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Shandong Gold -A/H

2Q26 sequential recovery, but still lagging FY expectations

Asia Basic Materials

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SD Gold's 1H26 NPAT (post-perp) came in at Rmb3.3bn, up 29% YoY, with 2Q26 earnings (post-perp) up 49% QoQ to Rmb1.97bn (+19% YoY), mainly due to a low base in 1Q26 on high costs. However, the 1H26 result still only tracks 44% of our/ Bloomberg FY26E expectations, while mine-produced gold volume remains below the run-rate, with 1H26 production of 19.1t tracking only ~39% of the company's 49t FY26 production target. We believe the production shortfall was mainly due to Shandong-area safety inspections, with the company flagging a potential impact on 2026 mine-gold output targets. Based on the latest commodity price movements and the 2Q26 result, we adjust our FY26-28E earnings by (-10% to +15%). While macro factors and the gold price continue to be more important share price drivers, we expect SD Gold to underperform peers.

- **2Q26 earnings recovered QoQ, but reads more like normalization.** 2Q26 NPAT to shareholders (post-perp) was Rmb1.97bn, up 49% QoQ, while core earnings (post-perp) were Rmb1.96bn, up 46% QoQ. 2Q26 GP margin rose to 30.8% (+14.5ppt QoQ), supported by a sharper decline in unit COGS (with 1Q26 costs unusually high) than the gold price, in our view. The sequential recovery is supportive, but we do not view it as sufficient to offset the still-weak volume run-rate into 2H.
- **Volume remains the core issue and drives a difficult 2H ramp.** 1H26 mine-produced gold production of 19.1t implies only ~39% progress against the 49t FY26 target, with mine-produced gold sales of 19.96t down 15% YoY. This implies a materially higher 2H production requirement than the 1H run-rate, which we see as challenging given ongoing operating constraints.
- **Shandong safety inspections are likely the key swing factor into 2H26.** The company has explicitly highlighted that tighter safety oversight and related operational adjustments may impact 2026 mine-gold output and full-year operating targets. In our view, this keeps downside skewed to volume delivery versus guidance.
- **New exploration right announced.** Shandong Gold's wholly owned Jinzhou subsidiary won the Jinqingding peripheral gold exploration right for Rmb70.75m (subject to final procedures and exploration/permit conversion), which is supportive for future resource reserves and regional integration.
- **Earnings and PTs updated.** Without clarity on Shandong safety inspections, we conservatively revise down our FY26–28E mine-produced gold output by (0–11%) to 44/51/59t. Factoring in the latest commodity price moves, we adjust our FY26–28E earnings forecasts by -10% to +15% and raise our Dec-27 price targets for SD Gold – A/H to Rmb33 / HK$25. We expect a muted stock reaction, as macro factors and gold price should remain the dominant share-price drivers, and we continue to expect SD Gold to underperform peers.

See page 12 for analyst certification and important disclosures, including non-US analyst disclosures.

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Table 1: SD Gold – 2Q26 results summary

