

CGN Mining (1164 HK)

Uranium price gap likely to further narrow, a key catalyst for CGN Mining

We expect to see positive share price momentum in the near term driven by the uranium spot price recovery, as CGN Mining's earnings are sensitive to the spot price. The spot price, which is currently trading at ~US\$70/lb, remains at a ~13% discount to the contract price (US\$80/lb) for which the market is a lot more sizeable. With easing concerns on the war of tariff, we see chances of an improving interest for procurement in the spot market. Meanwhile, recent news reports revealed that the Trump Administration is planning to boost nuclear power installed capacity. We believe this will potentially serve as a catalyst to drive both the uranium price and the share price of CGN Mining. Maintain **BUY** with unchanged NPV-based TP of HK\$2.18.

- **Spot price on a recovery trend.** The uranium spot price dropped from US\$72/lb in early Jan to a trough of US\$64/lb in mid-Mar to Apr. Given that the contract price has been resilient at US\$80/lb YTD, the spot price discount was as high as 20% during the period. In mid-May, the price gradually rebounded to ~US\$70/lb, with the discount narrowing to 13%. Based on our understanding, the spot market accounts for only ~30% of the total uranium trading volume, while contract price remains the major reference for utilities. We therefore believe the spot price will finally catch up with the contract price, which has happened several times in the past (Figure 1).
- **Unit cost hike likely to peak in 2025E.** Kazakhstan's mineral extraction tax (MET) rate will be increased to 9% in 2025 from 6% in 2024. This, together with the raw materials and labour cost inflation, will further push unit production cost higher in 2025E, in our view. That said, given that MET will be calculated based on output level in 2026E, and the Company's mines (except Central Mynkuduk) are relatively small, we expect to see a reduction of MET rate starting from 2026E. This should help stabilize the unit cost.
- **Kazatomprom's (KAP LI) sulphuric acid plant to commence operation in early 2027E.** According to KAP, it has signed an agreement with Development Bank of Kazakhstan for credit facilities of KZT85bn (~US\$188mn) to fund the construction of a sulphuric acid plant (annual capacity: 800kt) which is expected to commence operation in 1Q27E. We believe this offers visibility on the new supply of sulphuric acid which is in tight supply at the moment (sulphuric acid is a major cost item in uranium mining in Kazakhstan).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	7,363	8,624	9,376	10,969	12,158
YoY growth (%)	101.8	17.1	8.7	17.0	10.8
Adjusted net profit (HK\$ mn)	497.1	526.7	487.2	716.0	800.5
YoY growth (%)	(3.5)	6.0	(7.5)	47.0	11.8
EPS (Adjusted) (HK\$ cents)	6.54	6.93	6.41	9.42	10.53
Consensus EPS (HK\$)	na	0.07	0.11	0.16	0.00
P/E (x)	23.7	34.4	24.2	16.5	14.7
P/B (x)	3.0	3.0	2.7	2.4	2.1
Yield (%)	0.0	0.6	0.8	1.2	1.4
ROE (%)	13.8	8.8	11.8	15.4	15.2
Net gearing (%)	18.8	9.5	(21.7)	(14.7)	(24.5)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$2.18
Up/Downside 40.8%
Current Price HK\$1.55

China Materials

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Stock Data

Mkt Cap (HK\$ mn)	11,781.1
Avg 3 mths t/o (HK\$ mn)	64.6
52w High/Low (HK\$)	3.03/1.24
Total Issued Shares (mn)	7600.7

Source: FactSet

Shareholding Structure

China General Nuclear Power Corporation	56.9%
China Chengtong Holding Group	10.0%

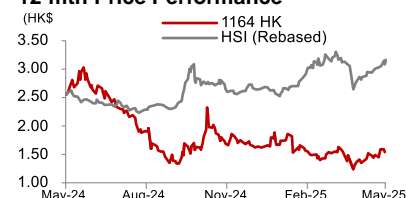
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	9.9%	-0.4%
3-mth	0.0%	-4.3%
6-mth	-6.6%	-23.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

CGN Mining – Further downside risk should be reduced with large contract/spot uranium price gap – 23 Mar 2025 ([link](#))

