASP (A\$/t)									
Thermal	151	149	148	150	150	150	-0.7%	0.7%	1.7%
Metallurgical	258	255	252	200	200	200	-22.5%	-21.6%	-20.8%
Blended	167	165	163	157	158	158	-5.9%	-4.5%	-3.5%
Cash operating cost breakdown (A\$/tonne)									
Unit cash operating cost	-108	-106	-106	-107	-106	-105	-0.8%	-0.7%	-0.5%
Unit cash operating cost (excluding government royalties)	-93	-91	-90	-93	-91	-90	0.0%	0.0%	0.0%
Unit cash margin (excluding government royalties)	74	74	73	64	67	67	-13.2%	-10.0%	-7.9%
Net profit (A\$ mn)	1,016	1,075	1,115	795	891	965	-21.8%	-17.2%	-13.4%

Source: Company data, CMBIGM estimates

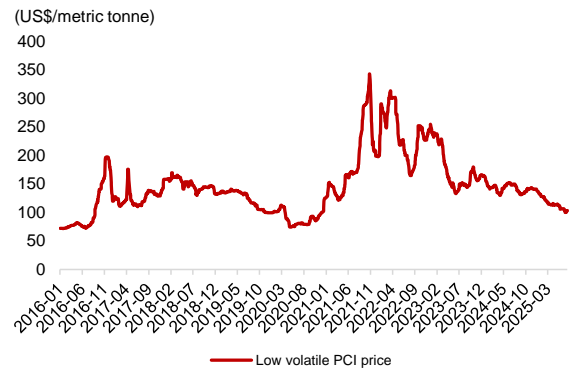
Note: Our unit cost figures are slightly different from the company's due to the difference in transportation cost calculation.

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



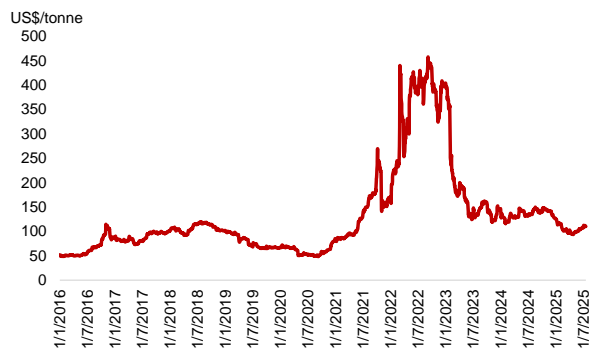
Source: Wind, CMBIGM

Figure 4: Seaborne pulverised coal injection (PCI) price



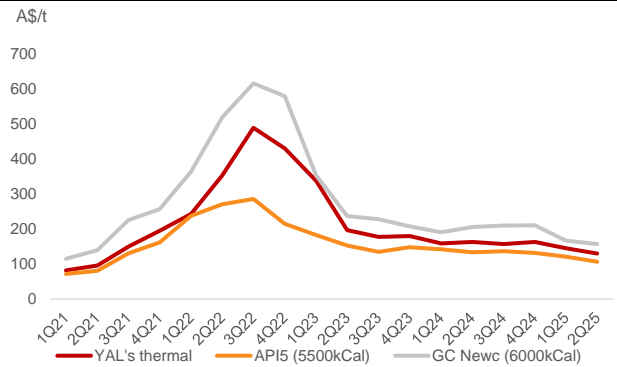
Source: Wind, CMBIGM

Figure 5: GC Newc (6000/kCal) pricing



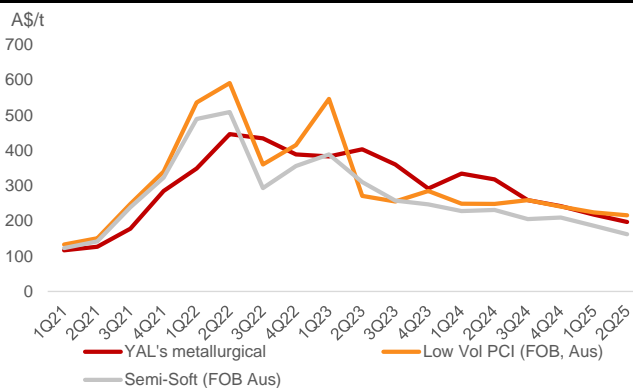
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 6: YAL's thermal ASP vs benchmarks