In Rmb mn	2Q26	1Q26	QoQ	YoY	1H26	1H25	YoY
Revenue	**21,072**	**32,516**	***-35%***	***-32%***	**53,588**	**56,766**	***-6%***
COGS	13,928	26,567	*-48%*	*-44%*	40,495	46,854	*-14%*
Business tax & surcharges	650	642	*1%*	*21%*	1,292	831	*55%*
Gross profit	**6,494**	**5,307**	***22%***	***22%***	**11,801**	**9,080**	***30%***
GP Margin %	*30.8%*	*16.3%*	*14.5ppt*	*13.5ppt*	*22.0%*	*16.0%*	*6.0ppt*
SG&A	958	1,105	*-13%*	*-21%*	2,062	2,068	*0%*
As % of Rev.	*4.5%*	*3.4%*	*1.1ppt*	*0.6ppt*	*3.8%*	*3.6%*	*0.2ppt*
Asset reversal/(impairment)	4	(36)	*n.m.*	*n.m.*	(32)	(24)	*n.m.*
Change in fair value gain/(loss)	(857)	21	*n.m.*	*n.m.*	(836)	(237)	*n.m.*
Investment income/(loss)	229	(104)	*n.m.*	*n.m.*	125	(386)	*n.m.*
Income from associates	7	7	*n.m.*	*n.m.*	14	23	*-40%*
EBIT	**4,918**	**4,084**	***20%***	***29%***	**9,002**	**6,397**	***41%***
EBIT Margin	*23.3%*	*12.6%*	*10.8ppt*	*10.9ppt*	*16.8%*	*11.3%*	*5.5ppt*
EBITDA	6,553	6,187	*6%*	*22%*	12,272	9,478	*29%*
Finance cost	383	463	*-17%*	*-24%*	846	914	*-7%*
Profit Before Tax	4,535	3,621	*25%*	*37%*	8,156	5,483	*49%*
NPAT to shareholders & perp	**2,097**	**1,446**	***45%***	***18%***	**3,543**	**2,808**	***26%***
Net Margin	*10.0%*	*4.4%*	*5.5ppt*	*4.2ppt*	*6.6%*	*4.9%*	*1.7ppt*
Net profit attributed to owners of perp	124	122	*1%*	*-1%*	246	248	*-1%*
NPAT to Common Shareholders	**1,973**	**1,323**	***49%***	***19%***	**3,297**	**2,560**	***29%***
Core earnings	**1,957**	**1,340**	***46%***	***18%***	**3,544**	**2,810**	***26%***
EPS	**0.430**	**0.290**	***48%***	***16%***	**0.720**	**0.570**	***26%***
Mine produced gold							
Sales Volume (kg)	10,253	9,707	*6%*	*-19%*	19,960	23,600	*-15%*
ASP (Rmb/g)					1,030	721	*43%*
Unit COGS (Rmb/g)					450	345	*30%*
Unit GP (Rmb/g)					580	376	*54%*
Cash Flow							
Operating Cash Flow	1,675	6,095	*-73%*	*-79%*	7,771	10,503	*-26%*
Free Cash Flow	(1,463)	3,363	*-143%*	*-127%*	1,901	4,817	*-61%*
Balance Sheet							
Net debt/(cash)	49,942	46,458	*7%*	*-3%*	49,793	51,364	*-3%*
Net gearing	74%	70%	*3.8ppt*	*-10.3ppt*	74%	84%	*-10.3ppt*
DPS					0.10	0.18	*-44%*
Payout ratio					*14.0%*	*31.5%*	*-17.5ppt*

Source: Company data, J.P. Morgan.

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
Shandong Gold - A	600547 CH	23,626	CNY	35.49	N	n/c	33.00	Dec-27	28.00	n/c
Shandong Gold - H	1787 HK	14,564	HKD	25.52	N	n/c	25.00	Dec-27	22.50	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change.All prices as of 28 Aug 26.

Adj. EPS Estimate Changes

Rmb		FY26E			FY27E		
Company	BBG Ticker	Prev	Cur	Δ	Prev	Cur	Δ
Shandong Gold - A	600547 CH	1.86	1.68	(9.39%)	1.92	2.18	13.79%
Shandong Gold - H	1787 HK	1.86	1.68	(9.39%)	1.92	2.18	13.79%

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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Neutral

600547.SS, 600547 CH
Price (28 Aug 26):Rmb35.49

▲**Price Target (Dec-27):Rmb33.00**
Prior (Dec-27):Rmb28.00

Shandong Gold - A

Maintain Neutral

Without clarity on Shandong safety inspections, we conservatively revise down our FY26–28E mine-produced gold output by (0–11%) to 44/51/59t. Factoring in the latest commodity price moves, we therefore adjust our FY26–28E earnings forecasts by -10% to +15% and raise our price target to Rmb33. While macro factors and the gold price continue to be more important share price drivers, we expect SD Gold to underperform peers.

