

# CGN Mining (1164 HK)

## Potential loss in 1H25E but recovery in 2H25E; Expect a solid turnaround in 2026E

We forecast CGN Mining to report a net loss of ~RMB68mn in 1H25E, due to (1) a one-off negative margin of the uranium trading business, and (2) a decrease in the spot uranium price in 1H25 that may affect the margin of JVs (mining segment). We therefore slash our 2025E earnings forecast by 47% to RMB260mn to reflect the potential weak 1H25E results. That said, we regard the impact as one-off, and expect the margin of trading business to return to positive in 2H25E. Besides, with the spot price of uranium recovering since May, we expect the JV's margin to rebound in 2H25E. Looking ahead, the new pricing mechanism for the off-take agreement with the parent company starting from 2026E will boost strong earnings growth, given a much higher contract price. We therefore maintain our **BUY** rating and see any potential pullback after the 1H25 results announcement as entry opportunities. We revise down our NPV-based TP to HK\$2.42 from HK\$2.61.

- **Trading business as the major reason for potential loss in 1H25E.** CGN Global is the uranium trading division of the Company. In 1H25, the unit cost of procurement was ~US\$68-74/lb, while the ASP was US\$58-61/lb. We estimate the unit loss was ~US\$11/lb. The reason is that the cost was calculated based on the weighted average cost of all inventories, while the ASP was based on the specific contract price executed during the period. In 1H25, the margin was hurt by some lower pricing contracts signed in the past.
- **Positive trading margin is likely in 2H25E.** We see the negative margin in 1H25E was largely one-off, and expect the margin to return to positive.
- **A recap on the new off-take agreement with parent company (2026-28):** The fixed price in 2026E is set at US\$94.22/lb (with 4.1% increment per year in 2027E/28E), which is way higher than the US\$61.78/lb in 2023 (with annual increment of 3.5% in 2024/25) under the current mechanism. The fixed price proportion will be reduced to 30% from 40%, which will help reduce the mismatch between the JV's ASP and off-take pricing.
- **Risk factors:** (1) further trading loss; (2) pullback of spot uranium price; (3) lack of improvement of sulphuric acid supply in Kazakhstan.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	7,363	8,624	7,947	11,018	12,233
YoY growth (%)	101.8	17.1	(7.9)	38.7	11.0
Adjusted net profit (HK\$ mn)	497.1	526.7	259.7	797.4	934.8
YoY growth (%)	(3.5)	6.0	(50.7)	207.1	17.2
EPS (Adjusted) (HK\$ cents)	6.54	6.93	3.42	10.49	12.30
Consensus EPS (HK\$ cents)	na	na	8.62	13.85	16.41
P/E (x)	31.8	46.2	60.9	19.8	16.9
P/B (x)	4.1	4.0	3.9	3.3	2.8
Yield (%)	0.0	0.5	0.3	1.0	1.2
ROE (%)	13.8	8.8	6.5	17.8	17.8
Net gearing (%)	18.8	9.5	(23.7)	(8.3)	(30.0)

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** **HK\$2.42**  
 (Previous TP **HK\$2.61**)  
**Up/Downside** **16.4%**  
**Current Price** **HK\$2.08**

### China Materials

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### Stock Data

Mkt Cap (HK\$ mn)	15,809.4
Avg 3 mths t/o (HK\$ mn)	232.6
52w High/Low (HK\$)	2.58/1.24
Total Issued Shares (mn)	7600.7

Source: FactSet

### Shareholding Structure

China General Nuclear Power Corporation	56.9%
China Chengtong Holding Group	8.0%

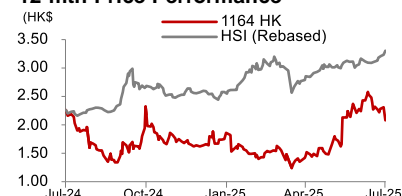
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-8.8%	-15.4%
3-mth	42.5%	23.1%
6-mth	11.2%	-14.2%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related reports:

CGN Mining - New pricing formula for off-take agreement a big surprise – 4 Jun 2025 ([link](#))

CGN Mining – Uranium price gap likely to further narrow, a key catalyst for CGN Mining – 15 May 2025 ([link](#))