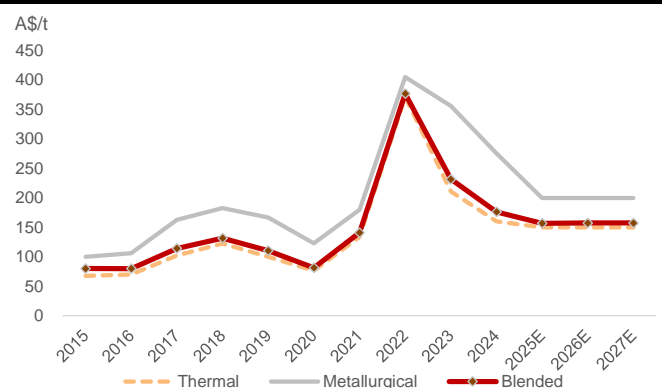
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 7: YAL's metallurgical ASP vs benchmarks

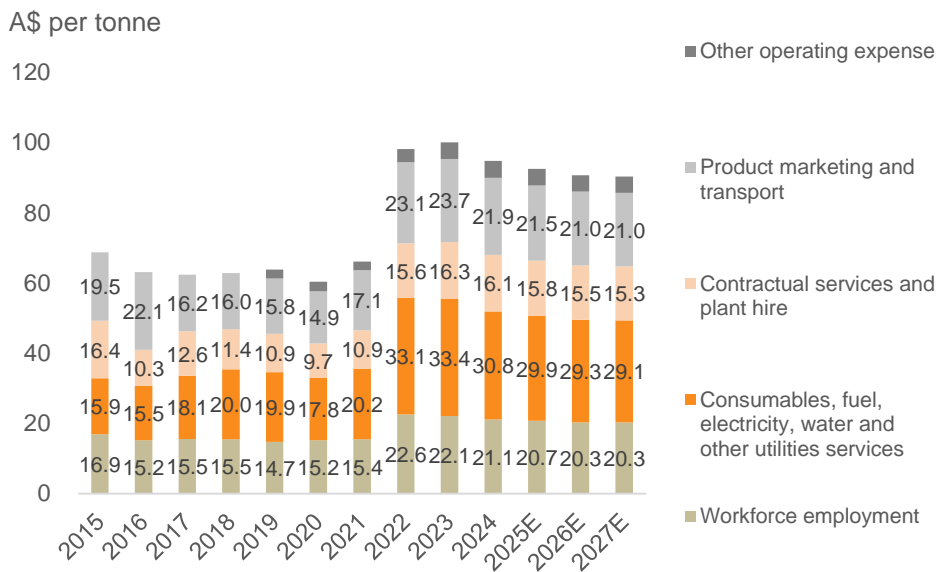


Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 8: Assumptions on YAL's ASP



Source: Company data, CMBIGM estimates

Figure 9: YAL's unit cash cost breakdown

Source: Company data, CMBIGM estimates

Note: Excluding government royalties

Valuation

Maintain BUY with new TP of HK\$34 (previously HK\$36). 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 10: TP sensitivity to coal price

WACC	LT coal thermal coal price (A\$/t)				
	90	110	130	150	170
4.7%	14	26	38	51	63
5.7%	14	25	36	47	58
6.7%	14	24	34	43	53
7.7%	15	23	32	40	49
8.7%	15	22	30	38	46

