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China Coal

Coal price upside risk intact, sustainability in doubt

Asia Basic Materials

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Coal prices are up 14% QTD and coal equities have rallied 16–22% QTD, with the likelihood of a higher-for-longer coal price environment. We see further upside risk to near-term coal prices (constrained domestic supply and restocking demand), and therefore raise our FY26E thermal coal price forecast to Rmb830/t from Rmb805/t. Factoring in higher unit costs, we revise Shenhua and Yankuang's FY26–28E earnings by -2% to +4%. We lift PTs for Yankuang-A to Rmb22/sh from Rmb20/sh and Shenhua-A/H to Rmb47/HK$46 from Rmb45/HK$44.5, and prefer Yankuang short-term (higher coking coal exposure and favorable contract mix). While 6/7% dividend yield for coal stocks is attractive, the high dividend yield might not be sustainable as supply constraints are likely short term, and we maintain N on both names.

- **Thermal coal price upward revision.** QHD 5,500kcal coal stood at Rmb962/t as of today, compared with Rmb761/t in 1H26. Given the latest price move and higher-for-longer expectations, we raise our 2026E QHD thermal coal price forecast to Rmb830/t from Rmb805/t, while noting upside risk toward Rmb1,000/t around the Oct–Nov restocking window if supply recovery lags. We expect coking coal prices to show a similar upward trend, supported by 1) longer-than-expected Shanxi mine inspections, 2) limited steel-mill production cuts, and 3) seasonal restocking. For 2027, we expect coal prices to ease as supply normalizes, though the pace remains policy-dependent.
- **Demand past peak, with restocking to provide near-term support.** Domestic daily coal burn appears to have peaked, and we expect demand to moderate through the remainder of 2026 on easing seasonal power consumption, recovering renewable output and warmer-winter expectations. Oct–Nov restocking should support near-term demand, with additional seaborne procurement from overseas fuel switching amid oil and gas shortages. China monthly coal imports surged 20%+ YoY in June-July, bringing 7M26 total imports to 268mt (+4.3% YoY). Import volume trend largely depends on the forward trajectory of domestic and overseas coal prices.
- **Supply hinges on policy direction.** The Shanxi mine incident triggered longer-than-expected province-wide safety tightening, with spillover into Shaanxi and Inner Mongolia. Mine self-inspections have kept restart capacity below run-rates, affecting both coking and thermal coal as inspections target outsourcing, hidden working faces and labor-contract compliance. Our channel checks suggest utilization is ~70% for coking coal and 80–85% for thermal coal. Inter-agency role delineation could keep safety-first enforcement in place and utilization constrained.

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 Prev End Date
Shenhua - A	601088 CH	140,070	CNY	47.28	N	n/c	47.00	Dec-27	45.00	n/c
Shenhua - H	1088 HK	117,760	HKD	46.48	N	n/c	46.00	Dec-27	44.50	n/c
Yankuang - A	600188 CH	32,560	CNY	21.75	N	n/c	22.00	Dec-27	20.00	n/c
Yankuang - H	1171 HK	17,001	HKD	13.28	N	n/c	12.50	Dec-27	n/c	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 10 Sep 26.

See page 20 for analyst certification and important disclosures, including non-US analyst disclosures.

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Figure 1: China thermal coal S/D model

Tons mn	2022	2023	2024	2025	2026E
Demand					
Electricity	2,378	2,587	2,664	2,638	2,606
Building Materials	296	291	270	251	230
Chemicals	229	250	289	339	390
Steel	171	176	172	170	167
Heating	317	337	358	359	350
Others	383	412	445	442	435
Total demand	**3,775**	**4,053**	**4,198**	**4,199**	**4,178**
YoY %					
Electricity		*9%*	*3%*	*-1%*	*-1%*
Building Materials		*-2%*	*-7%*	*-7%*	*-8%*
Chemicals		*9%*	*15%*	*18%*	*15%*
Steel		*3%*	*-2%*	*-2%*	*-1%*
Heating		*6%*	*6%*	*0%*	*-2%*
Others		*7%*	*8%*	*-1%*	*-2%*
Total demand		*7%*	*4%*	*0%*	*0%*
Production	**3,764**	**3,823**	**3,893**	**3,912**	**3,826**
YoY %		*2%*	*2%*	*0%*	*-2%*
Net imports	**226**	**368**	**415**	**366**	**397**
YoY %		*63%*	*13%*	*-12%*	*8%*
Surplus/(deficit)	**215**	**137**	**110**	**79**	**45**

