HOLT APAC

APxJ Gold miners - Market-implied expectations after the YTD correction

Equities

Asia Pacific

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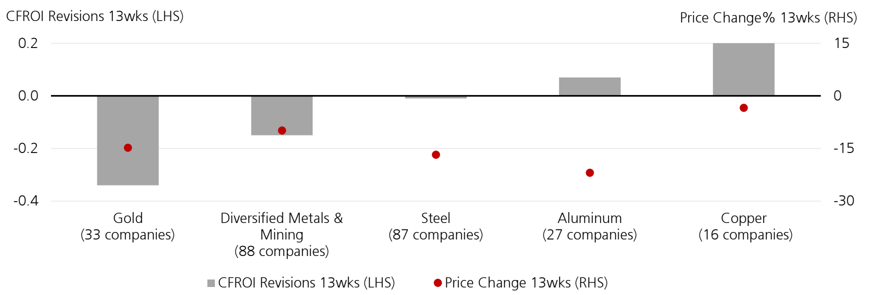
The YTD correction has pushed market-implied expectations lower across APxJ gold miners, even as forecast CFROI approaches a 20-year high. HOLT analysis suggests that implied expectations have normalized meaningfully for some names, such as Zijin Mining and Wanguo Gold, relative to their historical mid-cycle CFROI levels.

Gold miners have seen the most negative CFROI revisions

APxJ Metals & Mining stocks have come under pressure since 2Q26 as weaker commodity prices and more cautious investor sentiment weighed on the sector. Gold miners recorded the most negative three-month CFROI revisions, alongside a nearly 25% correction in gold price from its year-to-date peak. Market expectations have reset lower, raising the question of how much normalization is already reflected in valuations.

Figure 1: APxJ Metals & Mining price performance and CFROI revisions (13wks)



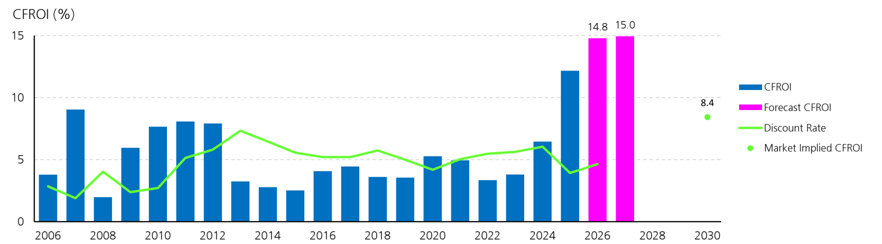
Source: UBS HOLT. Metals & Mining (GICS 3); aggregate is on an asset-weighted basis. Chart is sorted from left to right by 13-week CFROI revisions, from most negative to positive.

APxJ Gold aggregate CFROI is forecast to reach a 20-year high

Despite weaker near-term earnings sentiment, consensus-derived CFROI is forecast to rise from 12% in 2025 to c.15% in 2026/27, its highest level in 20 years (Figure 2). The 2025 gold rally lifted margins to a higher base, providing a buffer against the recent gold-price pullback and supporting profitability above historical levels.

UBS Research also notes that the key drivers behind the recent gold bull market remain in place, including central bank accumulation, rising sovereign debt burdens, and ongoing geopolitical and monetary de-dollarization trends, which should continue to support medium-term gold demand.

Figure 2: APxJ Gold aggregate CFROI



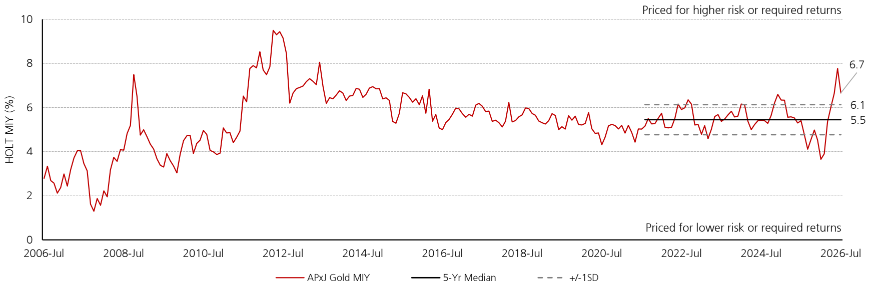
Source: UBS HOLT. Aggregate is on an asset-weighted basis.

HOLT Market Implied Yield suggests valuations are attractive if forecast CFROI holds

The share price correction has lifted APxJ Gold's HOLT Market Implied Yield (MIY) to one standard deviation above its mid-cycle average over the last 5 years. If forecast CFROI can be sustained, valuations appear attractive relative to history.

