China Molybdenum（3993.HK）

Performance Rebound is yet to come

Bloomberg | Reuters | POEMS
3993.HK | 3993.HK | 3993.HK
Industry: Metal & Mining

Phillip Securities (Hong Kong) Ltd
Phillip Securities Research

6 November 2012

Report type: Initial Coverage
Rating: Neutral CP:HKD 3.38 TP:HKD 3.55

Company Profile

China Molybdenum is focus on mining, smelting and deep processing of molybdenum and wolfram as well as scientific research, producing and trade. Its market value is in top 30 in the world mining industry.

Summary

This is our initial analysis on China Molybdenum. The operation results in the 3rd quarter had been maintaining the recession from the 2nd quarter, the net profit and EPS had decreased greatly.

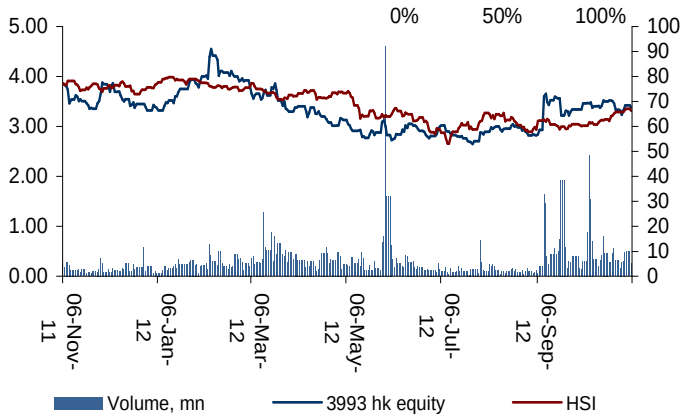
The recession of steel industry has been negatively affecting the demand of molybdenum, the decline of price and demand are the main reasons of revenue decrease.

The complete of A stock IPO could provide fund to the work of construction of wolfram industry chain, but since the time is relative long, the work has little improvement to operation results in 2012.

The financial condition is fine in report period, most financial indicators have been improving and didn't affect by revenue decline. The whole financial stability of China Molybdenum is reliable.

The EPS of 2011FY is CNY 0.23, we estimate that the performance in the 4th quarter is hard to improve, so the EPS in the 2012FY is CNY 0.22, the target price in next 6 months is HKD 3.55 under 13x P/E, the rating is Neutral.

China Molybdenum		
Rating	**3.00**	**Neutral**
- Previous Rating	*n/a*	*Not Rated*
Target Price (HKD)	**3.55**	
- Previous Target Price (HKD)	*n/a*	
Closing Price (HKD)	3.38	
Expected Capital Gains (%)	5.0%	
Expected Dividend Yield (%)	0.0%	
Expected Total Return (%)	**5.0%**	
Raw Beta (Past 2yrs weekly data)	1.44	
Market Cap. (HKD bn)	**42,557**	
Enterprise Value (HKD mn)	**33,563**	
52 week range (HKD)	2.65 - 4.55	
Closing Price in 52 week range		



Key Financial Summary

FYE	**2010**	**2011**	**2012E**	**2013E**
Revenue (CNY mn)	4,308	6,002	4,981	5,997
Net Profit, adj. (CNY mn)	1,021	1,123	1,069	1,285
EPS, adj. (CNY)	1.05	0.23	0.22	0.26
P/E (X),adj.	2.6	11.7	12.3	10.3
BVPS (CNY)	12.00	2.37	3.13	3.28
P/B (X)	0.23	1.14	0.86	0.82
DPS (CNY)	0.00	0.00	0.00	0
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	2,957.15	4,307.70	6,001.71	4,981.42	5,977.70
Cost	(2,112.24)	(2,643.70)	(4,073.88)	(3,483.17)	(4,179.80)
Gross Profit	844.91	1,664.00	1,927.83	1,498.25	1,797.90
Other Revenue	-	-	10.43	11.47	12.62
Administrative Expense	(296.74)	(350.10)	(455.75)	(501.33)	(576.52)
Operating Profit	548.18	1,313.91	1,482.51	1,008.40	1,233.99
Finance Expense	(21.36)	(41.79)	(87.92)	(74.73)	(82.21)
Other Income & Loss	182.51	143.39	142.34	149.46	156.93
EBIT	707.79	1,414.70	1,533.11	1,083.12	1,308.72
Tax	(181.40)	(357.87)	(372.28)	(54.16)	(65.44)
Minority Interest	31.30	36.14	37.99	39.89	41.88
Net Profit	495.09	1,020.69	1,122.84	1,068.85	1,285.16

Balance Sheet

Unit:mn CNY	2009	2010	2011	2012E	2013E
Current asset	7001.48	6206.07	7002.27	7702.50	8087.63
Non-current asset	5259.48	7503.57	8394.46	8814.18	9254.89
Total asset	12260.96	13709.64	15396.73	16516.68	17342.52
Current liabilities	3508.82	1931.76	1138.54	996.22	1095.85
Non-current liabilities	119.47	77.49	320.34	240.25	264.28
Total liabilities	1258.01	2009.25	3829.16	1236.48	1360.12
Total equity	11002.94	11700.39	11567.58	15280.21	15982.39
Shares	975.23	975.23	4876.17	4876.17	4876.17
EPS（CNY）	0.51	1.05	0.23	0.22	0.26
Book value per share(CNY	11.28	12.00	2.37	3.13	3.28
Equity/Asset (%)	89.74%	85.34%	75.13%	92.51%	92.16%
ROA (%)	4.04%	7.45%	7.29%	6.47%	7.41%
ROE (%)	4.50%	8.72%	9.71%	7.00%	8.04%
P/E(x)	5.33	2.58	11.74	12.34	10.26
P/B(x)	0.24	0.23	1.14	0.86	0.82
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 ± 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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