Source: Sxcoal, J.P. Morgan estimates

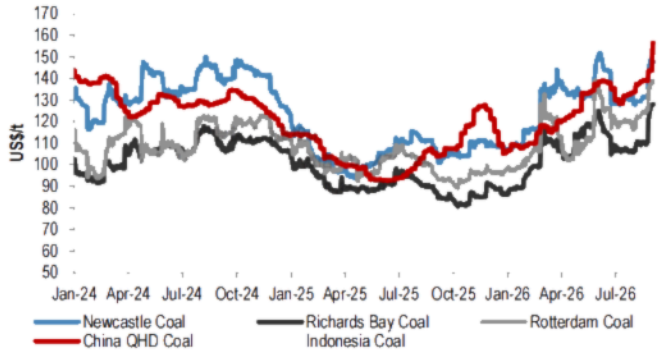
Figure 2: JPM coal price forecasts

		2023	2024	2025	2026E	2027E	2028E	LT Price
China QHD 5,500Kcal Thermal Coal	Rmb/t	965	854	698	830	750	700	600
YoY %		*-17%*	*-12%*	*-18%*	*19%*	*-10%*	*-7%*	
Change %		*0%*	*0%*	*0%*	*3%*	*0%*	*0%*	*0%*
Newcastle Thermal Coal	US$/t	174	136	106	141	146	141	110
YoY %		*-51%*	*-22%*	*-22%*	*33%*	*3%*	*-4%*	
Hard Coking Coal	US$/t	296	241	188	238	253	257	225
YoY %		*-18%*	*-19%*	*-22%*	*27%*	*6%*	*2%*	
Semi-soft Coking Coal	US$/t	195	144	116	148	155	161	158
YoY %		*-32%*	*-26%*	*-20%*	*28%*	*4%*	*4%*	

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

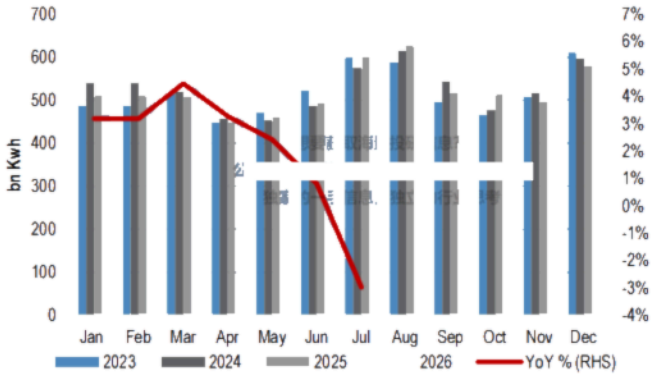
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Figure 3: China vs Seaborne Thermal Coal Price (6,000Kcal)



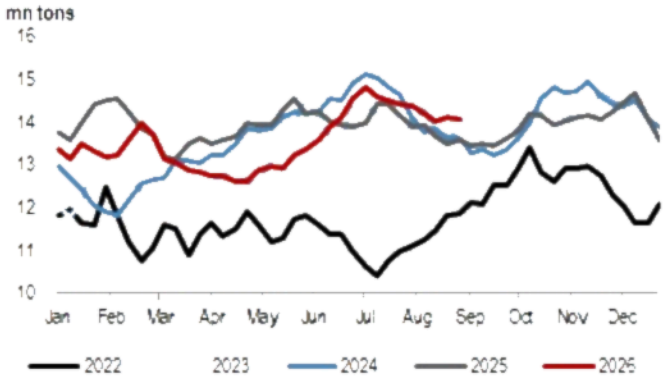
Source: Bloomberg Finance L.P., J.P. Morgan

