

Yancoal Australia (3668 HK)

Potential dividend resumption a catalyst

Yancoal's (YAL) 4Q24 volume data are in-line with the guidance and our expectation, with attributable production/ sales volume increasing 0%/3% YoY. Blended ASP, however, dropped 10% YoY in 4Q24 as the thermal coal ASP tracked closely with the market price of API5 (5500kCal). We estimate Yancoal delivered ~A\$1.84bn of revenue in 4Q24 (-7% YoY; +3% QoQ). We trim our 2024E/25E earnings forecasts by 19%/6% after revising down our ASP assumptions by 6%/2%. Our NPV-based TP is revised down to HK\$38 from HK\$42. That said, we foresee YAL will likely resume a final dividend in the full year earnings announcement (Feb 2025), as we do not expect sizeable M&A plans in the near term. The stock is trading at 7%+ dividend yield, assuming 50% payout ratio. Maintain **BUY**.

- **Sales volume in 2024 in line with expectation:** Attributable sales volume of thermal coal/ metallurgical coal was -1%/+29% YoY to 8.6mn/1.8mn tonnes in 4Q24. Total attributable sales volume increased 3% YoY to 10.4mn tonnes. For the full year in 2024, the total attributable production volume grew 10% YoY to 36.9mn tonnes, close to the mid-point of the guidance (35-39mn tonnes). Total attributable sales volume in 2024 grew 14% YoY to 37.7mn tonnes (thermal: +15% YoY, metallurgical: +10% YoY).
- **ASP breakdown in 4Q24.** Thermal ASP dropped 10% YoY (+4% QoQ) to A\$163/t in 4Q24, within the range of GCNewc 6,000kCal (A\$211/t or US\$138/t) and API5 (A\$132/t or US\$88/t). Metallurgical ASP dropped 17% YoY to A\$242/t (-6.5% QoQ), which was close to the market price of Low Vol PCI.
- **Potential resumption of dividend payment.** YAL highlighted in yesterday's announcement that "We will be in a position to comment further on dividends after the Board meets in Feb to approve the 2024 financial results". Back in Aug 2024, YAL halted the interim dividend due to potential M&A. With the lack of final deal since then, we see high chance for YAL to resume dividend in the final results.
- **Solid balance sheet.** As at end-2024, Yancoal had a gross cash balance of A\$2.46bn (+24% from Sep).
- **2024E full-year guidance unchanged:** (1) operating cash cost (excluding royalties): A\$89-97/t (-7% to +1% YoY); (2) capex: A\$650-800mn (up 5%-29% YoY).
- **Key risks:** (1) further decline in coal price; (2) rebound of unit cost; (3) extreme weather that affects production.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (AUD mn)	10,548	7,778	6,759	6,767	6,836
YoY growth (%)	95.2	(26.3)	(13.1)	0.1	1.0
Net profit (AUD mn)	3,587.0	1,818.7	1,125.9	1,163.0	1,221.2
EPS (Reported) (AUD)	2.72	1.38	0.85	0.88	0.92
YoY growth (%)	355.0	(49.3)	(38.1)	3.3	5.0
Consensus EPS (AUD)	na	na	0.91	0.96	0.96
P/E (x)	2.2	4.4	7.1	6.8	6.5
P/B (x)	1.0	0.9	0.9	0.8	0.8
Yield (%)	20.4	11.5	7.1	7.3	7.7
ROE (%)	50.6	22.1	12.8	12.5	12.5
Net gearing (%)	(25.2)	(14.8)	(26.4)	(28.9)	(38.6)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$38.00**
 (Previous TP **HK\$42.00**)
Up/Downside **30.4%**
Current Price **HK\$29.15**

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Stock Data

Mkt Cap (HK\$ mn)	38,490.8
Avg 3 mths t/o (HK\$ mn)	28.7
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%

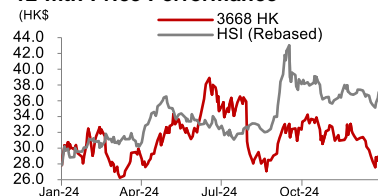
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.6%	-8.6%
3-mth	-10.4%	-6.5%
6-mth	-16.0%	-26.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: ShineWing Australia

Related Reports

1. Yancoal Australia (3668 HK) – 3Q24 sales volume accelerated to +21% YoY; on track to achieve target – 18 Oct 2024 ([link](#))
2. Yancoal Australia (3668 HK) – 1H24 net profit -57% YoY below expectations; No interim dividend suggests potential M&A – 20 Aug 2024 ([link](#))
3. Yancoal Australia (3668 HK) – 2Q24 sales volume +1%; Full year target still achievable – 19 Jul 2024 ([link](#))