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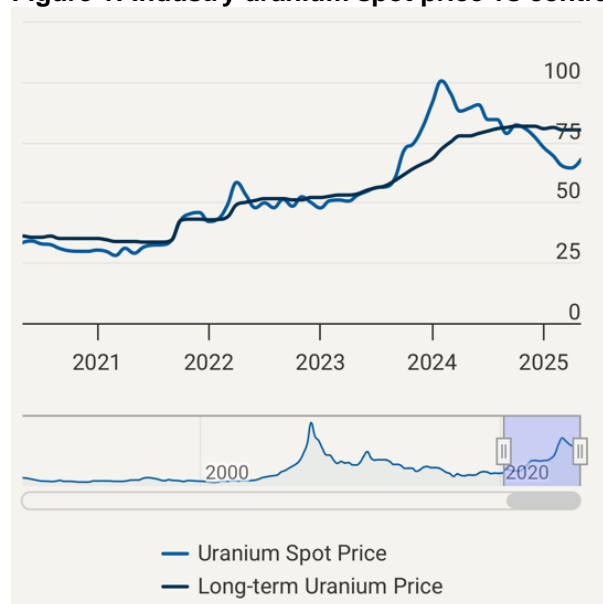
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Uranium price

Figure 1: Industry uranium spot price vs contract price



Source: Cameco, CMBIGM

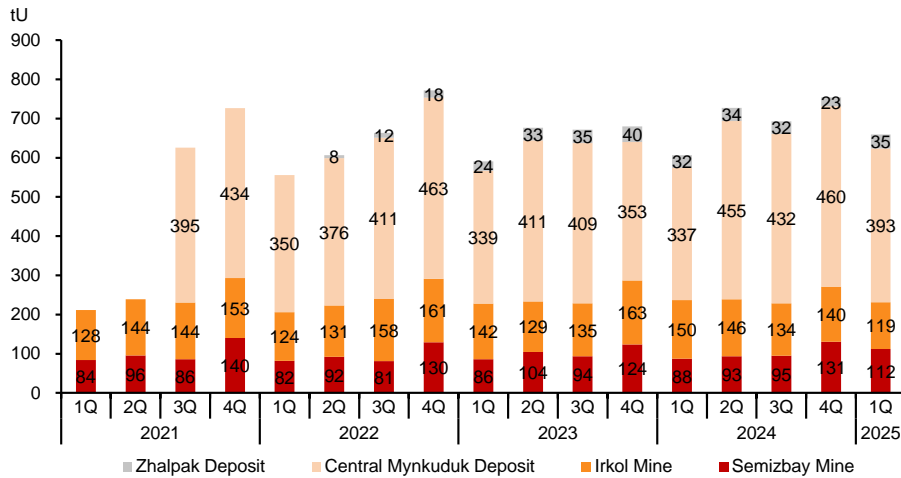
Figure 2: UxC Uranium U308 weekly spot price (US\$/lb)



Source: Bloomberg, CMBIGM

Operating data and assumptions

Figure 3: CGN Mining quarterly uranium sales volume



Source: Company data, CMBIGM

Figure 4: Key operating assumptions

	2022	2023	2024	2025E	2026E	2027E
JV and associates						
Semizbay Mine-U						
Production volume (tU)	959	976	976	986	996	1,006
Change (YoY)	-1.6%	1.8%	0.0%	1.0%	1.0%	1.0%
Implied ASP (US\$/lb)	49	61	83	75	83	91
Change (YoY)	29.3%	26.0%	36.0%	-10.0%	10.0%	10.0%
Semizbay Mine (until 2031)						
Production volume (tU)	385	407	407	411	415	419
Change (YoY)	-5.4%	5.7%	0.0%	1.0%	1.0%	1.0%
Unit cost (US\$/lb)	24	27	32	36	36	36
Change (YoY)	-	11.5%	18.5%	12.0%	0.0%	1.0%
Irkol Mine (until 4 Mar 2030)						
Production volume (tU)	574	569	569	575	580	586
Change (YoY)	1.1%	-0.9%	0.0%	1.0%	1.0%	1.0%
Unit cost (US\$/lb)	17	23	24	27	27	27
Change (YoY)	-	34.7%	4.3%	12.0%	0.0%	1.0%
Ortalyk						
Production volume (tU)	1,639	1,644	1,783	1,884	2,084	2,295
Change (YoY)	2%	0%	8%	6%	11%	10%
Implied ASP (US\$/lb)	48	64	83	75	83	91
Change (YoY)	163%	33%	30%	-10%	10%	10%
Central Mynkuduk (until 2033)						
Production volume (tU)	1,600	1,513	1,663	1,680	1,696	1,713
Change (YoY)	-	-5%	10%	1%	1%	1%
Unit cost (US\$/lb)	14	17	22	25	25	26
Change (YoY)	-	23%	29%	12%	2%	2%
Zhaltapak (until 2042)						
Production volume (tU)	39	131	120	204	388	581
Change (YoY)	-	236%	-8%	70%	90%	50%
Unit cost (US\$/lb)	25	27	31	35	35	36
Change (YoY)	-	9%	15%	12%	1%	2%