Figure 4: Thermal Power Generation



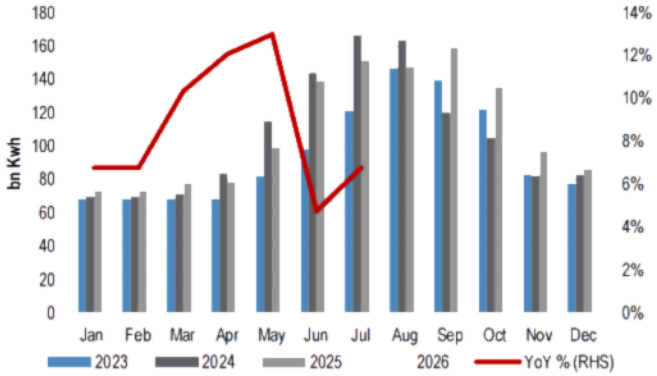
Source: NBS, J.P. Morgan

Figure 5: 6 Major IPPs Total Coal Inventory



Source: Sxcoal, J.P. Morgan

Figure 6: China Coal Import



Source: China Customs, J.P. Morgan

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Neutral

601088.SS, 601088 CH
Price (10 Sep 26):Rmb47.28

▲ **Price Target (Dec-27):Rmb47.00**
Prior (Dec-27):Rmb45.00

Shenhua - A

Maintain N

We have revised our model to reflect higher coal prices and cost assumptions. Our 2026–28E earnings change by -2% to +4%; we raise our PT to Rmb47/share (from Rmb45/share) and maintain N on Shenhua-A.

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Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	60	48	53	33	20
Growth	88	88	92	95	93
Momentum	21	36	86	56	31
Quality	46	44	46	38	53
Low Vol	20	9	12	32	12

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	16.7%	5.8%	-0.5%	23.9%
Rel	17.6%	6.6%	1.0%	20.6%

Company Data

Shares O/S (mn)	19,869
52-week range (Rmb)	51.18-37.65
Market cap ($ mn)	140,070
Exchange rate	6.71
Free float (%)	9.3%
3M ADV (mn)	38.60
3M ADV ($ mn)	252.9
Volatility (90 Day)	29
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	22|6|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	294,916	411,865	417,513	418,427
EBITDA	104,626	127,894	127,260	131,802
Adj. EBITDA	104,626	127,894	127,260	131,802
Adj. EBIT	79,784	102,571	100,730	103,993
Adj. net income	52,849	68,198	68,091	70,440
Net income	52,849	68,198	68,091	70,440
Adj. EPS	2.66	3.14	3.14	3.25
BBG EPS	2.62	2.95	2.99	3.05
Net debt	(57,760)	(146,869)	(160,835)	(177,673)
Cashflow from operations	75,059	111,041	110,097	112,885
Investing cashflow	(21,794)	(38,023)	(40,000)	(40,000)
FCFF	25,808	73,018	70,097	72,885
Margins and Growth				
Revenue Growth Y/Y (%)	(13.2%)	39.7%	1.4%	0.2%
EBITDA Growth Y/Y (%)	(3.4%)	22.2%	(0.5%)	3.6%
Adj. EPS growth	(5.3%)	18.2%	(0.2%)	3.5%
Ratios				
Adj. tax rate	20.9%	20.9%	20.9%	20.9%
Net debt/EBITDA	NM	NM	NM	NM
ROCE	13.7%	16.5%	14.7%	14.8%
ROE	12.8%	15.1%	13.5%	13.6%
Valuation				
FCFF yield	2.7%	7.1%	6.8%	7.1%
Dividend yield	4.5%	5.3%	5.3%	5.4%
EV/Revenue	6.0	4.1	4.0	4.0
EV/EBITDA	16.8	13.1	13.2	12.7
Adj. P/E	17.8	15.0	15.1	14.6
P/ BV	2.3	2.1	2.0	1.9