Figure 1: YAL's quarterly operating 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	2.5	-24%	3.4	4.0	18%
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	12.4	2%	12.9	13.8	7%
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%
Revenue (A\$ mn)												
Thermal	1,589	1,161	-27%	1,438	1,223	-15%	1,371	1,413	3%	1,566	1,402	-10%
Metallurgical	460	334	-27%	484	318	-34%	324	363	12%	409	436	7%
Total ex-mine coal revenue	2,048	1,495	-27%	1,922	1,541	-20%	1,695	1,776	5%	1,975	1,837	-7%

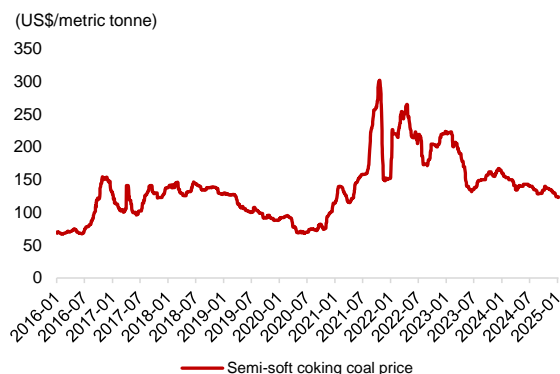
Source: Company data, CMBIGM

Figure 2: Change in key operating assumptions

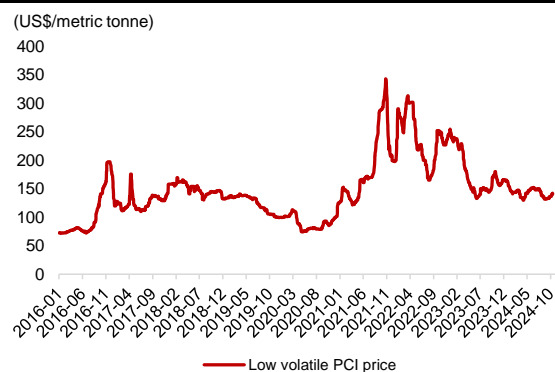
	Old			New			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Marketable coal production (mn tonnes)									
(100 % equity basis)									
Consolidated mines									
HVO	13.0	14.0	15.0	11.7	14.0	15.0	-10.0%	0.0%	0.0%
Mount Thorley Warkworth (MTW)	13.0	13.5	13.8	11.2	13.5	13.8	-13.8%	0.0%	0.0%
Moolarben	18.5	19.0	19.5	19.0	19.0	19.5	2.7%	0.0%	0.0%
Stratford Duralie	0.0	0.0	0.0	0.1	0.0	0.0	n/a	n/a	n/a
Yarrabee	2.0	2.0	2.0	2.2	2.0	2.0	10.0%	0.0%	0.0%
Middlemount	2.7	3.0	3.3	2.3	3.0	3.3	-14.8%	0.0%	0.0%
Ashton	0.3	0.3	0.3	1.3	0.3	0.3	333.3%	0.0%	0.0%
Total	49.5	51.8	53.9	47.8	51.8	53.9	-3.4%	0.0%	0.0%
Sales volume (mn tonnes)									
Thermal	32.1	33.3	33.9	32.5	33.3	33.9	1.4%	0.0%	0.0%
Metallurgical	5.2	5.4	6.0	5.2	5.4	6.0	-0.4%	0.0%	0.0%
Total	37.3	38.7	39.9	37.7	38.7	39.9	1.1%	0.0%	0.0%
ASP (A\$/t)									
Thermal	170	157	152	160	157	152	-5.9%	0.0%	0.0%
Metallurgical	300	280	260	276	258	255	-8.0%	-7.9%	-1.9%
Blended	188	174	168	176	171	167	-6.5%	-1.8%	-0.4%
Cash operating cost breakdown (A\$/tonne)									
Unit cash operating cost	-110	-107	-104	-109	-106	-104	-1.0%	-0.3%	-0.1%
Unit cash operating cost (excluding government royalties)	-93	-91	-89	-93	-91	-89	0.0%	0.0%	0.0%
Unit cash margin (excluding government royalties)	95	83	79	83	80	78	-12.8%	-3.7%	-0.9%
Net profit (A\$ mn)									
	1,389	1,241	1,243	1,126	1,163	1,221	-18.9%	-6.3%	-1.8%