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.86	1.68	-9.4%
Adj. EPS - 27E (Rmb)	1.92	2.18	13.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	57	67	67	89	66
Growth	26	9	19	32	91
Momentum	84	12	20	11	91
Quality	59	66	68	67	77
Low Vol	69	52	35	26	19

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



	YTD	1m	3m	12m
Abs	-8.3%	33.4%	22.6%	7.6%
Rel	-7.9%	29.8%	26.1%	4.7%

Company Data

Shares O/S (mn)	4,473
52-week range (Rmb)	65.55-22.55
Market cap ($ mn)	23,626
Exchange rate	6.72
Free float (%)	41.9%
3M ADV (mn)	79.04
3M ADV ($ mn)	336.9
Volatility (90 Day)	55
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	11|2|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	104,287	124,022	139,448	150,415
EBITDA	18,285	23,241	28,971	33,281
Adj. EBITDA	18,285	23,241	28,971	33,281
Adj. EBIT	10,998	16,724	21,160	24,359
Adj. net income	6,457	7,750	10,059	11,738
Net income	4,232	7,275	9,583	11,263
Adj. EPS	1.43	1.68	2.18	2.55
BBG EPS	1.33	1.73	2.09	2.44
Net debt	48,072	48,983	47,013	41,365
Cashflow from operations	21,493	21,463	25,155	28,237
Investing cashflow	(13,609)	(18,276)	(17,911)	(16,424)
FCFF	8,409	3,187	7,244	11,813
Margins and Growth				
Revenue Growth Y/Y (%)	26.4%	18.9%	12.4%	7.9%
EBITDA Growth Y/Y (%)	41.0%	27.1%	24.7%	14.9%
Adj. EPS growth	92.3%	17.2%	29.8%	16.7%
Ratios				
Adj. tax rate	27.1%	27.1%	27.1%	27.1%
Net debt/EBITDA	2.6	2.1	1.6	1.2
ROCE	8.7%	12.3%	14.6%	15.8%
ROE	23.1%	22.9%	25.2%	24.9%
Valuation				
FCFF yield	5.3%	1.9%	4.4%	7.2%
Dividend yield	1.0%	1.7%	2.3%	2.7%
EV/Revenue	2.3	2.0	1.8	1.6
EV/EBITDA	13.1	10.5	8.5	7.4
Adj. P/E	24.7	21.1	16.3	13.9
P/ BV	3.6	3.2	2.9	2.5

Summary Investment Thesis and Valuation

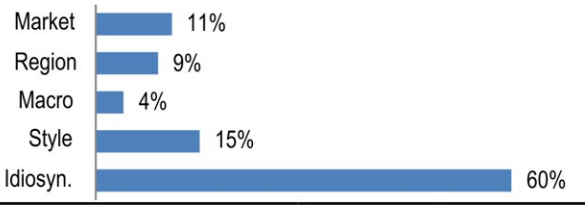
Investment Thesis

As China's largest domestic pure gold miner, SD Gold maintains a high-quality asset base and has delivered an 8% self-mined production CAGR from 2022 to 2024. We forecast a 32% earnings CAGR from 2025 to 2028, though this is predominantly price-driven rather than operationally driven, and subject to execution risk as production scales domestically and overseas. Structural headwinds — rising unit COGS, sector-low ROLTA of ~4%, and elevated leverage — weigh on earnings quality, and weaker earnings conversion vs. peers underpins our Neutral rating.

