

COMPANY RESULTS

Zijin Mining (2899 HK)

2024: In Line; Mining Entities' Gross Margin Grows 8.9ppt To 58.0%

Zijin reported 2024 earnings of Rmb32,050.6m (+51.8% yoy), within expectations. Mining entities' gross margin expanded to 58.0% in 2024 (+8.9ppt yoy) on a metal price rally and effective cost control. Both Zijin's copper C1 and gold AISC were among the 20% lowest globally. Copper/gold output grew to 1.07m/72.9 tonnes (+6.1%/+7.7% yoy). Kamao's copper output will hit 580,000 tonnes with the completion of phase 3 expansion six months ahead of schedule. Maintain BUY. Target price: HK\$23.00.

2024 RESULTS

Year to 31 Dec (Rmbm)	2023	2024	yoy chg
Revenue	293,403	303,640	3.5
Cost of sales	(247,024)	(241,776)	-2.1
Gross profit	46,379	61,864	33.4
SG&A	(9,856)	(10,049)	2.0
Net finance cost	(3,268)	(2,029)	-37.9
Operating profit	36,523	51,815	41.9
Non operating profit/loss	(1,967)	(1,708)	-13.2
PBT	31,287	48,078	53.7
Tax	(4,748)	(8,685)	82.9
Minority interest	(5,420)	(7,342)	35.5
Net Profit	21,119	32,051	51.8
EPS (Rmb)	0.25	0.38	52.0
DPS (Rmb)	0.80	1.21	51.3
Gross margin (%)	15.8	20.4	4.6
Net profit margin (%)	7.2	15.4	8.2

Source: Zijin Mining, UOB Kay Hian

RESULTS

- In line.** Zijin Mining (Zijin) reported 2024 earnings of Rmb32,050.6m (+51.8% yoy), representing 98% of our estimates and in line with expectations. The company has declared 2024 final dividend of Rmb0.28 per share, with a flattish payout ratio of 31.5%.
- 2024 consolidated gross margin expanded to 20.4% (+4.6ppt yoy).** 2024 gross margin for mining entities was reported at 58.0% (+8.9ppt yoy). Metal price rally and effective cost control have played a significant role in achieving margin expansion. Copper/gold contributed 45%/30% of the gross profit (2023: 47%/25%), so we are seeing a more balanced contribution.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2023	2024	2025F	2026F	2027F
Net turnover	293,403	303,640	368,132	384,510	403,745
EBITDA	41,717	54,612	70,428	76,749	82,670
Operating profit	31,507	44,047	57,500	62,144	66,281
Net profit (rep./act.)	21,119	32,051	40,478	44,690	48,451
Net profit (adj.)	21,119	32,051	40,478	44,690	48,451
EPS (Fen)	80.4	121.4	153.4	169.3	183.6
PE (x)	19.8	13.9	11.0	10.0	9.2
P/B (x)	3.9	3.2	2.6	2.2	1.9
EV/EBITDA (x)	14.9	11.3	8.8	8.1	7.5
Dividend yield (%)	1.6	2.3	2.9	3.2	3.4
Net margin (%)	7.2	10.6	11.0	11.6	12.0
Net debt/(cash) to equity (%)	98.7	72.4	55.6	43.4	32.5
Interest cover (x)	12.8	n.a.	32.6	51.0	71.9
ROE (%)	21.5	25.9	25.6	23.2	21.5
Consensus net profit	-	-	39,120.7	43,608.7	39,162.0
UOBKH/Consensus (x)	-	-	1.03	1.02	1.24

Source: Zijin Mining, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$18.14
Target Price	HK\$23.00
Upside	+26.8%
(Previous TP)	HK\$21.90

COMPANY DESCRIPTION

Zijin Mining, through its subsidiaries, explores, mines, produces, refines, and sells gold, copper, zinc and other mineral resources in China.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	2899 HK
Shares issued (m):	5,988.8
Market cap (HK\$m):	506,858.0
Market cap (US\$m):	65,206.7
3-mth avg daily t'over (US\$m):	108.1

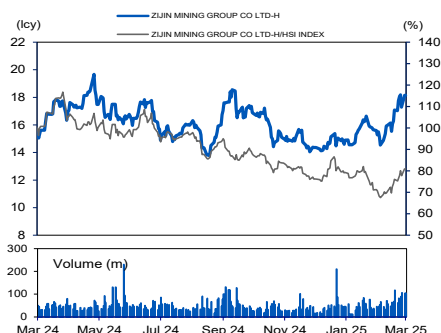
Price Performance (%)

52-week high/low	HK\$20.10/HK\$13.52			
1mth	3mth	6mth	1yr	YTD
15.8	29.0	13.9	19.2	28.3