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


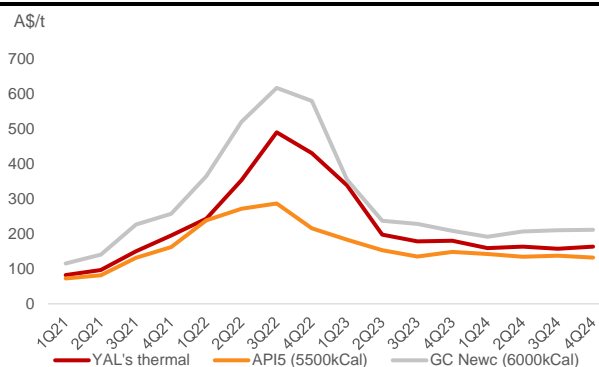
Source: Wind, CMBIGM

Figure 4: Seaborne pulverised coal injection (PCI) price


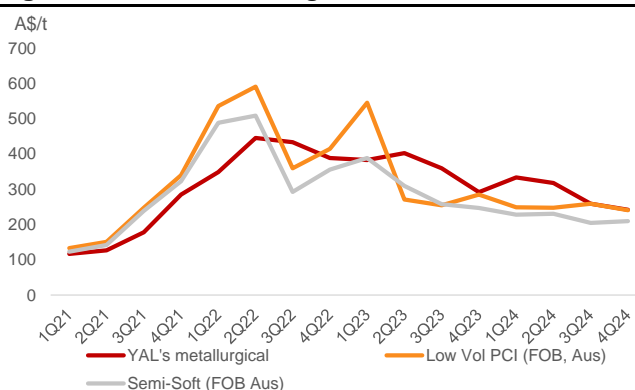
Source: Wind, CMBIGM

Figure 5: GC Newc (6000/kCal) pricing

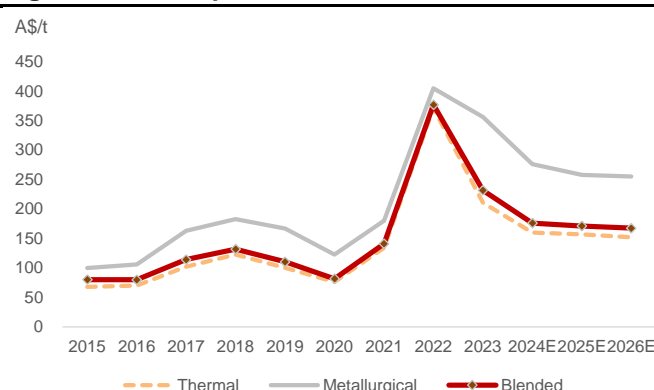

Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

Figure 6: YAL's thermal ASP vs benchmarks


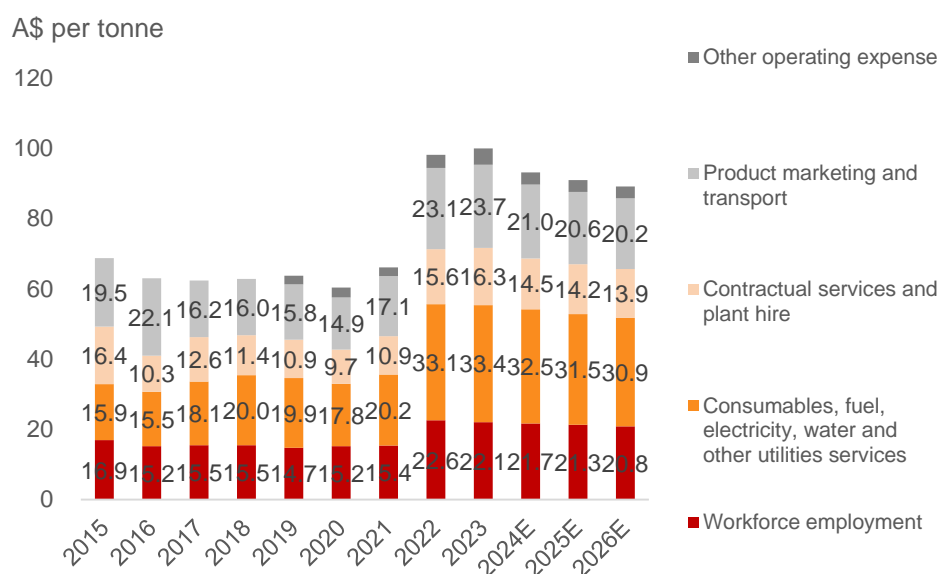
Source: Company data, Argus/McCloskey, GlobalCOAL, CMBIGM

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\$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 2027E) 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\$4.83 (previously HK\$5.27).