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

CGN Mining - Profit alert mainly related to one-off items; core profit remains intact – 14 Mar 2025 ([link](#))

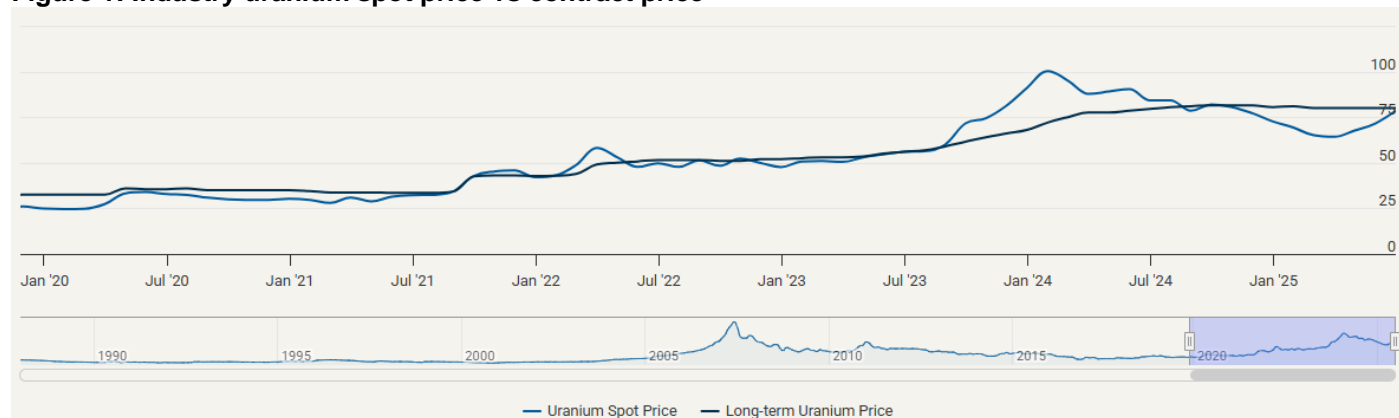
Uranium sector - China to secure more uranium resources in Kazakhstan – 18 Dec 2024 ([link](#))

原材料-天然铀受惠于全球核电未来十年的结构上升周期- 2024 年 11 月 19 日 ([链接](#))

中广核矿业- 低成本铀矿具优势 – 2024 年 11 月 19 日 ([链接](#))

## 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

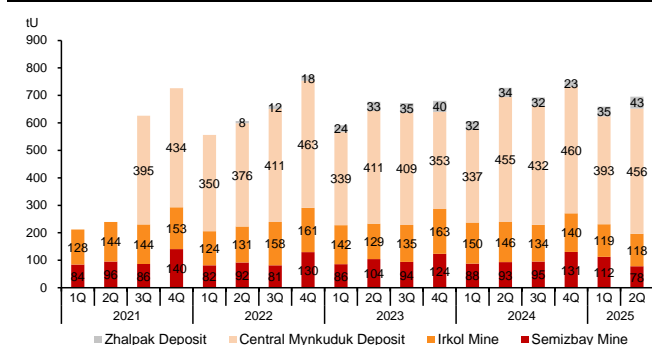
## Operating data and assumptions

**Figure 3: Change in key assumptions**

	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Revenue (HK\$ mn)</b>									
Natural uranium trading	9,376	11,108	12,371	7,947	11,018	12,233	-15.2%	-0.8%	-1.1%
<b>Gross margin</b>									
Natural uranium trading	-0.2%	1.9%	1.4%	-3.5%	1.9%	1.4%	-3.3	<i>ppt</i> 0.0	0.0
<b>Key expense ratios</b>									
S&D expenses	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0	<i>ppt</i> 0.0	0.0
Administrative expenses	0.7%	0.7%	0.6%	0.7%	0.7%	0.6%	0.0	0.0	0.0
Expected credit losses of financial & contract assets, net	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0
(RMB mn)									
Net finance expense	-87	-67	-58	-87	-73	-64	-0.6%	8.9%	10.3%
<b>Share of profit of JV and associates (Mining operation)</b>	<b>742</b>	<b>909</b>	<b>1,108</b>	<b>721</b>	<b>876</b>	<b>1,059</b>	<b>-2.8%</b>	<b>-3.6%</b>	<b>-4.5%</b>
Reported net profit	487	834	986	260	797	935	-46.7%	-4.4%	-5.2%
<b>Core net profit</b>	<b>487</b>	<b>834</b>	<b>986</b>	<b>260</b>	<b>797</b>	<b>935</b>	<b>-46.7%</b>	<b>-4.4%</b>	<b>-5.2%</b>