Source: Company data, CMBIGM estimates

Valuation

We apply NPV methodology to value CGN Mining. Based on the life of the mines or relevant licenses, future cash flow (mainly from JVs dividends) is discounted to the present value. Our target multiple of NPV (3x) is to reflect the potential conversion from resources to reserves amid the uptrend of uranium price. Our long-term assumptions include: (1) uranium price increasing 1.5% p.a. from US\$91/lb (previously: US\$101) during 2027-31, (2) a stabilized price at US\$96 thereafter (previously: US\$107), and (3) production costs rising 1% p.a. during 2027-42 to reflect inflation.

Figure 5: NPV assumptions

		2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E-42E
NPV projection									
(HK\$ mn)									
EBIT		(81.2)	2.1	(103.1)	(135.2)	(75.9)	(94.1)	(98.6)	
Dividend from JV/associates		741.5	909.2	1,108.3	1,160.4	945.5	947.8	974.0	
Adjusted EBIT		660.4	911.3	1,005.2	1,025.1	869.6	853.7	875.4	
Tax rate		15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
EBIT*(1-t)		561.3	774.6	854.4	871.4	739.2	725.7	744.1	
D&A		0.4	0.4	0.4	0.4	0.4	0.4	0.4	
Capex		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Working cap		1,031.7	(677.1)	172.4	(229.1)	312.4	(355.9)	235.6	
FCFF		1,593.3	97.9	1,027.1	642.6	1,051.9	370.2	980.1	2,510.0
PV of FCFF		1,494.1	86.1	847.0	496.9	762.8	251.7	624.9	1,225.3
Enterprise Value	HK\$ mn	5,789							
Net cash / (net debt)		-371							
Minority interest		0							
Equity Value		5,418							
P/NPV (x)		-							3
Fair value (HK\$/shr)		-							2.14
Proportionate market cap of Paladin Energy (2.61% interest)		334							0.04
Target price (HK\$/shr)		-							2.18
Assumptions									
Risk free rate		4.3%							
Risk premium		5.0%							
Beta		0.8							
Cost of equity		8.3%							
After tax cost of debt		0.0%							
Debt/total capital		20.0%							
WACC		6.6%							

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Revenue	3,649	7,363	8,624	9,376	10,969	12,158
Cost of goods sold	(3,501)	(7,231)	(8,690)	(9,396)	(10,896)	(12,194)
Gross profit	148	132	(66)	(20)	73	(36)
Selling expense	(13)	(19)	(15)	(9)	(11)	(12)
Admin expense	(49)	(52)	(57)	(66)	(77)	(73)
Others	(3)	(6)	0	0	0	0
Other income	16	12	17	14	16	18
Share of (losses)/profits of associates/JV	523	606	1,016	742	909	1,108
EBITDA	101	69	(119)	(81)	2	(103)
Depreciation	2	2	1	0	0	0
EBIT	100	67	(120)	(81)	2	(103)
Interest income	6	18	40	55	73	81
Interest expense	(62)	(131)	(122)	(142)	(142)	(144)
Net interest income/(expense)	(56)	(114)	(82)	(87)	(69)	(63)
Pre-tax profit	567	559	814	573	842	942
Income tax	(52)	(62)	(287)	(86)	(126)	(141)
Minority interest	0	0	(185)	0	0	0
Net profit	515	497	342	487	716	800
Adjusted net profit	515	497	527	487	716	800