Major Shareholders

Minxi Xinghang State-owned Assets Investment Co. Ltd	22.9
-	-
FY25 NAV/Share (Rmb)	6.63
FY25 Net Debt/Share (Rmb)	3.72

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Rally in copper and gold prices lifted margins.** Gold bullion/concentrate ASP rose 23.2%/33.2% yoy to Rmb533.39/Rmb504.30 per tonne, whereas ASP for copper concentrate/electrodeposited/electrolytic was up 14.0%/12.1%/10.6% yoy to Rmb49,406/Rmb56,354/Rmb59,590 per tonne. Notable margin expansion includes gold concentrate at 68.6% (+10.6ppt yoy), copper concentrate at 66.03% (+6.5ppt yoy) and electrolytic copper at 45.9% (+18.2ppt yoy).
- Production costs remained stable for overseas gold, while the rest saw a broad decline.** In 2024, Zijin's C1 copper cost was US\$0.93/lb (-14% yoy) whereas gold's all-in sustaining cost (AISC) increased slightly to US\$1,233/oz, with both among the lowest 20% globally. Cost pressures will persist in 2025 due to declining ore grades at key mines, with increasing fixed costs, higher strip ratios for open-pit mines, higher depreciation expenses and rising labour costs for overseas projects due to union involvement. Despite these challenges, Zijin remains confident in maintaining competitive industry costs through various initiatives.
- Copper and gold production output continued to grow, demonstrating sustained expansion.** Zijin reported 1.07m tonnes of mine-produced copper (+6.1% yoy) and 72,938kg of mine-produced gold (+7.7% yoy) for 2024. Copper production output fell short of the initial guidance by 4%, mainly due to the power shortage at Kamao mine. Kamao Copper is expected to increase production to 580,000 tonnes (2024: 437,000 tonnes), driven by the completion of phase 3 expansion which will commence production six months early and gradual resolution of the power shortage issues. For 2025, Zijin targets 1.15m tonnes of copper, 85 tonnes of gold, 440,000 tonnes of zinc, 40,000 tonnes of lithium carbonate, 450 tonnes of silver, and 10,000 tonnes of molybdenum.
- 2025 lithium output target has been lowered from 120,000 to 40,000 tonnes,** but Zijin remains optimistic on global lithium demand outlook, with annual demand expected to surpass 3m tonnes by 2030. The company aims to optimise production costs across its lithium projects: Tres Quebradas (20,000 tonnes/year) will start in 3Q25 with a cost of below Rmb75,000/tonne; Lakkor Tso (20,000 tonnes/year) is already producing at a cost below Rmb50,000/tonne; Xiangyuan Lithium and its refinery will begin production in 3Q25 with a cost of around Rmb60,000/tonne; Northeast Manono continues development, with a cost of Rmb50,000-60,000/tonne.
- Robust balance sheet with ample liquidity.** As of end-24, Zijin's debt-to-asset ratio has declined from 59.7% to 55.2%. The current ratio rose to 99.15% (+6.94ppt), and the quick ratio increased to 65.8% (+8.4ppt yoy). Finance expenses declined to Rmb2,029.3m (-37.9% yoy) following the successful H-share refinancing that raised approximately Rmb18.1b through US\$2b in convertible bonds and US\$500m in H Share placement. The company's operating cash flow remained strong at Rmb48.9b (+32.6% yoy), leaving room for further debt structure optimisation and M&As as the opportunities arise.

EARNINGS REVISION/RISK

- We fine-tune our earnings forecasts for 2025/26 by +9%/+1% respectively to factor in a higher metal price assumption.

VALUATION/RECOMMENDATION

- We maintain BUY with a higher target price of HK\$23.00, pegged to 14x 2025F PE (+1SD).** We continue to favour the company, given the scale of new capacity in the pipeline, which provides visibility into earnings growth. The sustained price rally of copper and gold is also expected to further enhance the company's margin outlook. Zijin also strives to take a more proactive approach to market capitalisation management and plans to issue employee share options to align employee and shareholder interests.

SHARE PRICE CATALYST

- Improvement in copper consumption; steeper-than-expected Fed rate cut.

GROSS MARGIN

Products (%)	2024	2023
Mine-produced		
Gold Bullion	46.16	33.94
Gold Concentrate	68.64	58.05
Copper Concentrate	66.03	59.52
Electrodeposited Copper	48.40	47.01
Electrolytic Copper	45.86	27.68
Zinc	41.46	21.83
Silver	61.00	50.78
Refined products		
Refined Copper	2.05	3.09
Refined Zinc	4.63	7.07
Consolidated Gross Margin	20.37	15.81
Mining Entities Gross Margin	57.97	49.09

Source: Zijin Mining, UOB Kay Hian

PRODUCTION VOLUME

Products	2024 (tonne)	% yoy
Mine-produced		
Gold (kg)	72,938	7.70
Copper	1,068,455	6.07
Zinc	407,077	3.50
Silver (kg)	435,804	5.78
Refined products		
Copper	747,570	3.18
Zinc	371,057	11.40