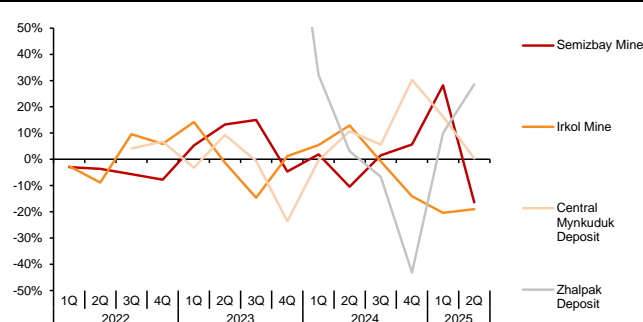
Source: Company data, CMBIGM estimates

**Figure 4: CGN Mining's quarterly uranium sales volume**



Source: Company data, CMBIGM

**Figure 5: CGN Mining's quarterly uranium sales volume growth**



Source: Company data, CMBIGM

**Figure 6: Key operating assumptions**

	2022	2023	2024	2025E	2026E	2027E
<b>JV and associates</b>						
<b>Semizbay Mine-U</b>						
Production volume (tU)	959	976	976	906	915	924
Change (YoY)	-1.6%	1.8%	0.0%	-7.2%	1.0%	1.0%
Implied ASP (US\$/lb)	<b>49</b>	<b>61</b>	<b>83</b>	<b>75</b>	<b>83</b>	<b>91</b>
Change (YoY)	29.3%	26.0%	36.0%	-10.0%	10.0%	10.0%
<b>Semizbay Mine (until 2031)</b>						
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%
<b>Irkol Mine (until 4 Mar 2030)</b>						
Production volume (tU)	574	569	569	495	500	505
Change (YoY)	1.1%	-0.9%	0.0%	-13.0%	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%
<b>Ortalyk</b>						
Production volume (tU)	1,639	1,644	1,783	1,902	2,060	2,226
Change (YoY)	2%	0%	8%	7%	8%	8%
Implied ASP (US\$/lb)	<b>48</b>	<b>64</b>	<b>83</b>	<b>75</b>	<b>83</b>	<b>91</b>
Change (YoY)	163%	33%	30%	-10%	10%	10%
<b>Central Mynkuduk (until 2033)</b>						
Production volume (tU)	1,600	1,513	1,663	1,746	1,764	1,781
Change (YoY)	-	-5%	10%	5%	1%	1%
Unit cost (US\$/lb)	14	17	22	25	25	26
Change (YoY)	-	23%	29%	12%	2%	2%
<b>Zhalpak (until 2042)</b>						
Production volume (tU)	39	131	120	156	296	445
Change (YoY)	-	236%	-8%	30%	90%	50%
Unit cost (US\$/lb)	25	27	31	35	35	36
Change (YoY)	-	9%	15%	12%	1%	2%
<b>Total JV / Associates</b>						
Total production volume (100% interest) (tU)	2,598	2,620	2,759	2,808	2,975	3,150
Total production volume (attributable) (tU)	<b>1,273</b>	<b>1,284</b>	<b>1,352</b>	<b>1,376</b>	<b>1,458</b>	<b>1,544</b>
Calculated share of profit/(loss) HK\$m	<b>488</b>	<b>586</b>	<b>886</b>	<b>721</b>	<b>876</b>	<b>1,059</b>
Change (YoY)	78%	20%	51%	-19%	22%	21%
Net profit (US\$/lb)	19	23	32	26	30	34

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 during 2027-31, (2) a stabilized price at US\$96 thereafter, and (3) production costs rising 1% p.a. during 2027-42 to reflect inflation.