Summary Investment Thesis and Valuation

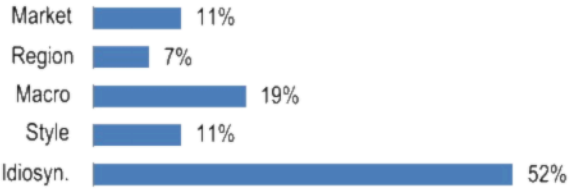
Investment Thesis

Shenhua Energy remains the world's largest listed coal miner, offering strong earnings visibility with 80% of sales under long-term contracts and a high dividend yield. Recent acquisitions significantly boost coal reserves, production capacity, and integration across the value chain, supporting future growth and operational resilience. We maintain a Neutral rating on Shenhua-A, pending further evidence of sustained earnings momentum from these new assets.

Valuation

Our Dec-27 PT for Shenhua-A is Rmb47, based on our NPV valuation, rounded off to the nearest yuan, using a discount rate of 9.7%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.37	-0.33
Region: China	0.38	0.26
Macro:		
Generic 1st 'CO' Future	0.27	0.28
Citi Economic Surprise - EM	0.32	0.19
JP Morgan GBI-EM Global Div	-0.20	-0.15
Quant Styles:		
Value	0.49	0.38
DivYld	0.42	0.37
Growth	-0.38	-0.33

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

Shenhua - A *(Neutral: Price Target: Rmb47.00)*

Investment Thesis

Shenhua Energy remains the world's largest listed coal miner, offering strong earnings visibility with 80% of sales under long-term contracts and a high dividend yield. Recent acquisitions significantly boost coal reserves, production capacity, and integration across the value chain, supporting future growth and operational resilience. We maintain a Neutral rating on Shenhua-A, pending further evidence of sustained earnings momentum from these new assets.

Valuation

Our Dec-27 PT for Shenhua-A is Rmb47, based on our NPV valuation, rounded off to the nearest yuan, using a discount rate of 9.7%.

Risks to Rating and Price Target

Downside risks to our rating and price target include stronger-than-expected government intervention in coal prices, and higher-than-expected output from hydro/renewable/nuclear power.

Upside risks include stronger-than-expected coal price and slower-than-expected coal supply ramp up.

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Shenhua - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**339,788**	**294,916**	**411,865**	**417,513**	**418,427**
COGS	(242,140)	(208,443)	(291,987)	(299,648)	(297,253)
Gross profit	**97,648**	**86,473**	**119,877**	**117,865**	**121,174**
SG&A	(11,498)	(11,907)	(16,629)	(16,857)	(16,894)
Adj. EBITDA	**108,274**	**104,626**	**127,894**	**127,260**	**131,802**
D&A	(24,964)	(24,842)	(25,324)	(26,530)	(27,809)
Adj. EBIT	**83,310**	**79,784**	**102,571**	**100,730**	**103,993**
Net Interest	(84)	(385)	(351)	1,330	1,594
Adj. PBT	**82,928**	**79,339**	**102,381**	**102,221**	**105,748**
Tax	(16,929)	(16,556)	(21,364)	(21,331)	(22,067)
Minority Interest	(10,194)	(9,934)	(12,819)	(12,799)	(13,241)
Adj. Net Income	**55,805**	**52,849**	**68,198**	**68,091**	**70,440**
Reported EPS	2.81	2.66	3.14	3.14	3.25
Adj. EPS	**2.81**	**2.66**	**3.14**	**3.14**	**3.25**
DPS	**2.26**	**2.10**	**2.49**	**2.48**	**2.57**
Payout ratio	80.5%	79.1%	79.1%	79.1%	79.1%
Shares outstanding	19,867	19,868	21,690	21,690	21,690