Valuation

Our Dec-2027 price target of Rmb33 is based on a DCF valuation with a WACC of 6% and a terminal growth rate of 2%. Our PT implies a FY27E P/E multiple of 11x and a FY27E EV/EBITDA multiple of 7.7x.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.42	0.33
Region: China	0.63	0.32
Macro:		
Emerging Economies CPI(YoY)	0.47	0.26
Markit EM Composite PMI SA	-0.23	-0.16
Generic 1st 'CO' Future	-0.05	-0.15
Quant Styles:		
Size	-0.41	-0.41
Quality	0.44	0.25
LowVol	0.24	0.17

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

Shandong Gold - A *(Neutral; Price Target: Rmb33.00)*

Investment Thesis

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Valuation

Our Dec-2027 price target of Rmb33 is based on a DCF valuation with a WACC of 6% and a terminal growth rate of 2%. Our PT implies a FY27E P/E multiple of 11x and a FY27E EV/EBITDA multiple of 7.7x.

Table 3: SD Gold – DCF Valuation

Breakdown	Rmb/shr
Mine produced gold	43.9
Purchased gold	4.9
Small gold bar	0.9
Trade	0.4
Others	1.5
GAV per share	**51.6**
Net debt/(cash)	(10.2)
Perp	(3.0)
Minority	(5.8)
NAV per share	**33**

Source: Company data, J.P. Morgan estimates.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) weaker-than-expected gold prices; 2) safety and environmental management risks surrounding the Shandong Province mines; 3) slower-than-expected project progress; 4) higher-than-expected operational costs; and 5) higher-than-expected investment losses exceeding projections.

Upside risks include: 1) Higher-than-expected gold prices; 2) better-than-expected mine production and reserve growth; 3) lower-than-expected mine gold costs; 4) better-than-expected progress in overseas project production ramp-up.

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Shandong Gold - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**82,518**	**104,287**	**124,022**	**139,448**	**150,415**
COGS	(68,902)	(82,950)	(98,992)	(108,943)	(115,969)
Gross profit	**12,320**	**19,118**	**22,391**	**27,537**	**31,244**
SG&A	(3,040)	(3,781)	(4,497)	(5,056)	(5,454)
Adj. EBITDA	**12,966**	**18,285**	**23,241**	**28,971**	**33,281**
D&A	(4,995)	(7,287)	(6,517)	(7,810)	(8,922)
Adj. EBIT	**7,970**	**10,998**	**16,724**	**21,160**	**24,359**
Net Interest	1,884	1,778	1,768	1,778	1,757
Adj. PBT	**5,682**	**9,089**	**14,924**	**19,351**	**22,571**
Tax	(1,243)	(2,462)	(4,042)	(5,241)	(6,114)
Minority Interest	(1,488)	(1,888)	(3,099)	(4,019)	(4,687)
Adj. Net Income	**3,332**	**6,457**	**7,750**	**10,059**	**11,738**
Reported EPS	0.57	0.94	1.58	2.08	2.44
Adj. EPS	**0.75**	**1.43**	**1.68**	**2.18**	**2.55**
DPS	**0.23**	**0.35**	**0.61**	**0.80**	**0.94**
Payout ratio	40.0%	37.7%	38.6%	38.6%	38.6%
Shares outstanding	4,468	4,502	4,610	4,610	4,610

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	11,077	17,491	16,580	18,550	24,198
Accounts receivable	617	515	612	688	742
Inventories	6,820	6,904	8,240	9,068	9,653
Other current assets	13,873	13,777	15,288	16,253	16,935
Current assets	**28,701**	**33,868**	**34,467**	**37,403**	**43,733**
PP&E	50,826	59,245	71,004	81,105	88,607
LT investments	2,660	2,726	2,726	2,726	2,726
Other non current assets	20,539	17,010	17,010	17,010	17,010
Total assets	**160,660**	**170,374**	**182,733**	**195,769**	**209,602**
Short term borrowings	33,168	39,889	39,889	39,889	39,889
Payables	16,968	18,018	21,503	23,664	25,190
Other short term liabilities	12,251	14,172	14,306	14,389	14,448
Current liabilities	**62,386**	**72,079**	**75,698**	**77,943**	**79,528**
Long-term debt	30,734	25,674	25,674	25,674	25,674
Other long term liabilities	39,704	33,916	33,916	33,916	33,916
Total liabilities	**102,090**	**105,995**	**109,614**	**111,858**	**113,443**
Shareholders' equity	24,856	30,956	36,596	43,369	50,929
Minority interests	20,773	19,480	22,580	26,598	31,286
Total liabilities & equity	**160,660**	**170,374**	**182,733**	**195,769**	**209,602**
BVPS	**8.46**	**9.97**	**10.96**	**12.43**	**14.07**
y/y Growth	*13.5%*	*17.9%*	*9.9%*	*13.4%*	*13.2%*
Net debt/(cash)	52,824	48,072	48,983	47,013	41,365

