

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

Yankuang Energy	62.3%
China Cinda AM	7.7%

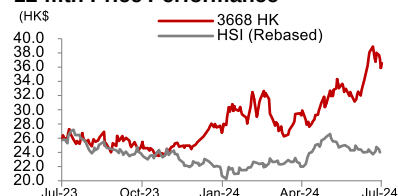
Source: HKEx

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

1. Yancoal Australia (3668 HK) – Higher coal price assumptions after the fire incident at Grosvenor coal mine – 8 Jul 2024 ([link](#))
2. 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)
Marketable coal production (mn tonnes) (100 % equity basis)												
Mines												
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%
Total	7.7	11.3	47%	10.9	10.3	-6%	9.6	12.1	26%	8.5	12.9	52%
Marketable coal production (mn tonnes) (Attributable basis)												
Total	5.9	8.8	49%	8.5	8.2	-4%	7.3	9.3	27%	6.6	9.7	47%
Attributable sales volume (mn tonnes)												
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%
Total	5.9	8.3	41%	8.5	8.6	1%	6.7	8.6	28%	6.9	10.1	46%
ASP (\$/tonne)												
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%
Blended	347	180	-48%	226	181	-20%	481	197	-59%	422	196	-54%
Revenue (\$ mn)												
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%
Total ex-mine coal revenue	2,048	1,495	-27%	1,922	1,541	-20%	3,227	1,695	-47%	2,926	1,975	-32%

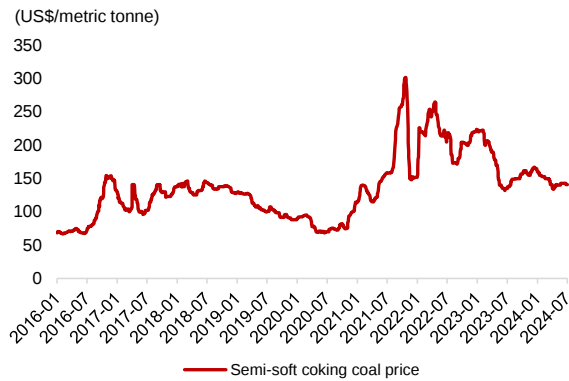
Source: Company data, CMBIGM

Figure 2: Key operating assumptions

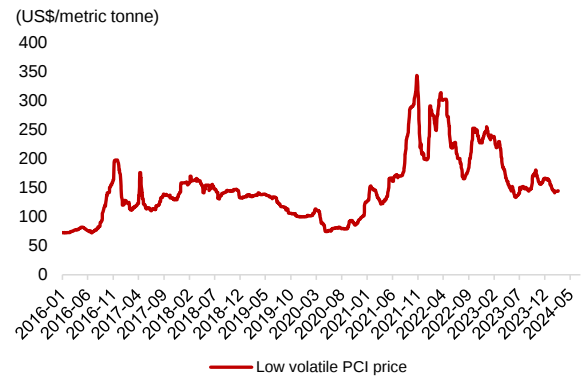
	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Marketable coal production (mn tonnes) (100 % equity basis)									
Mines									
HVO	13.3	13.7	12.0	10.6	9.6	10.5	13.0	14.0	15.0
Mount Thorley Warkworth (MTW)	12.1	12.1	11.9	11.2	8.1	11.3	13.0	13.5	13.8
Moolarben	16.5	17.8	19.7	18.4	14.9	16.7	18.5	19.0	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
Total	49.9	52.1	51.8	48.5	38.9	43.6	49.5	51.8	53.9
Attributable sales volume (mn tonnes)									
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
Total	33.5	35.6	37.4	37.5	29.3	33.1	37.3	38.7	39.9
Growth (YoY)									
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%
Average	73.6%	6.3%	5.1%	0.3%	-21.9%	13.0%	12.6%	3.8%	3.2%
ASP (\$/tonne)									
Thermal	123	100	76	134	372	211	170	157	152
Metallurgical	183	167	123	180	405	356	300	280	260
Blended	132	110	82	141	377	232	188	174	168
ASP growth (YoY)									
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%
Blended	15.4%	-16.2%	-26.1%	72.9%	167.3%	-38.5%	-18.8%	-7.4%	-3.5%
Cash operating cost breakdown (\$/tonne)									
Unit cash operating cost	-73	-73	-67	-77	-131	-121	-107	-104	-101
Change (YoY)	2.6%	-0.9%	-8.2%	16.2%	69.6%	-8.0%	-11.7%	-2.8%	-2.2%
Unit cash operating cost (excluding government royalties)	-63	-64	-60	-66	-98	-100	-90	-88	-86
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