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	143,845	96,772	185,881	199,847	216,685
Accounts receivable	16,779	20,338	28,403	28,793	28,856
Inventories	12,666	11,850	16,604	17,058	16,906
Other current assets	45,992	50,197	65,597	66,565	66,497
Current assets	**207,139**	**146,969**	**251,478**	**266,412**	**283,182**
PP&E	261,820	272,172	285,141	298,881	311,342
LT investments	59,842	62,044	62,044	62,044	62,044
Other non current assets	130,834	137,215	137,215	137,215	137,215
Total assets	**668,022**	**627,761**	**745,240**	**773,913**	**803,144**
Short term borrowings	23,331	9,773	9,773	9,773	9,773
Payables	38,961	41,513	58,167	59,758	59,227
Other short term liabilities	42,824	37,976	39,516	39,663	39,614
Current liabilities	**105,116**	**89,262**	**107,456**	**109,193**	**108,614**
Long-term debt	32,815	29,239	29,239	29,239	29,239
Other long term liabilities	66,261	57,048	57,048	57,048	57,048
Total liabilities	**171,377**	**146,310**	**164,504**	**166,241**	**165,662**
Shareholders' equity	419,559	409,107	495,573	509,710	526,280
Minority interests	77,086	72,344	85,163	97,962	111,203
Total liabilities & equity	**668,022**	**627,761**	**745,240**	**773,913**	**803,144**
BVPS	**21.12**	**20.59**	**22.85**	**23.50**	**24.26**
y/y Growth	*2.7%*	*(2.5%)*	*11.0%*	*2.9%*	*3.3%*
Net debt/(cash)	(87,699)	(57,760)	(146,869)	(160,835)	(177,673)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**91,086**	**75,059**	**111,041**	**110,097**	**112,885**
o/w Depreciation & amortization	24,964	24,842	25,324	26,530	27,809
o/w Changes in working capital	(104)	(394)	2,794	769	(511)
Cash flow from investing activities	**(86,095)**	**(21,794)**	**(38,023)**	**(40,000)**	**(40,000)**
o/w Capital expenditure	(37,708)	(49,251)	(38,023)	(40,000)	(40,000)
as % of sales	*11.1%*	*16.7%*	*9.2%*	*9.6%*	*9.6%*
Cash flow from financing activities	**(48,590)**	**(96,242)**	**16,091**	**(56,131)**	**(56,047)**
o/w Dividends paid	(53,980)	(87,204)	(43,988)	(56,131)	(56,047)
o/w Shares issued/(repurchased)	1,015	2,630	60,080	0	0
o/w Net debt issued/(repaid)	2,225	(13,216)	0	0	0
Net change in cash	**(43,515)**	**(43,125)**	**89,109**	**13,966**	**16,838**
Adj. Free cash flow to firm	**53,378**	**25,808**	**73,018**	**70,097**	**72,885**
y/y Growth	*1.5%*	*(51.7%)*	*182.9%*	*(4.0%)*	*4.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	28.7%	29.3%	29.1%	28.2%	29.0%
EBITDA margin	31.9%	35.5%	31.1%	30.5%	31.5%
EBIT margin	24.5%	27.1%	24.9%	24.1%	24.9%
Net profit margin	16.4%	17.9%	16.6%	16.3%	16.8%
ROE	13.5%	12.8%	15.1%	13.5%	13.6%
ROA	8.6%	8.2%	9.9%	9.0%	8.9%
ROCE	14.3%	13.7%	16.5%	14.7%	14.8%
SG&A/Sales	3.4%	4.0%	4.0%	4.0%	4.0%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.5	0.6	0.5	0.5
Assets/Equity (x)	1.6	1.6	1.5	1.5	1.5
Interest cover (x)	1,289.0	271.8	364.3	NM	NM
Operating leverage	520.0%	32.0%	72.0%	(130.9%)	1479.9%
Tax rate	20.4%	20.9%	20.9%	20.9%	20.9%
Revenue y/y Growth	(1.0%)	(13.2%)	39.7%	1.4%	0.2%
EBITDA y/y Growth	(3.8%)	(3.4%)	22.2%	(0.5%)	3.6%
EPS y/y Growth	(6.5%)	(5.3%)	18.2%	(0.2%)	3.5%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	16.8	17.8	15.0	15.1	14.6
P/BV (x)	2.2	2.3	2.1	2.0	1.9
EV/EBITDA (x)	16.0	16.8	13.1	13.2	12.7
Dividend Yield	4.8%	4.5%	5.3%	5.3%	5.4%

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

1088.HK, 1088 HK
Price (10 Sep 26):HK$46.48
▲ **Price Target (Dec-27):HK$46.00**
Prior (Dec-27):HK$44.50

Shenhua - H

Maintain N

We have revised our model to reflect higher coal prices and cost assumptions. Our 2026–28E earnings change by -2% to +4%; we raise our PT to HK$46/share (from HK$44.5/share) and maintain N on Shenhua-H.

