

Yancoal Australia (3668 HK)

Acquisition of metallurgical coal mine to bring growth and synergies

Yancoal (YAL) announced after market close yesterday (14 Apr) the acquisition of 80% interest in Kestrel Coal Mine (metallurgical coal mine in Queensland, Australia) for an upfront consideration of US\$1.85bn (plus US\$550mn contingent payment based on future coal price). On an attributable basis, the acquisition will add 12% annual saleable coal production for YAL. We see the acquisition value accretive as (1) the idle cash will be deployed to enhance ROE; (2) synergies can be achieved due to the close location to YAL's existing mines; (3) product mix will be improved as metallurgical coal portion of YAL will be increased to 22% from 16%. While the acquisition valuation of 8.5x 2025 EV/EBITDA is higher than the 5.5x that YAL is currently trading at, we view this as justified due to the growth contribution. The transaction is expected to be completed by end of 3Q26. We have yet to revise our model awaiting for more financial details (full circular to be dispatched) and the approval from shareholders and different authorities. Maintain **BUY** (TP under review as the latest share price is higher than our TP).

- **Details of Kestrel Coal Mine.** The marketable coal reserves reached 164mt and coal resources reached 406mt in Sep 2025 (mine life: ~25 years). Kestrel produced ~6mt of saleable metallurgical coal in 2025. Sales volume was 5.7mt, of which 78% was sold to India, Japan and Korea. The unit cost in 2025 (FOB excluding royalties, inventory movement and purchased coal) was A\$147/t, making it in the top 35% of global seaborne metallurgical supply on the margin curve.
- **Shareholding structure.** YAL will acquire 80% interest in Kestrel from EMR Capital Advisors, Kestrel Coal (EMR), EMR Capital Management and Adaro Capital. The remaining 20% interest will continue to be held by Mitsui Resources.
- **Consideration and funding source.** The upfront consideration (US\$1.85bn) will be funded by US\$1.2bn committed acquisition facility, US\$200mn committed working capital facility and existing cash. Besides, there is also a price-link contingent consideration of a maximum of US\$550mn. YAL will pay the sellers 30% of coal share revenue from Kestrel that is attributable to benchmark coal pricing exceeding US\$225/t in any of the first five years following the acquisition.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (AUD mn)	6,860	5,949	6,144	6,383	6,589
YoY growth (%)	(11.8)	(13.3)	3.3	3.9	3.2
Net profit (AUD mn)	1,215.9	439.9	577.1	633.9	664.4
EPS (Reported) (AUD)	0.92	0.33	0.44	0.48	0.50
YoY growth (%)	(33.1)	(63.8)	31.2	9.8	4.8
Consensus EPS (AUD)	na	na	0.46	0.49	na
P/E (x)	7.6	21.0	16.0	14.6	13.9
P/B (x)	1.0	1.0	1.0	1.0	0.9
Yield (%)	7.4	2.6	3.4	3.8	3.9
ROE (%)	13.7	4.8	6.3	6.7	6.8
Net gearing (%)	(25.2)	(22.6)	(22.3)	(26.3)	(25.9)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price Under Review
Up/Downside –
Current Price HK\$39.20

China Energy

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Stock Data

Mkt Cap (HK\$ mn)	51,761.2
Avg 3 mths t/o (HK\$ mn)	163.1
52w High/Low (HK\$)	47.40/23.55
Total Issued Shares (mn)	1320.4

Source: FactSet

Shareholding Structure

Yanguang Energy	62.3%
China Cinda AM	7.7%

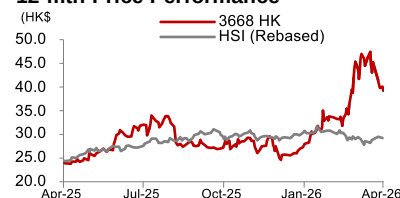
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.5%	-14.9%
3-mth	40.0%	46.1%
6-mth	42.5%	40.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

1. Yancoal Australia – Coal price likely gains alongside the surging gas price; Buying opportunity on Yancoal – 8 Mar 2026 ([link](#))
2. Yancoal Australia – 2025 profit below consensus; resilient coal price to support 2026 earnings – 26 Feb 2026 ([link](#))
3. Yancoal Australia – Production volume in 3Q25 affected by unfavourable weather – 21 Oct 2025 ([link](#))

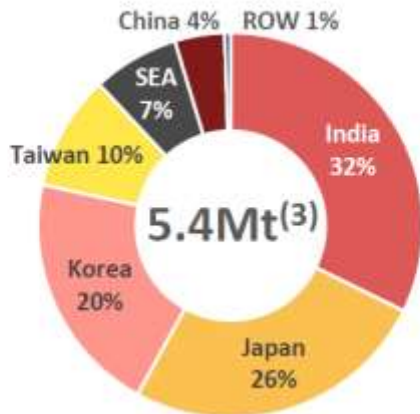
Figure 1: Location of Kestrel mine and YAL's mines in Queensland