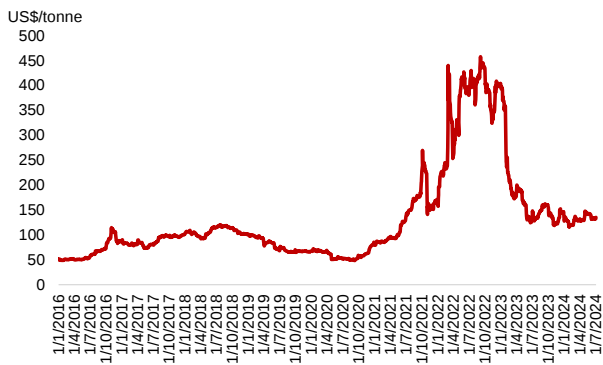
Note: Our unit cost figures are slightly different from the company's due to the difference in transportation cost calculation

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


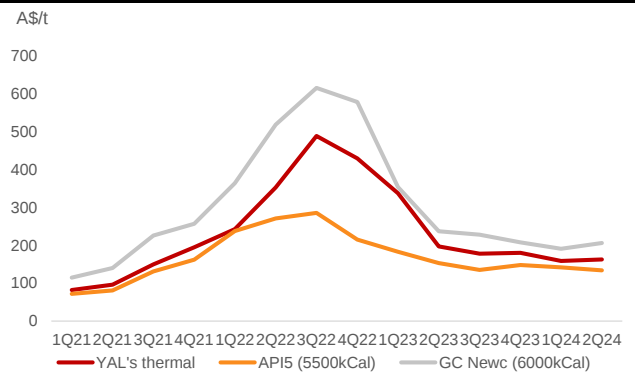
Source: Wind, CMBIGM

Figure 4: Seaborne pulverised coal injection (PCI) price


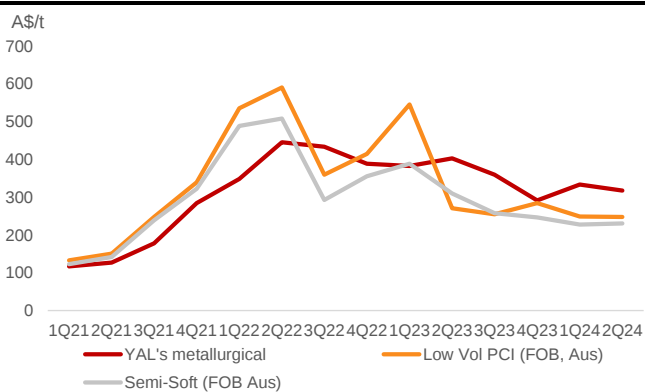
Source: Wind, CMBIGM

Figure 5: GC Newc (6000/kCal) pricing


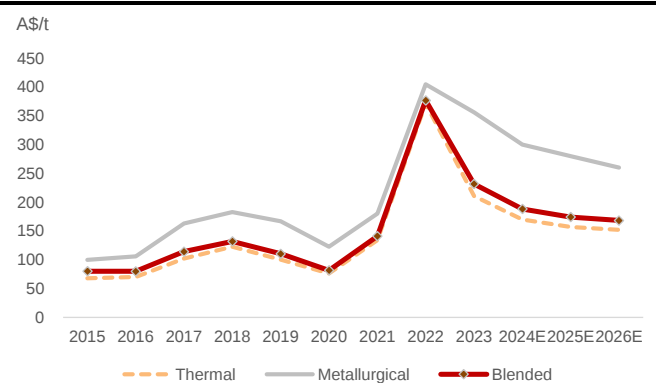
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 6: YAL's thermal ASP vs benchmarks


