

YANKUANG ENERGY GROUP COMPANY LIMITED (1171.HK)

Spending more than RMB 10 billion to acquire Xibei Mining, coal production capacity is expected to be released faster  
China | Coal |

Financial performance

Due to the decline in coal price, the company's sales revenue in 2024 was 124.53 billion yuan (RMB, the same below) with a year-on-year decrease of 6.2%, of which the coal business revenue was 91.62 billion yuan with a year-on-year decrease of 10.2%, and the output of commercial coal reached 142 million tons with a year-on-year increase of 10.39 million tons. Among them, the output of Shaanxi-Inner Mongolia base increased by 6.66 million tons year-on-year, becoming the largest core growth pole which contributed the most. The output of Australian base increased by 3.43 million tons year-on-year, firmly ranking as Australia's largest dedicated coal producer; coal chemical business revenue was 25.22 billion yuan with a year-on-year decrease of 4.5%, and chemical product output reached 8.70 million tons with a year-on-year increase of 1.15 million tons; power generation business revenue was 2.54 billion yuan with a year-on-year decrease of 2.0%; other business revenue was 5.15 billion yuan with a year-on-year increase of 196.5%. Gross profit was 41.83 billion yuan with a year-on-year decrease of 17.3%. The net profit attributable to the parent company was 14.06 billion yuan with a year-on-year decrease of 26.9%. EPS was 1.42 yuan with a year-on-year decrease of 27.9%. The annual total dividend was 0.77 yuan per share, indicating that the company attached importance to shareholders' returns.

Good results in cost control, continued efforts to reduce costs and increase efficiency in 2025

The company strictly controlled production costs and period expenses with remarkable results. In 2024, the sales cost of self-produced coal per ton was 345.4 yuan with a year-on-year decrease of 5.4%; the unit sales cost of methanol was 1,454 yuan/ton with a year-on-year decrease of 14.6%; the unit sales cost of acetic acid was 2,147 yuan/ton with a year-on-year decrease of 6.8%. The company actively optimized its debt structure, reduced financial expenses, and further reduced its debt-to-asset ratio. In 2024, the company's average financing rate was 2.98%, falling to the lowest level in history; it implemented H-share issuance and raised 4.5 billion yuan; effectively saved 830 million yuan in financial expenses; and reduced its debt-to-asset ratio to 63%. In 2025, the company will continue to promote the strategy of reducing costs and increasing efficiency and try to reduce the sales cost per ton of coal by 3%; the sales cost of methanol will decline by 60 yuan/ton; and the sales cost of acetic acid will not increase. The comprehensive financing cost will decline by 6%, financial expenses will decline by 300 million yuan, and the debt-to-asset ratio is expected to be below 60%.

Spending more than RMB 10 billion to acquire Xibei Mining, coal production capacity is expected to be released faster

Recently, the company issued an announcement that it plans to spend 14.07 billion yuan to acquire 51% equity of Xibei Mining, a subsidiary of its controlling shareholder(Shandong Energy Group Company Limited). Currently, Xibei Mining has 12 coal enterprises under its jurisdiction, holds 14 mining rights, has a total approved production capacity of 61.05 million tons/year and owns 10 production mines with an approved production capacity of 36.05 million tons/year. As of the end of November 2024, Xibei Mining assessed that the amount of resources utilized was 6.35 billion tons and the reserves were 3.65 billion tons, and the coal resource reserves were quite rich. This transaction will help increase Yankuang Energy's revenue and net profit, increase the company's coal resource reserves and the company's coal production capacity is expected to be released faster.

28 Apr 2025

Accumulate

CMP HK\$7.92  
(Closing price as of 24 Apr)  
Target 8.48 HKD (+7.1%)

COMPANY DATA

O/S SHARES (MN) :	4076
MARKET CAP (HKD bn) :	79.52
52 - WK HI/LO (HKD):	13.95/7.28

SHARE HOLDING PATTERN, %

Shandong Energy Group Co., Ltd.	53.47%
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PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	122743	124634	130436	137515	145815
Net profit	19222	14695	15227	16018	16614
Diluted EPS (RMB)	1.97	1.42	1.54	1.68	1.86
P/B ratio, x	1.31	1.26	1.21	1.17	1.12
Dividend Yield %	20.4%	10.5%	11.2%	12.9%	13.4%

Source: Company reports, Phillip Securities Est.