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	74	58	65	40	23
Growth	74	70	85	85	88
Momentum	34	28	92	69	59
Quality	37	30	45	31	32
Low Vol	23	28	30	55	22
ESGQ	23	15	10	4	5

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	19.8%	5.2%	2.7%	23.8%
Rel	22.4%	9.0%	0.5%	28.5%

Company Data

Shares O/S (mn)	19,869
52-week range (HK$)	49.62-36.58
Market cap ($ mn)	117,760
Exchange rate	7.84
Free float (%)	100.0%
3M ADV (mn)	11.36
3M ADV ($ mn)	62.4
Volatility (90 Day)	27
Index	HSI
BBG ANR (Buy | Hold | Sell)	10|7|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	294,916	411,865	417,513	418,427
EBITDA	104,626	127,894	127,260	131,802
Adj. EBITDA	104,626	127,894	127,260	131,802
Adj. EBIT	79,784	102,571	100,730	103,993
Adj. net income	52,849	68,198	68,091	70,440
Net income	52,849	68,198	68,091	70,440
Adj. EPS	2.66	3.14	3.14	3.25
BBG EPS	2.69	2.92	2.96	3.03
Net debt	(57,760)	(146,869)	(160,835)	(177,673)
Cashflow from operations	75,059	111,041	110,097	112,885
Investing cashflow	(21,794)	(38,023)	(40,000)	(40,000)
FCFF	25,808	73,018	70,097	72,885
Margins and Growth				
Revenue Growth Y/Y (%)	(13.2%)	39.7%	1.4%	0.2%
EBITDA Growth Y/Y (%)	(3.4%)	22.2%	(0.5%)	3.6%
Adj. EPS growth	(5.3%)	18.2%	(0.2%)	3.5%
Ratios				
Adj. tax rate	20.9%	20.9%	20.9%	20.9%
Net debt/EBITDA	NM	NM	NM	NM
ROCE	13.7%	16.5%	14.7%	14.8%
ROE	12.8%	15.1%	13.5%	13.6%
Valuation				
FCFF yield	3.3%	8.5%	8.1%	8.5%
Dividend yield	5.3%	6.3%	6.2%	6.5%
EV/Revenue	5.9	4.0	4.0	4.0
EV/EBITDA	16.7	13.0	13.1	12.6
Adj. P/E	14.9	12.6	12.7	12.2
P/ BV	1.9	1.7	1.7	1.6

Summary Investment Thesis and Valuation

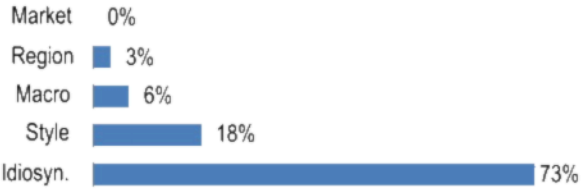
Investment Thesis

Shenhua Energy remains the world's largest listed coal miner, offering strong earnings visibility with 80% of sales under long-term contracts and a high dividend yield. Recent acquisitions significantly boost coal reserves, production capacity, and integration across the value chain, supporting future growth and operational resilience. We maintain a Neutral rating on Shenhua-H, pending further evidence of sustained earnings momentum from these new assets.