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

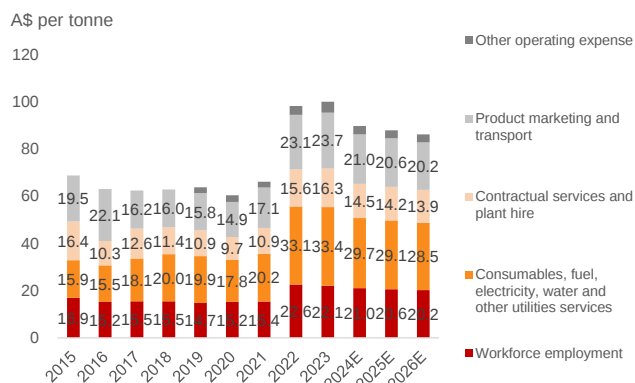
Figure 7: YAL's metallurgical ASP vs benchmarks


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

Figure 8: YAL's ASP assumptions


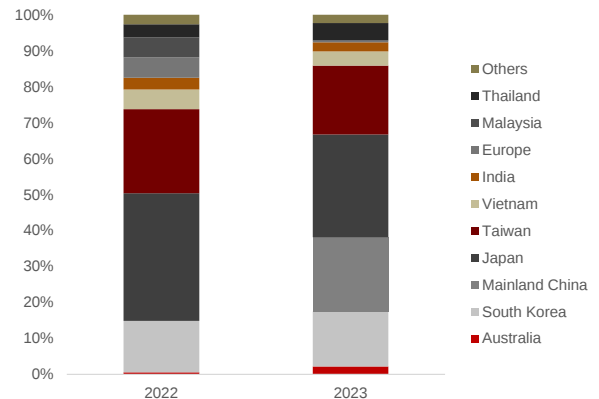
Source: Company data, CMBIGM estimates

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
6.9%	24	34	45	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
6.9%	41	43	45	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
YE 31 Dec (AUD mn)						
Revenue	5,403	10,548	7,778	7,133	6,890	6,876
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
EBITDA	2,136	6,239	3,488	2,938	2,665	2,635
Depreciation	(831)	(834)	(881)	(859)	(800)	(750)
EBIT	1,305	5,405	2,607	2,079	1,865	1,885
Interest expense	(259)	(459)	(53)	(8)	(8)	(8)
Others	57	146	29	26	22	14
Pre-tax profit	1,103	5,092	2,583	2,098	1,880	1,891
Income tax	(312)	(1,505)	(764)	(620)	(556)	(559)
After tax profit	791	3,587	1,819	1,477	1,324	1,331
Minority interest	0	0	0	0	0	0
Net profit	791	3,587	1,819	1,477	1,324	1,331

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (AUD mn)						
Current assets	2,531	3,810	2,533	3,492	4,328	5,329
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
Non-current assets	9,269	8,991	8,721	8,575	8,287	8,043
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
Total assets	11,800	12,801	11,254	12,067	12,614	13,372
Current liabilities	826	2,532	1,048	1,145	1,073	1,163
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
Non-current liabilities	4,828	2,239	1,764	1,764	1,764	1,764
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
Total liabilities	5,654	4,771	2,812	2,909	2,837	2,927
Total shareholders equity	6,144	8,028	8,440	9,156	9,775	10,443
Minority interest	2	2	2	2	2	2
Total equity and liabilities	11,800	12,801	11,254	12,067	12,614	13,372

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (AUD mn)						
Operating						
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)
Net cash from operations	2,073	6,765	1,202	2,460	1,846	2,108
Investing						
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
Net cash from investing	(299)	(257)	(514)	(604)	(372)	(366)
Financing						
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)
Net cash from financing	(941)	(5,411)	(2,004)	(769)	(712)	(671)
Net change in cash						
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
Cash at the end of the year	1,495	2,699	1,397	2,484	3,245	4,316
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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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HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
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