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**13,340**	**21,493**	**21,463**	**25,155**	**28,237**
o/w Depreciation & amortization	4,995	7,287	6,517	7,810	8,922
o/w Changes in working capital	8,697	1,396	2,108	1,280	903
Cash flow from investing activities	**(22,801)**	**(13,609)**	**(18,276)**	**(17,911)**	**(16,424)**
o/w Capital expenditure	(22,373)	(13,084)	(18,276)	(17,911)	(16,424)
as % of sales	*27.1%*	*12.5%*	*14.7%*	*12.8%*	*10.9%*
Cash flow from financing activities	**11,004**	**(1,875)**	**(4,098)**	**(5,274)**	**(6,165)**
o/w Dividends paid	(2,117)	(2,954)	(1,635)	(2,811)	(3,702)
o/w Shares issued/(repurchased)	3,000	7,548	0	0	0
o/w Net debt issued/(repaid)	7,338	(2,151)	(1,956)	(1,956)	(1,956)
Net change in cash	**1,579**	**6,062**	**(911)**	**1,970**	**5,648**
Adj. Free cash flow to firm	**(9,033)**	**8,409**	**3,187**	**7,244**	**11,813**
y/y Growth	*(27.9%)*	*(193.1%)*	*(62.1%)*	*127.3%*	*63.1%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	14.9%	18.3%	18.1%	19.7%	20.8%
EBITDA margin	15.7%	17.5%	18.7%	20.8%	22.1%
EBIT margin	9.7%	10.5%	13.5%	15.2%	16.2%
Net profit margin	4.0%	6.2%	6.2%	7.2%	7.8%
ROE	13.9%	23.1%	22.9%	25.2%	24.9%
ROA	2.3%	3.9%	4.4%	5.3%	5.8%
ROCE	7.7%	8.7%	12.3%	14.6%	15.8%
SG&A/Sales	3.7%	3.6%	3.6%	3.6%	3.6%
Net debt/Equity	1.2	1.0	0.8	0.7	0.5
Net debt/EBITDA	4.1	2.6	2.1	1.6	1.2
Sales/Assets (x)	0.6	0.6	0.7	0.7	0.7
Assets/Equity (x)	6.2	5.9	5.2	4.7	4.3
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	141.5%	144.0%	275.1%	213.3%	192.2%
Tax rate	21.9%	27.1%	27.1%	27.1%	27.1%
Revenue y/y Growth	39.2%	26.4%	18.9%	12.4%	7.9%
EBITDA y/y Growth	41.8%	41.0%	27.1%	24.7%	14.9%
EPS y/y Growth	25.5%	92.3%	17.2%	29.8%	16.7%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	47.6	24.7	21.1	16.3	13.9
P/BV (x)	4.2	3.6	3.2	2.9	2.5
EV/EBITDA (x)	18.9	13.1	10.5	8.5	7.4
Dividend Yield	0.6%	1.0%	1.7%	2.3%	2.7%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Neutral

1787.HK, 1787 HK
Price (28 Aug 26):HK$25.52

▲ **Price Target (Dec-27):HK$25.00**
Prior (Dec-27):HK$22.50

Shandong Gold - H

Maintain Neutral

Without clarity on Shandong safety inspections, we conservatively revise down our FY26–28E mine-produced gold output by (0–11%) to 44/51/59t. Factoring in the latest commodity price moves, we therefore adjust our FY26–28E earnings forecasts by -10% to +15% and raise our price target to HK$25. While macro factors and the gold price continue to be more important share price drivers, we expect SD Gold to underperform peers.