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Current assets	2,447	2,214	3,440	3,977	4,689	5,279
Cash & equivalents	52	1,017	1,154	2,515	2,350	3,048
Account receivables	343	462	80	587	134	666
Inventories	2,048	697	2,158	828	2,157	1,518
Other current assets	2	38	48	48	48	48
Non-current assets	4,419	4,536	4,402	4,534	4,690	4,872
PP&E	1	1	1	0	0	(0)
Right-of-use assets	2	1	5	5	5	5
Investment in JVs & assos	4,369	4,495	4,040	4,173	4,329	4,511
Other non-current assets	46	39	356	356	356	356
Total assets	6,866	6,750	7,842	8,512	9,379	10,151
Current liabilities	2,064	1,391	3,732	3,990	4,239	4,354
Short-term borrowings	958	349	1,520	1,570	1,620	1,670
Account payables	1,044	999	797	1,005	1,204	1,268
Tax payable	11	12	4	4	4	4
Other current liabilities	50	30	1,409	1,409	1,409	1,409
Lease liabilities	2	1	2	2	2	2
Non-current liabilities	1,454	1,479	188	188	188	188
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,454	1,479	188	188	188	188
Total liabilities	3,518	2,870	3,921	4,179	4,428	4,542
Total shareholders equity	3,348	3,880	3,922	4,333	4,951	5,609
Minority interest	0	0	0	0	0	0
Total equity and liabilities	6,866	6,750	7,842	8,512	9,379	10,151

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Operating						
Profit before taxation	567	559	814	573	842	942
Depreciation & amortization	2	2	1	0	0	0
Tax paid	(15)	(35)	(287)	(86)	(126)	(141)
Change in working capital	24	989	(1,282)	1,032	(677)	172
Others	(465)	(476)	(934)	(654)	(840)	(1,045)
Net cash from operations	113	1,040	(1,689)	865	(801)	(72)
Investing						
Capital expenditure	(1)	(0)	0	0	0	0
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	419	499	784	664	826	1,007
Net cash from investing	419	499	784	664	826	1,007
Financing						
Dividend paid	0	0	0	(76)	(97)	(143)
Net borrowings	570	(609)	1,171	50	50	50
Proceeds from share issues	776	0	0	0	0	0
Others	(1,896)	27	(122)	(142)	(142)	(144)
Net cash from financing	(550)	(582)	1,049	(168)	(189)	(238)
Net change in cash						
Cash at the beginning of the year	81	52	1,017	1,154	2,515	2,350
Exchange difference	(11)	8	(7)	0	0	0
Cash at the end of the year	52	1,017	1,154	2,515	2,350	3,048
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(5.5%)	101.8%	17.1%	8.7%	17.0%	10.8%
Gross profit	67.7%	(10.9%)	na	na	na	na
EBITDA	145.1%	(32.1%)	na	na	na	na
EBIT	151.8%	(32.7%)	na	na	na	na
Net profit	188.5%	(3.5%)	(31.2%)	42.5%	47.0%	11.8%
Adj. net profit	188.5%	(3.5%)	6.0%	(7.5%)	47.0%	11.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	4.1%	1.8%	(0.8%)	(0.2%)	0.7%	(0.3%)
EBITDA margin	2.8%	0.9%	(1.4%)	(0.9%)	0.0%	(0.8%)
Adj. net profit margin	14.1%	6.8%	6.1%	5.2%	6.5%	6.6%
Return on equity (ROE)	18.7%	13.8%	8.8%	11.8%	15.4%	15.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.7	0.2	0.1	(0.2)	(0.1)	(0.2)
Current ratio (x)	1.2	1.6	0.9	1.0	1.1	1.2
Receivable turnover days	22.1	20.0	11.5	13.0	12.0	12.0
Payable turnover days	111.9	51.6	37.7	35.0	37.0	37.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	21.6	23.7	34.4	24.2	16.5	14.7
P/B	3.5	3.0	3.0	2.7	2.4	2.1
Div yield (%)	0.0	0.0	0.6	0.8	1.2	1.4

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

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