**Figure 7: New NPV assumptions**

	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E-42E
<b>NPV projection</b>								
(HK\$ mn)								
EBIT	(328.6)	135.3	104.6	124.7	112.3	94.1	93.6	
Dividend from JV/associates	720.8	876.1	1,058.8	1,103.8	1,018.4	961.4	968.1	
Adjusted EBIT	392.2	1,011.4	1,163.4	1,228.5	1,130.7	1,055.6	1,061.7	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
<b>EBIT*(1-t)</b>	<b>333.4</b>	<b>859.7</b>	<b>988.9</b>	<b>1,044.2</b>	<b>961.1</b>	<b>897.2</b>	<b>902.5</b>	
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	1,281.2	(1,173.3)	674.1	(730.0)	778.4	(803.6)	689.6	
<b>FCFF</b>	<b>1,614.9</b>	<b>(313.2)</b>	<b>1,663.3</b>	<b>314.5</b>	<b>1,739.9</b>	<b>94.1</b>	<b>1,592.4</b>	<b>2,348.0</b>
PV of FCFF	1,514.3	(275.4)	1,371.5	243.2	1,261.6	64.0	1,015.3	1,176.4
<b>Enterprise Value</b>								
	<b>6,371</b>							
Net cash / (net debt)	-371							
Minority interest	0							
<b>Equity Value</b>	<b>6,000</b>							
P/NPV (x)	-							3
<b>Fair value (HK\$/shr)</b>	<b>-</b>							<b>2.37</b>
Proportionate market cap of Paladin Energy (2.61% interest)	404							0.05
<b>Target price (HK\$/shr)</b>	<b>-</b>							<b>2.42</b>
<b>Assumptions</b>								
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%							
<b>WACC</b>	<b>6.6%</b>							

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Revenue</b>	<b>3,649</b>	<b>7,363</b>	<b>8,624</b>	<b>7,947</b>	<b>11,018</b>	<b>12,233</b>
Cost of goods sold	(3,501)	(7,231)	(8,690)	(8,224)	(10,811)	(12,061)
<b>Gross profit</b>	<b>148</b>	<b>132</b>	<b>(66)</b>	<b>(277)</b>	<b>207</b>	<b>172</b>
Selling expense	(13)	(19)	(15)	(8)	(11)	(12)
Admin expense	(49)	(52)	(57)	(56)	(77)	(73)
Others	(3)	(6)	0	0	0	0
Other income	16	12	17	12	17	18
Share of (losses)/profits of associates/JV	523	606	1,016	721	876	1,059
<b>EBITDA</b>	<b>101</b>	<b>69</b>	<b>(119)</b>	<b>(328)</b>	<b>136</b>	<b>105</b>
Depreciation	2	2	1	0	0	0
<b>EBIT</b>	<b>100</b>	<b>67</b>	<b>(120)</b>	<b>(329)</b>	<b>135</b>	<b>105</b>
Interest income	6	18	40	56	69	81
Interest expense	(62)	(131)	(122)	(142)	(142)	(144)
<b>Net Interest income/(expense)</b>	<b>(56)</b>	<b>(114)</b>	<b>(82)</b>	<b>(87)</b>	<b>(73)</b>	<b>(64)</b>
<b>Pre-tax profit</b>	<b>567</b>	<b>559</b>	<b>814</b>	<b>305</b>	<b>938</b>	<b>1,100</b>
Income tax	(52)	(62)	(287)	(46)	(141)	(165)
Minority interest	0	0	(185)	0	0	0
<b>Net profit</b>	<b>515</b>	<b>497</b>	<b>342</b>	<b>260</b>	<b>797</b>	<b>935</b>
<b>Adjusted net profit</b>	<b>515</b>	<b>497</b>	<b>527</b>	<b>260</b>	<b>797</b>	<b>935</b>