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.86	1.68	-9.4%
Adj. EPS - 27E (Rmb)	1.92	2.18	13.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	13	44	46	77	49
Growth	10	8	17	42	81
Momentum	86	9	5	35	85
Quality	60	66	72	78	59
Low Vol	87	78	66	40	63
ESGQ	11	98	94	98	8

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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J.P.Morgan

Price Performance



	YTD	1m	3m	12m
Abs	-26.2%	31.2%	7.9%	-13.5%
Rel	-26.0%	30.1%	5.5%	-15.8%

Company Data

Shares O/S (mn)	4,473
52-week range (HK$)	54.45-16.21
Market cap ($ mn)	14,564
Exchange rate	7.84
Free float (%)	90.4%
3M ADV (mn)	18.33
3M ADV ($ mn)	50.7
Volatility (90 Day)	61
Index	HSI
BBG ANR (Buy | Hold | Sell)	6|2|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	104,287	124,022	139,448	150,415
EBITDA	18,285	23,241	28,971	33,281
Adj. EBITDA	18,285	23,241	28,971	33,281
Adj. EBIT	10,998	16,724	21,160	24,359
Adj. net income	6,457	7,750	10,059	11,738
Net income	4,232	7,275	9,583	11,263
Adj. EPS	1.43	1.68	2.18	2.55
BBG EPS	1.33	1.73	2.11	2.55
Net debt	48,072	48,983	47,013	41,365
Cashflow from operations	21,493	21,463	25,155	28,237
Investing cashflow	(13,609)	(18,276)	(17,911)	(16,424)
FCFF	8,409	3,187	7,244	11,813
Margins and Growth				
Revenue Growth Y/Y (%)	26.4%	18.9%	12.4%	7.9%
EBITDA Growth Y/Y (%)	41.0%	27.1%	24.7%	14.9%
Adj. EPS growth	92.3%	17.2%	29.8%	16.7%
Ratios				
Adj. tax rate	27.1%	27.1%	27.1%	27.1%
Net debt/EBITDA	2.6	2.1	1.6	1.2
ROCE	8.7%	12.3%	14.6%	15.8%
ROE	23.1%	22.9%	25.2%	24.9%
Valuation				
FCFF yield	8.5%	3.2%	7.2%	11.7%
Dividend yield	1.6%	2.8%	3.7%	4.3%
EV/Revenue	1.7	1.5	1.3	1.2
EV/EBITDA	9.8	7.9	6.4	5.5
Adj. P/E	15.3	13.0	10.0	8.6
P/ BV	2.2	2.0	1.8	1.6

Summary Investment Thesis and Valuation

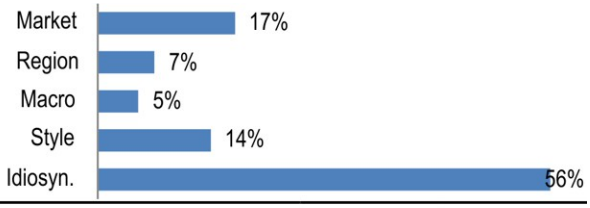
Investment Thesis

As China's largest domestic pure gold miner, SD Gold maintains a high-quality asset base and has delivered an 8% self-mined production CAGR from 2022 to 2024. We forecast a 32% earnings CAGR from 2025 to 2028, though this is predominantly price-driven rather than operationally driven, and subject to execution risk as production scales domestically and overseas. Structural headwinds — rising unit COGS, sector-low ROLTA of ~4%, and elevated leverage — weigh on earnings quality, and weaker earnings conversion vs. peers underpins our Neutral rating.