Analyst

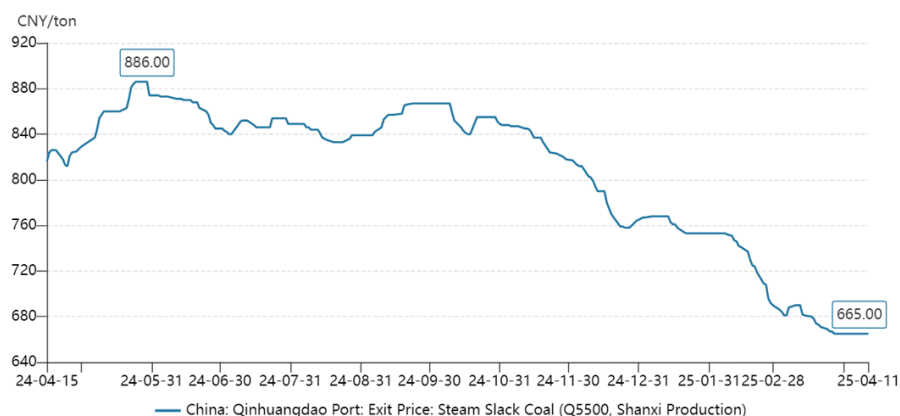
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## Company valuation

The company released guidance on its operating targets for 2025, with commercial coal production set to reach 155-160 million tons, trying to increase by more than 13 million tons year-on-year, chemical product production to reach 8.6-9 million tons, and CAPEX will be 19.5 billion yuan, with the main sources of money from self-owned funds, bank loans and bond issuance. The China Coal Industry Association released the "2024 Coal Industry Development Annual Report" which shows that this year's coal production and consumption are expected to maintain a growth trend, and coal imports will remain at a high level. In addition, the current level of coal reserves in society is relatively high. The supply and demand in the coal market throughout the year will be in a relatively balanced situation and then shift towards situation with more supply and less demand. Therefore, we believe that coal prices will continue to fluctuate downward in 2025, but there is certain support on the demand side, so the downward space is small and the company's coal business revenue is expected to improve. In terms of chemical business, the company expects that the growth rate of methanol and acetic acid industry production capacity will slow down in 2025, and the loose supply and demand pattern will continue. The prices of polyoxymethylene and caprolactam are expected to remain at a medium-to-high level. The price center of the company's chemical products is generally stable, and the price of high-end chemical products has strong support.

**Chart 1: Price of domestic coal**

秦皇岛港:平仓价:动力末煤(Q5500,山西产)

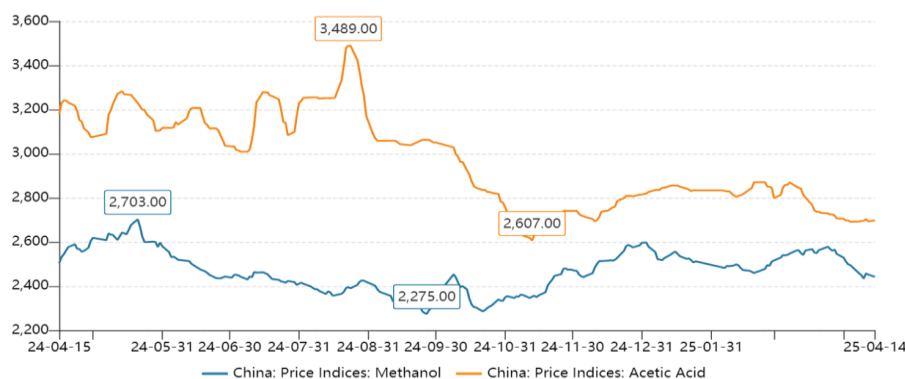


Source : Wind

Resources : Wind · PSHK

**Chart 2: Domestic and Overseas Chemical Products Indices**

Domestic and Overseas Chemical Products Indices



Source : Wind

Resources : Wind · PSHK

As a large-scale energy enterprise, Yankuang Energy has strong competitive advantages and growth potential in the industry. We raise our forecast for the company's revenue in 2025. We predict that the company's revenue will be 130.4 billion yuan, 137.5 billion yuan and 145.8 billion yuan respectively in 2025-2027. EPS will be 1.54/1.68/1.86 yuan. BVPS will be 6.14/6.37/6.61, corresponding to the P/B of 1.21x/1.17x/1.12x. The company's profit is expected to grow. The company is given a P/B of 1.3 times in 2025, with a target price of HK\$8.48, and we maintain investment rating as "Accumulate". (Current price as of Apr 24)

### **Risk factors**

Energy policy impact, geopolitics, electricity demand, and production safety accidents.