The HOLT MIY is the yield that equates the present value of HOLT's forecast cash flows to a firm's current enterprise value.

Figure 3: APxJ Gold Aggregate HOLT Market Implied Yield (MIY)



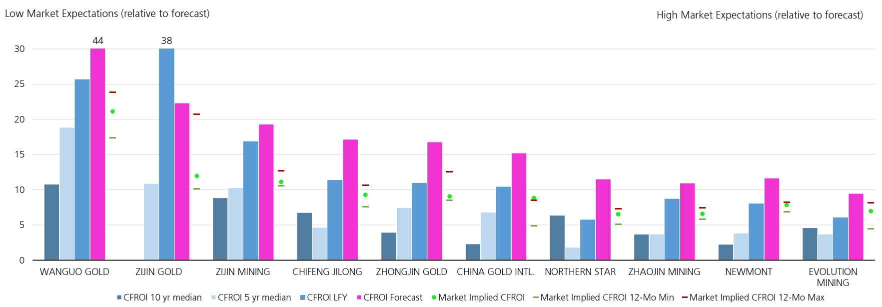
Source: UBS HOLT. Aggregate is on an asset-weighted basis.

Market expectations diverge across Gold miners

Following the recent sector de-rating, market-implied CFROIs are now below near-term consensus forecasts across all of the largest APxJ gold companies (Figure 4). Expectations have normalized most meaningfully for Zijin Mining and Wanguo Gold, with market-implied CFROIs (green dots) closest to their historical mid-cycle levels (5-year median). In addition, Zijin Mining's implied CFROI is near the bottom of its 12-month range, suggesting investor expectations are near their most cautious level over the past year.

At the other end of the spectrum, Evolution Mining's market-implied CFROI remains close to forecast levels and near the upper end of its historical range. Current valuations reflect a resilient profitability outlook, leaving less room for disappointment if margins or growth moderate further.

Figure 4: APxJ Gold miners' CFROI benchmarking



Source: UBS HOLT.

Zijin Mining - testing the assumptions embedded in valuation

HOLT Flex Valuation helps quantify the sales growth and EBITDA margin assumptions embedded in Zijin Mining's current valuation, allowing investors to benchmark them against near-term consensus forecasts.

IBES consensus forecasts Zijin Mining's sales growth to accelerate to 33% in 2026 before moderating to 3% by 2028, while EBITDA margin is expected to expand to 32% in 2028. Assuming sales growth reaches 6% in 2029–30E, versus a five-year median of 14.6%, the current valuation implies an EBITDA margin of 26.8% beyond 2028E, c.10% below the near-term consensus forecast of 30%. Figure 6 provides a sensitivity analysis for potential upside and downside under different sales growth and EBITDA margin assumptions.

Figure 5: Zijin Mining's market-implied CFROI

Source: UBS HOLT.

Figure 6: Zijin Mining's valuation sensitivity matrix

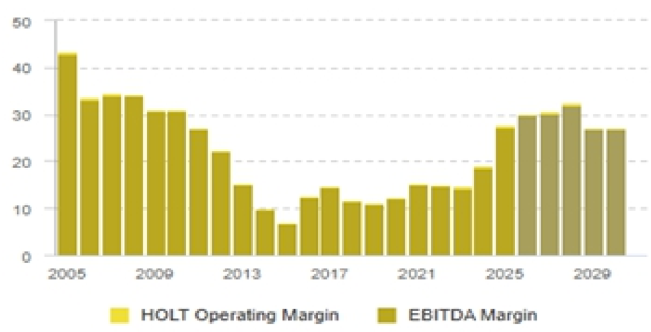
EBITDA Margins (2029-2030)	Sales Growth (2029-2030) 2.0%	4.0%	6.0%	8.0%	10.0%
22.8%	-21%	-17%	-12%	-6%	1%
24.8%	-16%	-11%	-6%	1%	8%
26.8%	-12%	-6%	0%	7%	15%
28.8%	-7%	-1%	6%	14%	22%
30.8%	-2%	4%	12%	20%	30%

Source: UBS HOLT.