Source: Company data, CMBIGM

Figure 2: Kestrel's major customers by country

Total Kestrel revenue by destination, 2025



Source: Company data, CMBIGM

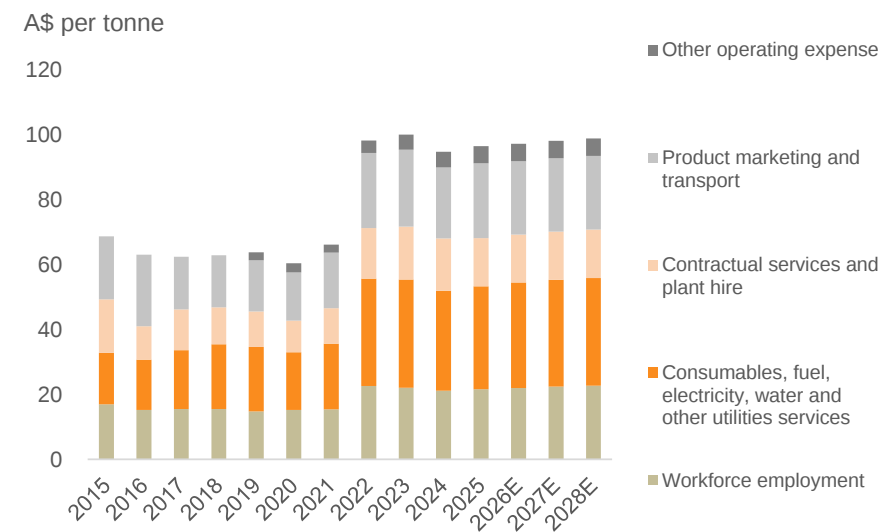
Figure 3: Key operating assumptions

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Marketable coal production (mn tonnes)										
(100 % equity basis)										
Mines										
HVO	13.7	12.0	10.6	9.6	10.5	11.7	14.1	13.5	14.0	16.0
Mount Thorley Warkworth (MTW)	12.1	11.9	11.2	8.1	11.3	11.2	11.8	12.0	12.5	12.8
Moolarben	17.8	19.7	18.4	14.9	16.7	19.0	19.1	19.5	20.0	20.5
Stratford Duralie	0.8	0.5	0.8	0.7	0.6	0.1	0.0	0.0	0.0	0.0
Yarrabee	2.8	3.0	2.6	2.1	1.9	2.2	2.7	2.0	2.0	2.0
Middlemount	2.7	2.9	3.7	2.6	2.2	2.3	2.6	2.6	2.7	2.9
Ashton	2.2	1.8	1.2	0.9	0.4	1.3	0.5	1.3	1.3	0.3
Total	52.1	51.8	48.5	38.9	43.6	47.8	50.8	50.9	52.5	54.5
Attributable sales volume (mn tonnes)										
Thermal	30.1	33.2	31.7	24.6	28.4	32.5	32.0	32.3	33.3	33.9
Metallurgical	5.5	4.2	5.8	4.7	4.7	5.2	6.1	7.1	7.3	7.4
Total	35.6	37.4	37.5	29.3	33.1	37.7	38.1	39.4	40.6	41.3
Change (YoY)										
Thermal	6.0%	10.3%	-4.5%	-22.4%	15.4%	14.4%	-1.5%	0.9%	3.0%	1.9%
Metallurgical	7.8%	-23.6%	38.1%	-19.0%	0.0%	10.6%	17.3%	16.2%	3.0%	1.9%
Average	6.3%	5.1%	0.3%	-21.9%	13.0%	13.9%	1.1%	3.4%	3.0%	1.9%
ASP (A\$/tonne)										
Thermal	100	76	134	372	211	160	136	140	142	144
Metallurgical	167	123	180	405	356	276	203	195	196	198
Blended	110	82	141	377	232	176	146	150	152	154
ASP change (YoY)										
Thermal	-18.3%	-23.8%	75.4%	177.4%	-43.3%	-23.9%	-15.3%	3.1%	1.4%	1.4%
Metallurgical	-8.8%	-26.3%	46.5%	125.0%	-12.1%	-22.6%	-26.3%	-3.9%	0.5%	1.0%
Blended	-16.2%	-26.1%	72.9%	167.3%	-38.5%	-23.9%	-17.0%	2.4%	1.2%	1.3%
Cash operating cost breakdown (A\$/tonne)										
Unit cash operating cost	-73	-67	-77	-131	-121	-112	-112	-112	-113	-114
Change (YoY)	-0.9%	-8.2%	16.2%	69.6%	-8.0%	-7.5%	-0.1%	0.6%	0.9%	0.8%
Unit cash operating cost (excluding government royalties)	-64	-60	-66	-98	-100	-95	-97	-97	-98	-99
Change (YoY)	1.6%	-5.4%	9.5%	48.5%	1.9%	-5.3%	1.9%	0.8%	0.9%	0.8%

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: YAL's unit cash cost breakdown