Valuation

Our Dec 2027 price target of HK$25 is based on a 53% average 3-month A/H premium on our A-share PT. The price target implies 10x FY2027E P/E.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.51	0.41
Region: China	0.55	0.30
Macro:		
Emerging Economies CPI(YoY)	0.55	0.28
Markit EM Composite PMI SA	-0.24	-0.15
Generic 1st 'CO' Future	-0.04	-0.15
Quant Styles:		
Size	-0.39	-0.38
Quality	0.47	0.29
Value	0.27	0.16

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

Shandong Gold - H *(Neutral; Price Target: HK$25.00)*

Investment Thesis
As China's largest domestic pure gold miner, SD Gold maintains a high-quality asset base and has delivered an 8% self-mined production CAGR from 2022 to 2024. We forecast a 32% earnings CAGR from 2025 to 2028, though this is predominantly price-driven rather than operationally driven, and subject to execution risk as production scales domestically and overseas. Structural headwinds — rising unit COGS, sector-low ROLTA of ~4%, and elevated leverage — weigh on earnings quality, and weaker earnings conversion vs. peers underpins our Neutral rating.

Valuation
Our Dec 2027 price target of HK$25 is based on a 53% average 3-month A/H premium on our A-share PT. The price target implies 10x FY2027E P/E.

Risks to Rating and Price Target
Key downside risks to our rating and price target include: 1) weaker-than-expected gold prices; 2) safety and environmental management risks surrounding the Shandong Province mines; 3) slower-than-expected project progress; 4) higher-than-expected operational costs; and 5) higher-than-expected investment losses exceeding projections.

Upside risks include: 1) Higher-than-expected gold prices; 2) better-than-expected mine production and reserve growth; 3) lower-than-expected mine gold costs; 4) better-than-expected progress in overseas project production ramp-up.

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Shandong Gold - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**82,518**	**104,287**	**124,022**	**139,448**	**150,415**
COGS	(68,902)	(82,950)	(98,992)	(108,943)	(115,969)
Gross profit	**12,320**	**19,118**	**22,391**	**27,537**	**31,244**
SG&A	(3,040)	(3,781)	(4,497)	(5,056)	(5,454)
Adj. EBITDA	**12,966**	**18,285**	**23,241**	**28,971**	**33,281**
D&A	(4,995)	(7,287)	(6,517)	(7,810)	(8,922)
Adj. EBIT	**7,970**	**10,998**	**16,724**	**21,160**	**24,359**
Net Interest	1,884	1,778	1,768	1,778	1,757
Adj. PBT	**5,682**	**9,089**	**14,924**	**19,351**	**22,571**
Tax	(1,243)	(2,462)	(4,042)	(5,241)	(6,114)
Minority Interest	(1,488)	(1,888)	(3,099)	(4,019)	(4,687)
Adj. Net Income	**3,332**	**6,457**	**7,750**	**10,059**	**11,738**
Reported EPS	0.57	0.94	1.58	2.08	2.44
Adj. EPS	**0.75**	**1.43**	**1.68**	**2.18**	**2.55**
DPS	**0.23**	**0.35**	**0.61**	**0.80**	**0.94**
Payout ratio	40.0%	37.7%	38.6%	38.6%	38.6%
Shares outstanding	4,468	4,502	4,610	4,610	4,610