## Financial

### Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Total revenue	132743	124534	130436	137515	145815
Total cost of sales	-82157	-82704	-85556	-88741	-92286
Gross profit	50586	41830	44880	48774	53529
Selling, general and administrative expenses	-16905	-16358	-16889	-17805	-18880
Share of results of associates	2198	2220	2242	2265	2287
Share of results of joint ventures	63	74	87	102	120
Other income and gains	4306	3239	3773	3773	3773
Finance costs	-4493	-4137	-4374	-4611	-4890
Profit before tax	35754	26868	29719	32496	35939
Income tax expenses	-9541	-6252	-7386	-8076	-8932
Profit for the year attributable to Shareholders of the Company	19222	14056	15227	16650	18414
EPS(RMB)	1.97	1.42	1.54	1.68	1.86
DPS(RMB)	1.49	0.77	0.84	0.92	1.02
Dividend payout ratio	75.5%	55.0%	55.0%	55.0%	55.0%
Weighted shares outstanding	9746	9913	9913	9913	9913

### Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
<b>Valuation Ratio</b>					
P/B ratio	1.31	1.26	1.21	1.17	1.12
Dividend Yield, %	20.4%	10.5%	11.2%	12.9%	13.4%
<b>Per share data(RMB)</b>					
EPS	1.97	1.42	1.54	1.68	1.86
BVPS	5.69	5.91	6.14	6.37	6.61
DPS(HKD)	1.61	0.83	0.89	1.02	1.06
<b>Growth &amp; Margin</b>					
<b>Growth</b>					
Revenue Growth	-14.1%	-6.2%	4.7%	5.4%	6.0%
Gross Profit Growth	-31.4%	-17.3%	7.3%	8.7%	9.8%
EBITDA Growth	-22.6%	-16.6%	6.6%	7.2%	8.1%
Net Profit Growth	-36.8%	-26.9%	8.3%	9.3%	10.6%
<b>Margin</b>					
Gross Profit Margin	38.1%	33.6%	34.4%	35.5%	36.7%
EBITDA Margin	41.4%	36.8%	37.5%	38.1%	38.8%
Net Profit Margin	14.5%	11.3%	11.7%	12.1%	12.6%
<b>Key Ratios</b>					
ROE	34.7%	24.0%	25.0%	26.3%	28.1%
ROA	5.5%	3.9%	4.1%	4.3%	4.7%

### Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Current assets</b>					
Inventories	7744	7625	7578	7872	7492
Accounts receivable	12517	13189	10808	14491	12335
Cash and cash equivalents	30352	30495	40910	45614	46826
Others	46236	46826	46826	46826	46826
Total current assets	96849	98135	106123	114803	113480
<b>Non-current assets</b>					
PPE	138348	140903	142665	144231	145561
Others	117162	117312	122669	127965	133184
Total non-current assets	255510	258215	265334	272196	278745
Total Assets	352359	356350	371457	386999	392225
<b>Current liabilities</b>					
Accounts and bills payable	26056	27472	27078	29174	29836
Bank borrowings	24108	37715	39220	40620	38466
Others	73537	52369	50095	47049	43726
Total current liabilities	123701	117557	116393	116843	112028
<b>Non-current liabilities</b>					
Bank borrowings	76080	73082	76082	78784	74784
Others	35209	33726	32931	32151	31443
Total non-current liabilities	111288	106808	109013	110935	106227
Total liabilities	234989	224365	225405	227777	218254
Equity attributable to equity holders of the Company	55459	58610	60889	63195	65569
Non-controlling interests	45370	50108	55953	60998	66648
Total equity	117370	131985	146052	159222	173970
Total liabilities and equity	352359	356350	371457	386999	392225

**Consolidated Statement of Cash Flow**

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
<b>CFO</b>	16786	23140	30311	27931	35647
Profit before tax	35754	26867	29719	32496	35939
Depreciation and Amortization	14722	14830	14766	15260	15787
Change in working capital	-9665	1296	2034	-1881	3198
Others	-24025	-19853	-16207	-17944	-19278
<b>CFI</b>	-14085	-16503	-16491	-16892	-17087
Others	3507	1573	960	777	777
Purchase of property, equipment and intangible assets	-17592	-18076	-17452	-17670	-17864
<b>CFF</b>	-31261	-6408	-3405	-6336	-17347
Others	-109919	-61069	-41390	-40522	-48115
Cash received from borrowing	78658	54661	37985	34187	30768
<b>Effect of exchange rate changes on cash</b>					
<b>Net Change in Cash</b>	-28560	229	10415	4703	1213
Cash, CE and Restricted cash at Beg	58408	30352	30495	40910	45614
Restricted currency funds for disbursements	504	-87	0	0	0
<b>Cash, CE and Restricted cash at Y/E</b>	30352	30494	40910	45614	46826

Current Price as of: 24 Apr

Source : PSHK 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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