Figure 7: Zijin Mining's market-implied sales growth vs. history

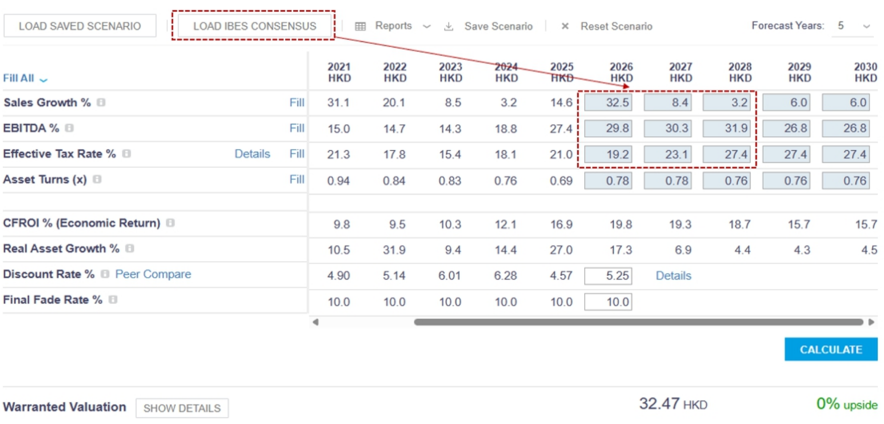
Source: UBS HOLT.

Figure 8: Zijin Mining's market-implied EBITDA margins vs. history



Source: UBS HOLT.

Figure 9: [Zijin Mining's market-implied scenario]



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Fill All		2021 HKD	2022 HKD	2023 HKD	2024 HKD	2025 HKD	2026 HKD	2027 HKD	2028 HKD	2029 HKD	2030 HKD
Sales Growth %	Fill	31.1	20.1	8.5	3.2	14.6	32.5	8.4	3.2	6.0	6.0
EBITDA %	Fill	15.0	14.7	14.3	18.8	27.4	29.8	30.3	31.9	26.8	26.8
Effective Tax Rate %	Details Fill	21.3	17.8	15.4	18.1	21.0	19.2	23.1	27.4	27.4	27.4
Asset Turns (x)	Fill	0.94	0.84	0.83	0.76	0.69	0.78	0.78	0.76	0.76	0.76
CFROI % (Economic Return)		9.8	9.5	10.3	12.1	16.9	19.8	19.3	18.7	15.7	15.7
Real Asset Growth %		10.5	31.9	9.4	14.4	27.0	17.3	6.9	4.4	4.3	4.5
Discount Rate %	Peer Compare	4.90	5.14	6.01	6.28	4.57	5.25	Details			
Final Fade Rate %		10.0	10.0	10.0	10.0	10.0	10.0				

CALCULATE

Warranted Valuation SHOW DETAILS 32.47 HKD 0% upside

Source: UBS HOLT.

Valuation Method and Risk Statement

The HOLT methodology does not assign ratings or a target price to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the HOLT valuation model, that are consistently applied to all the companies included in its database. The HOLT valuation model is a discounted cash flow model. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders.

The default scenario that is produced by the HOLT valuation model establishes a warranted price that represents the expected mean value for a security based upon empirically derived fade algorithms that forecast a firm's future return on capital and growth rates over an extended period of time. As the third-party data are updated, the warranted price updates automatically. A company's future achieved return on capital or growth rate may differ from HOLT default forecast. Additional information about the HOLT methodology is available upon request.

HOLT Business Resilience Dashboard (HBRD) Disclaimer

The HOLT Business Resilience Dashboard (HBRD) is constructed by applying systematic processes on publicly available records and third-party data to generate quantitative measures. The HBRD consistently assigns scores using a transparent combination of metrics and weights across financial, environmental and governance inputs. Individual companies can be scored on a global-size and/or region-size relative basis. The HBRD is also translated into five textual assessments (e.g. "Highest" or "Lowest") based on their quintile percentile rank. For further details on the HBRD methodology HOLT Business Resilience Primer please contact UBS Securities LLC, 11 Madison Avenue, New York, NY 10010, USA, Attention: Investment Research. The HBRD does not constitute or imply any endorsement or recommendation of any individual company. UBS has not sought to independently verify information obtained from public and third-party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information due to inconsistent reporting of data by companies. Additionally, as global laws, guidelines and regulations in relation to the tracking and provision of such data are evolving, all such disclosures are made on a non-reliance basis and are subject to change. Any figures, values or other data published in this report are neither designed nor administered in line with the standards of the IOSCO Principles for Financial Benchmarks or the EU Benchmarks Regulation (EU) 2016/1011 or any other benchmark related regulatory guidelines and as such you are prohibited from using those figures, values or data in a way which would amount to use of a financial benchmark under those regimes (or any equivalent rules or regulations in any global jurisdiction).

HOLT transferred to UBS on October 1, 2024 – renamed as UBS HOLT. The UBS HOLT Lens website and materials will be transitioning to UBS branding over time, with expected full redesign to UBS in time.