Source: Company data, CMBIGM estimates

Note: Excluding government royalties

Risk factors: (1) decline in coal price; (2) elevated input cost; (3) extreme weather that affects production and delivery.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (AUD mn)						
Revenue	7,778	6,860	5,949	6,144	6,383	6,589
Royalties and other related payments	(685)	(639)	(574)	(593)	(616)	(636)
Staff costs	(730)	(796)	(821)	(866)	(909)	(936)
Others	(2,901)	(3,135)	(3,199)	(3,119)	(3,231)	(3,315)
Other income	26	159	74	31	32	33
EBITDA	3,488	2,449	1,429	1,597	1,660	1,735
Depreciation	(881)	(750)	(778)	(789)	(771)	(804)
EBIT	2,607	1,699	651	808	888	931
Interest expense	(53)	(39)	(42)	(4)	(4)	(4)
Others	29	29	14	14	14	14
Pre-tax profit	2,583	1,689	623	817	898	941
Income tax	(764)	(473)	(183)	(240)	(264)	(276)
After tax profit	1,819	1,216	440	577	634	664
Minority interest	0	0	0	0	0	0
Net profit	1,819	1,216	440	577	634	664

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (AUD mn)						
Current assets	2,533	3,540	3,218	3,207	3,665	3,908
Cash & equivalents	1,397	2,461	2,127	2,155	2,607	2,652
Account receivables	662	600	530	648	506	830
Inventories	416	419	489	332	472	352
Other current assets	58	60	72	72	80	73
Non-current assets	8,721	8,816	8,987	8,972	8,984	8,969
PP&E	3,582	3,909	4,283	4,491	4,703	4,870
Right-of-use assets	4,278	4,023	3,833	3,607	3,404	3,214
Deferred income tax	0	0	0	0	0	0
Investment in JVs & assos	431	447	448	455	462	474
Intangibles	131	134	131	127	124	120
Other non-current assets	299	303	292	292	292	292
Total assets	11,254	12,356	12,205	12,178	12,650	12,877
Current liabilities	1,048	1,234	1,390	1,090	1,259	1,178
Short-term borrowings	44	37	43	43	43	43
Account payables	734	975	1,084	784	953	872
Other current liabilities	270	222	263	263	263	263
Non-current liabilities	1,764	1,805	1,782	1,782	1,782	1,782
Long-term borrowings	102	75	41	41	41	41
Other non-current liabilities	1,662	1,730	1,741	1,741	1,741	1,741
Total liabilities	2,812	3,039	3,172	2,872	3,041	2,960
Total shareholders equity	8,440	9,315	9,031	9,304	9,607	9,915
Minority interest	2	2	2	2	2	2
Total equity and liabilities	11,254	12,356	12,205	12,178	12,650	12,877

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (AUD mn)						
Operating						
Profit before taxation	2,583	1,689	623	817	898	941
Depreciation & amortization	881	750	778	789	771	804
Tax paid	(2,123)	(660)	(285)	(240)	(264)	(276)
Change in working capital	(129)	315	67	(260)	162	(278)
Others	(10)	(43)	(9)	(83)	(73)	(80)
Net cash from operations	1,202	2,051	1,174	1,022	1,494	1,111
Investing						
Capital expenditure	(611)	(698)	(744)	(750)	(760)	(760)
Acquisition of subsidiaries/ investments	0	0	(68)	(17)	(17)	(17)
Others	97	100	158	81	71	72
Net cash from investing	(514)	(598)	(654)	(686)	(706)	(705)
Financing						
Dividend paid	(1,413)	(429)	(769)	(304)	(331)	(356)
Net borrowings	(496)	(34)	(28)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(95)	(42)	(26)	(4)	(4)	(4)
Net cash from financing	(2,004)	(505)	(823)	(308)	(336)	(360)
Net change in cash						
Cash at the beginning of the year	2,699	1,397	2,461	2,127	2,155	2,607
Exchange difference	14	116	(31)	0	0	0
Cash at the end of the year	1,397	2,461	2,127	2,155	2,607	2,652
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(26.3%)	(11.8%)	(13.3%)	3.3%	3.9%	3.2%
EBITDA	(44.1%)	(29.8%)	(41.7%)	11.7%	3.9%	4.6%
EBIT	(51.8%)	(34.8%)	(61.7%)	24.1%	9.9%	4.8%
Net profit	(49.3%)	(33.1%)	(63.8%)	31.2%	9.8%	4.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
EBITDA margin	44.8%	35.7%	24.0%	26.0%	26.0%	26.3%
Return on equity (ROE)	22.1%	13.7%	4.8%	6.3%	6.7%	6.8%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)
Current ratio (x)	2.4	2.9	2.3	2.9	2.9	3.3
Receivable turnover days	32.8	33.6	34.7	35.0	33.0	37.0
Inventory turnover days	52.2	54.6	58.5	55.0	52.0	52.0
Payable turnover days	87.3	87.0	102.9	95.0	85.0	87.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	5.1	7.6	21.0	16.0	14.6	13.9
P/B	1.1	1.0	1.0	1.0	1.0	0.9
Div yield (%)	9.9	7.4	2.6	3.4	3.8	3.9

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

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