Source: Zijin Mining, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Net turnover	303,640.0	368,132.5	384,509.9	403,744.6
EBITDA	54,611.9	70,428.3	76,749.1	82,670.3
Deprec. & amort.	10,564.9	12,928.0	14,605.2	16,389.0
EBIT	44,047.0	57,500.3	62,143.9	66,281.3
Total other non-operating income	(748.9)	0.0	0.0	(0.0)
Associate contributions	4,237.6	5,379.5	6,398.4	7,549.0
Net interest income/(expense)	542.1	(2,159.7)	(1,504.3)	(1,150.5)
Pre-tax profit	48,077.7	60,720.0	67,037.9	72,679.7
Tax	(8,684.9)	(10,968.6)	(12,109.9)	(13,129.0)
Minorities	(7,342.3)	(9,272.9)	(10,237.8)	(11,099.4)
Net profit	32,050.6	40,478.5	44,690.3	48,451.3
Net profit (adj.)	32,050.6	40,478.5	44,690.3	48,451.3

CASH FLOW

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Operating	48,860.3	56,610.7	64,046.3	69,152.3
Pre-tax profit	48,077.7	60,720.0	67,037.9	72,679.7
Tax	(8,684.9)	(10,968.6)	(12,109.9)	(13,129.0)
Deprec. & amort.	10,564.9	12,928.0	14,605.2	16,389.0
Associates	(4,237.6)	(5,379.5)	(6,398.4)	(7,549.0)
Working capital changes	(1,619.4)	(2,971.5)	(759.6)	(888.8)
Non-cash items	3,378.2	947.2	994.5	1,044.2
Other operating cashflows	1,381.4	1,335.1	676.5	606.1
Investing	(32,238.4)	(42,800.7)	(43,533.2)	(43,533.2)
Capex (growth)	0.0	0.0	0.0	0.0
Investments	43,084.6	46,981.9	55,880.3	65,929.2
Others	(81,739.4)	(89,782.6)	(99,413.5)	(109,462.5)
Financing	(4,428.9)	(17,134.3)	(23,040.1)	(27,681.8)
Dividend payments	(16,012.1)	(7,441.7)	(12,755.2)	(14,082.4)
Proceeds from borrowings	52,864.9	15,000.0	12,000.0	7,000.0
Loan repayment	(54,605.4)	(24,692.6)	(22,284.8)	(20,599.4)
Others/interest paid	13,323.6	0.0	0.0	0.0
Net cash inflow (outflow)	12,193.0	(3,324.3)	(2,527.0)	(2,062.8)
Beginning cash & cash equivalent	17,692.5	29,648.2	26,323.8	23,796.8
Changes due to forex impact	(237.3)	0.0	0.0	0.0
Ending cash & cash equivalent	29,648.2	26,323.8	23,796.8	21,734.1

BALANCE SHEET

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Fixed assets	132,729.6	156,000.9	176,005.1	194,647.2
Other LT assets	164,942.1	184,041.0	199,344.5	215,377.9
Cash/ST investment	29,648.5	26,323.8	23,796.8	21,734.1
Other current assets	69,290.6	79,430.6	81,717.3	84,592.6
Total assets	396,610.7	445,796.3	480,863.7	516,351.9
ST debt	30,713.2	22,284.8	20,599.4	17,419.6
Other current liabilities	69,071.1	77,556.1	79,741.0	82,314.9
LT debt	100,152.6	102,253.4	93,654.0	83,234.4
Other LT liabilities	18,179.0	19,890.3	20,884.8	21,929.0
Shareholders' equity	139,785.5	176,593.6	208,528.7	242,897.6
Minority interest	37,945.2	47,218.2	57,456.0	68,556.3
Total liabilities & equity	396,610.7	445,796.3	480,863.7	516,351.9

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	18.0	19.1	20.0	20.5
Pre-tax margin	15.8	16.5	17.4	18.0
Net margin	10.6	11.0	11.6	12.0
ROA	8.7	9.6	9.6	9.7
ROE	25.9	25.6	23.2	21.5
Growth				
Turnover	3.5	21.2	4.4	5.0
EBITDA	30.9	29.0	9.0	7.7
Pre-tax profit	53.7	26.3	10.4	8.4
Net profit	51.8	26.3	10.4	8.4
Net profit (adj.)	51.8	26.3	10.4	8.4
EPS	51.0	26.3	10.4	8.4
Leverage				
Debt to total capital	42.4	35.8	30.0	24.4
Debt to equity	93.6	70.5	54.8	41.4
Net debt/(cash) to equity	72.4	55.6	43.4	32.5
Interest cover (x)	n.a.	32.6	51.0	71.9

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