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

WACC	LT metallurgical coal price (A\$/t)				
	160	180	200	220	240
4.7%	34	36	38	41	43
5.7%	32	34	36	38	40
6.7%	30	32	34	35	37
7.7%	29	30	32	33	35
8.7%	27	29	30	32	33

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	6,256	6,314	6,513
Royalties and other related payments	(967)	(685)	(639)	(583)	(588)	(607)
Staff costs	(662)	(730)	(796)	(807)	(797)	(824)
Others	(2,548)	(2,901)	(3,135)	(3,012)	(2,981)	(3,067)
Other income	(132)	26	159	31	32	33
EBITDA	6,239	3,488	2,449	1,886	1,979	2,048
Depreciation	(834)	(881)	(750)	(798)	(750)	(715)
EBIT	5,405	2,607	1,699	1,088	1,229	1,333
Interest expense	(459)	(53)	(39)	(6)	(6)	(6)
Others	146	29	29	23	14	14
Pre-tax profit	5,092	2,583	1,689	1,104	1,237	1,341
Income tax	(1,505)	(764)	(473)	(309)	(346)	(376)
After tax profit	3,587	1,819	1,216	795	891	965
Minority interest	0	0	0	0	0	0
Net profit	3,587	1,819	1,216	795	891	965

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (AUD mn)						
Current assets	3,810	2,533	3,540	3,165	3,775	4,197
Cash & equivalents	2,699	1,397	2,461	2,174	2,629	3,253
Account receivables	736	662	600	565	645	532
Inventories	330	416	419	369	440	347
Other current assets	45	58	60	56	60	65
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	12,014	12,681	13,095
Current liabilities	2,532	1,048	1,234	963	1,158	1,069
Short-term borrowings	48	44	37	37	37	37
Account payables	863	734	975	704	899	810
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	2,768	2,963	2,874
Total shareholders equity	8,028	8,440	9,315	9,244	9,716	10,219
Minority interest	2	2	2	2	2	2
Total equity and liabilities	12,801	11,254	12,356	12,014	12,681	13,095

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (AUD mn)						
Operating						
Profit before taxation	5,092	2,583	1,689	1,104	1,237	1,341
Depreciation & amortization	834	881	754	798	750	715
Tax paid	0	(2,123)	(660)	(309)	(346)	(376)
Change in working capital	80	(129)	315	(183)	41	113
Others	759	(10)	(47)	(112)	(91)	(87)
Net cash from operations	6,765	1,202	2,051	1,298	1,591	1,707
Investing						
Capital expenditure	(544)	(611)	(698)	(820)	(800)	(700)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	287	97	100	107	90	86
Net cash from investing	(257)	(514)	(598)	(713)	(710)	(614)
Financing						
Dividend paid	(1,626)	(1,413)	(429)	(866)	(419)	(462)
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)	(872)	(425)	(468)
Net change in cash						
Cash at the beginning of the year	1,495	2,699	1,397	2,461	2,174	2,629
Exchange difference	107	14	116	0	0	0
Cash at the end of the year	2,699	1,397	2,461	2,174	2,629	3,253
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	95.2%	(26.3%)	(11.8%)	(8.8%)	0.9%	3.1%
EBITDA	192.1%	(44.1%)	(29.8%)	(23.0%)	4.9%	3.5%
EBIT	314.3%	(51.8%)	(34.8%)	(36.0%)	13.0%	8.4%
Net profit	353.7%	(49.3%)	(33.1%)	(34.6%)	12.0%	8.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
EBITDA margin	59.1%	44.8%	35.7%	30.1%	31.3%	31.4%
Return on equity (ROE)	50.6%	22.1%	13.7%	8.6%	9.4%	9.7%
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	3.3	3.3	3.9
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	2.3	4.5	6.8	10.4	9.3	8.6
P/B	1.0	1.0	0.9	0.9	0.8	0.8
Div yield (%)	19.6	11.1	8.3	4.8	5.4	5.8

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

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