Figure 10: TP sensitivity to coal price

WACC	LT coal thermal coal price (A\$/t)				
	90	110	130	150	170
4.7%	17	30	43	56	69
5.7%	17	28	40	51	63
6.7%	17	27	38	48	58
7.7%	17	26	36	45	54
8.7%	17	25	34	42	51

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

WACC	LT metallurgical coal price (A\$/t)				
	160	180	200	220	240
4.7%	38	40	43	45	47
5.7%	36	38	40	42	44
6.7%	34	36	38	39	41
7.7%	32	34	36	37	39
8.7%	31	32	34	35	37

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	6,759	6,767	6,836
Royalties and other related payments	(421)	(967)	(685)	(595)	(596)	(602)
Staff costs	(578)	(662)	(730)	(818)	(823)	(832)
Others	(2,232)	(2,548)	(2,901)	(2,940)	(2,945)	(2,958)
Other income	(36)	(132)	26	34	34	34
EBITDA	2,136	6,239	3,488	2,439	2,437	2,479
Depreciation	(831)	(834)	(881)	(859)	(800)	(750)
EBIT	1,305	5,405	2,607	1,581	1,637	1,728
Interest expense	(259)	(459)	(53)	(8)	(8)	(8)
Others	57	146	29	26	22	14
Pre-tax profit	1,103	5,092	2,583	1,599	1,652	1,734
Income tax	(312)	(1,505)	(764)	(473)	(489)	(513)
After tax profit	791	3,587	1,819	1,126	1,163	1,221
Minority interest	0	0	0	0	0	0
Net profit	791	3,587	1,819	1,126	1,163	1,221

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (AUD mn)						
Current assets	2,531	3,810	2,533	3,530	4,045	5,008
Cash & equivalents	1,495	2,699	1,397	2,557	2,888	4,050
Account receivables	707	736	662	579	682	554
Inventories	264	330	416	344	417	352
Other current assets	65	45	58	51	58	51
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	12,106	12,332	13,051
Current liabilities	826	2,532	1,048	1,203	1,090	1,183
Short-term borrowings	66	48	44	44	44	44
Account payables	743	863	734	889	776	869
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	2,967	2,854	2,947
Total shareholders equity	6,144	8,028	8,440	9,137	9,475	10,102
Minority interest	2	2	2	2	2	2
Total equity and liabilities	11,800	12,801	11,254	12,106	12,332	13,051

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (AUD mn)						
Operating						
Profit before taxation	1,103	5,092	2,583	1,599	1,652	1,734
Depreciation & amortization	831	834	881	859	800	750
Tax paid	0	0	(2,123)	(473)	(489)	(513)
Change in working capital	(193)	80	(129)	317	(296)	292
Others	332	759	(10)	(103)	(126)	(123)
Net cash from operations	2,073	6,765	1,202	2,199	1,541	2,140
Investing						
Capital expenditure	(268)	(544)	(611)	(700)	(500)	(500)
Acquisition of subsidiaries/ investments	(100)	0	0	0	0	0
Others	69	287	97	98	122	124
Net cash from investing	(299)	(257)	(514)	(602)	(378)	(376)
Financing						
Dividend paid	0	(1,626)	(1,413)	(429)	(825)	(595)
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)	(437)	(833)	(602)
Net change in cash						
Cash at the beginning of the year	637	1,495	2,699	1,397	2,557	2,888
Exchange difference	25	107	14	0	0	0
Cash at the end of the year	1,495	2,699	1,397	2,557	2,888	4,050
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	55.6%	95.2%	(26.3%)	(13.1%)	0.1%	1.0%
EBITDA	na	192.1%	(44.1%)	(30.1%)	(0.1%)	1.7%
EBIT	na	314.3%	(51.8%)	(39.4%)	3.6%	5.6%
Net profit	na	353.7%	(49.3%)	(38.1%)	3.3%	5.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
EBITDA margin	39.5%	59.1%	44.8%	36.1%	36.0%	36.3%
Return on equity (ROE)	13.9%	50.6%	22.1%	12.8%	12.5%	12.5%
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	2.9	3.7	4.2
Receivable turnover days	35.5	25.0	32.8	33.5	34.0	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	85.0	87.0	85.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	10.1	2.2	4.4	7.1	6.8	6.5
P/B	1.3	1.0	0.9	0.9	0.8	0.8
Div yield (%)	11.7	20.4	11.5	7.1	7.3	7.7

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

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