

Jiangxi Copper (358.HK)

Downside Risk in Operation Results!

Bloomberg | Reuters | POEMS

358.HK | 358.HK | 358.HK

Industry: Mining & Metals

Report type: Semi-annual Reports Review

Rating: Reduce CP:HKD 19.44 TP:HKD 17.95

Company Overview

Jiangxi-Copper is the nation's largest integrated copper producers, its copper reserves is 1/3 of the whole Chinese industrial reserve. Additionally, Jiangxi-Copper is also an important chemical industry base in China.

Summary

The revenue growth of Jiangxi-Copper in 1HY of 2012 is significant, but with rapid increase of multiple costs, the profit margin has been decreasing obviously.

Since the market demand goes down continuously, the profit margin will be lower in the future. Besides, multiple projects will put into operation in 2HY that may exacerbate the industry capacity.

The non-ferrous metals market will fall into recession probably. Besides, since most countries adopt loose monetary policy that will affect the effect of QE3 and the price rebounding of non-ferrous metals. It'll also put negative influence to company operation results.

The EPS of 1HY of 2012 is CNY 0.77, we estimate that the operation performance of 2012 won't be good as 2011, the EPS of 2012 will be CNY 1.4, the target price in next 6 months is HKD 17.95 with 10x PE, the rating is Reduce.

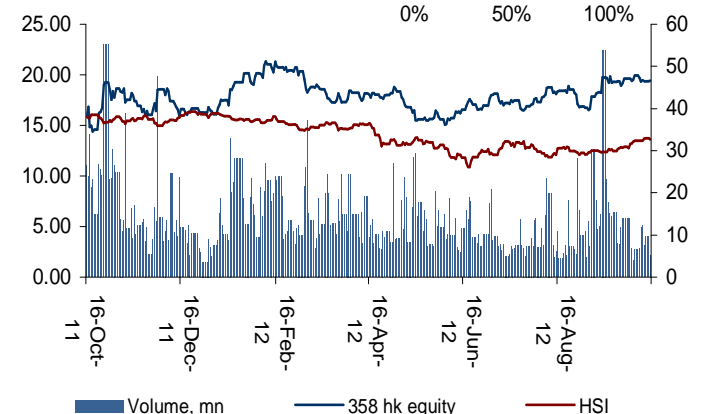


Phillip Securities (Hong Kong)
Phillip Securities Research

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Jiangxi-Copper

Rating	4.00	Reduce
- Previous Rating	n/a	Not Rated
Target Price (HKD)	17.95	
- Previous Target Price (HKD)	n/a	
Closing Price (HKD)	19.44	
Expected Capital Gains (%)	-7.7%	
Expected Dividend Yield (%)	-	
Expected Total Return (%)	-7.7%	
Raw Beta (Past 2yrs weekly data)	1.63	
Market Cap. (HKD bn)	82,819	
Enterprise Value (HKD mn)	69,709	
52 week range (HKD)	14.382 - 21.335	
Closing Price in 52 week range		



Key Financial Summary

FYE	2010	2011	2012E	2013E
Revenue (CNY mn)	76,139	117,119	131,759	144,935
Net Profit, adj. (CNY mn)	4,987	6,586	4860	5,451
EPS, adj. (CNY)	1.59	1.90	1.40	1.57
P/E (X),adj.	9.9	8.3	11.2	10.0
BVPS (CNY)	9.97	11.50	12.70	13.90
P/B (X)	1.58	1.37	1.24	1.13
DPS (CNY)	-	-	-	-
Div. Yield (%)	0.00	0.00	0.00	0.00

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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Financial Data

Income Statement

Unit:mn CNY	2009	2010	2011	2012E	2013E
Revenue	51430.62	76138.87	117119.20	131759.10	144935.01
Cost	(46452.74)	(68092.33)	(107347.90)	(123450.08)	(135795.09)
Gross Profit	4977.89	8046.54	9771.30	8309.02	9139.92
Other Revenue	94.84	159.63	100.07	107.58	118.34
Administrative Expenses	(1492.97)	(1642.95)	(2375.79)	(2494.58)	(2569.41)
Operating Profit	3579.76	6563.23	7495.59	5922.02	6688.84
Finance Expense	(361.21)	(444.04)	(731.23)	(950.60)	(1140.71)
Other Income & Loss	(7.72)	(57.76)	944.22	755.38	868.69
EBIT	3210.82	6061.42	7708.58	5726.80	6416.81
Tax	(829.52)	(1015.03)	(1060.39)	(801.75)	(898.35)
Minority Interest	1.92	(58.82)	(61.27)	(64.33)	(67.55)
Net Profit	2383.23	4987.58	6586.92	4860.72	5450.91

Balance Sheet

Unit:mn CNY	2009	2010	2011	2012E	2013E
Current asset	20987.82	34874.67	46201.59	55441.91	62372.15
Non-current asset	17439.87	19970.11	21948.04	23594.14	25363.70
Total asset	38427.70	54844.77	68149.63	79036.05	87735.85
Current liabilities	9898.55	14104.19	22020.37	28626.48	32920.45
Non-current liabilities	5354.04	6203.17	6323.27	6481.35	6643.38
Total liabilities	15252.59	20307.37	28343.63	35107.83	39563.83
Total equity	23175.11	34537.41	39806.00	43928.22	48172.02
Shares	3022.83	3462.73	3462.73	3462.73	3462.73
EPS (CNY)	0.79	1.59	1.90	1.40	1.57
Book value per share(CNY)	7.67	9.97	11.50	12.69	13.91
Equity/Asset (%)	60.31%	62.97%	58.41%	55.58%	54.91%
ROA (%)	6.20%	9.09%	9.67%	6.15%	6.21%
ROE (%)	10.28%	14.44%	16.55%	11.07%	11.32%
P/E(x)	19.93	9.90	8.29	11.22	10.00
P/B(x)	2.05	1.58	1.37	1.24	1.13
Div.(CNY)	-	-	-	-	-

(Source: Company Report, PSR est.)

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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