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	11,077	17,491	16,580	18,550	24,198
Accounts receivable	617	515	612	688	742
Inventories	6,820	6,904	8,240	9,068	9,653
Other current assets	13,873	13,777	15,288	16,253	16,935
Current assets	**28,701**	**33,868**	**34,467**	**37,403**	**43,733**
PP&E	50,826	59,245	71,004	81,105	88,607
LT investments	2,660	2,726	2,726	2,726	2,726
Other non current assets	20,539	17,010	17,010	17,010	17,010
Total assets	**160,660**	**170,374**	**182,733**	**195,769**	**209,602**
Short term borrowings	33,168	39,889	39,889	39,889	39,889
Payables	16,968	18,018	21,503	23,664	25,190
Other short term liabilities	12,251	14,172	14,306	14,389	14,448
Current liabilities	**62,386**	**72,079**	**75,698**	**77,943**	**79,528**
Long-term debt	30,734	25,674	25,674	25,674	25,674
Other long term liabilities	39,704	33,916	33,916	33,916	33,916
Total liabilities	**102,090**	**105,995**	**109,614**	**111,858**	**113,443**
Shareholders' equity	24,856	30,956	36,596	43,369	50,929
Minority interests	20,773	19,480	22,580	26,598	31,286
Total liabilities & equity	**160,660**	**170,374**	**182,733**	**195,769**	**209,602**
BVPS	**8.46**	**9.97**	**10.96**	**12.43**	**14.07**
y/y Growth	*13.5%*	*17.9%*	*9.9%*	*13.4%*	*13.2%*
Net debt/(cash)	52,824	48,072	48,983	47,013	41,365

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**13,340**	**21,493**	**21,463**	**25,155**	**28,237**
o/w Depreciation & amortization	4,995	7,287	6,517	7,810	8,922
o/w Changes in working capital	8,697	1,396	2,108	1,280	903
Cash flow from investing activities	**(22,801)**	**(13,609)**	**(18,276)**	**(17,911)**	**(16,424)**
o/w Capital expenditure	(22,373)	(13,084)	(18,276)	(17,911)	(16,424)
as % of sales	*27.1%*	*12.5%*	*14.7%*	*12.8%*	*10.9%*
Cash flow from financing activities	**11,004**	**(1,875)**	**(4,098)**	**(5,274)**	**(6,165)**
o/w Dividends paid	(2,117)	(2,954)	(1,635)	(2,811)	(3,702)
o/w Shares issued/(repurchased)	3,000	7,548	0	0	0
o/w Net debt issued/(repaid)	7,338	(2,151)	(1,956)	(1,956)	(1,956)
Net change in cash	**1,579**	**6,062**	**(911)**	**1,970**	**5,648**
Adj. Free cash flow to firm	**(9,033)**	**8,409**	**3,187**	**7,244**	**11,813**
y/y Growth	*(27.9%)*	*(193.1%)*	*(62.1%)*	*127.3%*	*63.1%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	14.9%	18.3%	18.1%	19.7%	20.8%
EBITDA margin	15.7%	17.5%	18.7%	20.8%	22.1%
EBIT margin	9.7%	10.5%	13.5%	15.2%	16.2%
Net profit margin	4.0%	6.2%	6.2%	7.2%	7.8%
ROE	13.9%	23.1%	22.9%	25.2%	24.9%
ROA	2.3%	3.9%	4.4%	5.3%	5.8%
ROCE	7.7%	8.7%	12.3%	14.6%	15.8%
SG&A/Sales	3.7%	3.6%	3.6%	3.6%	3.6%
Net debt/Equity	1.2	1.0	0.8	0.7	0.5
Net debt/EBITDA	4.1	2.6	2.1	1.6	1.2
Sales/Assets (x)	0.6	0.6	0.7	0.7	0.7
Assets/Equity (x)	6.2	5.9	5.2	4.7	4.3
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	141.5%	144.0%	275.1%	213.3%	192.2%
Tax rate	21.9%	27.1%	27.1%	27.1%	27.1%
Revenue y/y Growth	39.2%	26.4%	18.9%	12.4%	7.9%
EBITDA y/y Growth	41.8%	41.0%	27.1%	24.7%	14.9%
EPS y/y Growth	25.5%	92.3%	17.2%	29.8%	16.7%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	29.3	15.3	13.0	10.0	8.6
P/BV (x)	2.6	2.2	2.0	1.8	1.6
EV/EBITDA (x)	14.2	9.8	7.9	6.4	5.5
Dividend Yield	1.0%	1.6%	2.8%	3.7%	4.3%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