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Current assets</b>	<b>2,447</b>	<b>2,214</b>	<b>3,440</b>	<b>3,536</b>	<b>4,820</b>	<b>5,101</b>
Cash & equivalents	52	1,017	1,154	2,548	2,027	3,360
Account receivables	343	462	80	486	239	566
Inventories	2,048	697	2,158	455	2,507	1,128
Other current assets	2	38	48	48	48	48
<b>Non-current assets</b>	<b>4,419</b>	<b>4,536</b>	<b>4,402</b>	<b>4,523</b>	<b>4,666</b>	<b>4,832</b>
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	4,162	4,305	4,471
Other non-current assets	46	39	356	356	356	356
<b>Total assets</b>	<b>6,866</b>	<b>6,750</b>	<b>7,842</b>	<b>8,059</b>	<b>9,486</b>	<b>9,933</b>
<b>Current liabilities</b>	<b>2,064</b>	<b>1,391</b>	<b>3,732</b>	<b>3,766</b>	<b>4,447</b>	<b>4,119</b>
Short-term borrowings	958	349	1,520	1,570	1,620	1,670
Account payables	1,044	999	797	780	1,412	1,034
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
<b>Non-current liabilities</b>	<b>1,454</b>	<b>1,479</b>	<b>188</b>	<b>188</b>	<b>188</b>	<b>188</b>
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,454	1,479	188	188	188	188
<b>Total liabilities</b>	<b>3,518</b>	<b>2,870</b>	<b>3,921</b>	<b>3,954</b>	<b>4,635</b>	<b>4,307</b>
<b>Total shareholders equity</b>	<b>3,348</b>	<b>3,880</b>	<b>3,922</b>	<b>4,105</b>	<b>4,851</b>	<b>5,626</b>
Minority interest	0	0	0	0	0	0
<b>Total equity and liabilities</b>	<b>6,866</b>	<b>6,750</b>	<b>7,842</b>	<b>8,059</b>	<b>9,486</b>	<b>9,933</b>

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (HK\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	567	559	814	305	938	1,100
Depreciation & amortization	2	2	1	0	0	0
Tax paid	(15)	(35)	(287)	(46)	(141)	(165)
Change in working capital	24	989	(1,282)	1,281	(1,173)	674
Others	(465)	(476)	(934)	(634)	(803)	(995)
<b>Net cash from operations</b>	<b>113</b>	<b>1,040</b>	<b>(1,689)</b>	<b>907</b>	<b>(1,178)</b>	<b>614</b>
<b>Investing</b>						
Capital expenditure	(1)	(0)	0	0	0	0
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	419	499	763	655	802	973
<b>Net cash from investing</b>	<b>419</b>	<b>499</b>	<b>763</b>	<b>655</b>	<b>802</b>	<b>973</b>
<b>Financing</b>						
Dividend paid	0	0	0	(76)	(52)	(159)
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)
<b>Net cash from financing</b>	<b>(550)</b>	<b>(582)</b>	<b>1,049</b>	<b>(168)</b>	<b>(144)</b>	<b>(254)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	81	52	1,017	1,154	2,548	2,027
Exchange difference	(11)	8	13	0	0	0
<b>Cash at the end of the year</b>	<b>52</b>	<b>1,017</b>	<b>1,154</b>	<b>2,548</b>	<b>2,027</b>	<b>3,360</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Revenue	(5.5%)	101.8%	17.1%	(7.9%)	38.7%	11.0%
Gross profit	67.7%	(10.9%)	na	na	na	(16.9%)
EBITDA	145.1%	(32.1%)	na	na	na	(22.6%)
EBIT	151.8%	(32.7%)	na	na	na	(22.7%)
Net profit	188.5%	(3.5%)	(31.2%)	(24.1%)	207.1%	17.2%
Adj. net profit	188.5%	(3.5%)	6.0%	(50.7%)	207.1%	17.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Gross profit margin	4.1%	1.8%	(0.8%)	(3.5%)	1.9%	1.4%
EBITDA margin	2.8%	0.9%	(1.4%)	(4.1%)	1.2%	0.9%
Adj. net profit margin	14.1%	6.8%	6.1%	3.3%	7.2%	7.6%
Return on equity (ROE)	18.7%	13.8%	8.8%	6.5%	17.8%	17.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.7	0.2	0.1	(0.2)	(0.1)	(0.3)
Current ratio (x)	1.2	1.6	0.9	0.9	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
<b>YE 31 Dec</b>						
P/E	29.0	31.8	46.2	60.9	19.8	16.9
P/B	4.7	4.1	4.0	3.9	3.3	2.8
Div yield (%)	0.0	0.0	0.5	0.3	1.0	1.2

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

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## Analyst Certification

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