Valuation

Our Dec-27 PT for Shenhua-H is HK$46, based on an average three-month rolling A-H premium of 19% applied to our A-share NPV valuation.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.23	-0.01
Region: Hong Kong	0.06	0.18
Macro:		
Generic 1st 'CO' Future	0.21	0.15
Emerging Economies CPI(YoY)	-0.20	-0.14
Citi Economic Surprise - EM	0.26	0.12
Quant Styles:		
Value	0.50	0.42
DivYld	0.44	0.38
Growth	-0.41	-0.34

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

Shenhua - H *(Neutral: Price Target: HK$46.00)*

Investment Thesis

Shenhua Energy remains the world's largest listed coal miner, offering strong earnings visibility with 80% of sales under long-term contracts and a high dividend yield. Recent acquisitions significantly boost coal reserves, production capacity, and integration across the value chain, supporting future growth and operational resilience. We maintain a Neutral rating on Shenhua-H, pending further evidence of sustained earnings momentum from these new assets.

Valuation

Our Dec-27 PT for Shenhua-H is HK$46, based on an average three-month rolling A-H premium of 19% applied to our A-share NPV valuation.

Risks to Rating and Price Target

Downside risks to our rating and price target include stronger-than-expected government intervention in coal prices, and higher-than-expected output from hydro/renewable/nuclear power.

Upside risks include stronger-than-expected coal price and slower-than-expected coal supply ramp up.

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Shenhua - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**339,788**	**294,916**	**411,865**	**417,513**	**418,427**
COGS	(242,140)	(208,443)	(291,987)	(299,648)	(297,253)
Gross profit	**97,648**	**86,473**	**119,877**	**117,865**	**121,174**
SG&A	(11,498)	(11,907)	(16,629)	(16,857)	(16,894)
Adj. EBITDA	**108,274**	**104,626**	**127,894**	**127,260**	**131,802**
D&A	(24,964)	(24,842)	(25,324)	(26,530)	(27,809)
Adj. EBIT	**83,310**	**79,784**	**102,571**	**100,730**	**103,993**
Net Interest	(84)	(385)	(351)	1,330	1,594
Adj. PBT	**82,928**	**79,339**	**102,381**	**102,221**	**105,748**
Tax	(16,929)	(16,556)	(21,364)	(21,331)	(22,067)
Minority Interest	(10,194)	(9,934)	(12,819)	(12,799)	(13,241)
Adj. Net Income	**55,805**	**52,849**	**68,198**	**68,091**	**70,440**
Reported EPS	2.81	2.66	3.14	3.14	3.25
Adj. EPS	**2.81**	**2.66**	**3.14**	**3.14**	**3.25**
DPS	**2.26**	**2.10**	**2.49**	**2.48**	**2.57**
Payout ratio	80.5%	79.1%	79.1%	79.1%	79.1%
Shares outstanding	19,867	19,868	21,690	21,690	21,690

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	143,845	96,772	185,881	199,847	216,685
Accounts receivable	16,779	20,338	28,403	28,793	28,856
Inventories	12,666	11,850	16,604	17,058	16,906
Other current assets	45,992	50,197	65,597	66,565	66,497
Current assets	**207,139**	**146,969**	**251,478**	**266,412**	**283,182**
PP&E	261,820	272,172	285,141	298,881	311,342
LT investments	59,842	62,044	62,044	62,044	62,044
Other non current assets	130,834	137,215	137,215	137,215	137,215
Total assets	**668,022**	**627,761**	**745,240**	**773,913**	**803,144**
Short term borrowings	23,331	9,773	9,773	9,773	9,773
Payables	38,961	41,513	58,167	59,758	59,227
Other short term liabilities	42,824	37,976	39,516	39,663	39,614
Current liabilities	**105,116**	**89,262**	**107,456**	**109,193**	**108,614**
Long-term debt	32,815	29,239	29,239	29,239	29,239
Other long term liabilities	66,261	57,048	57,048	57,048	57,048
Total liabilities	**171,377**	**146,310**	**164,504**	**166,241**	**165,662**
Shareholders' equity	419,559	409,107	495,573	509,710	526,280
Minority interests	77,086	72,344	85,163	97,962	111,203
Total liabilities & equity	**668,022**	**627,761**	**745,240**	**773,913**	**803,144**
BVPS	**21.12**	**20.59**	**22.85**	**23.50**	**24.26**
y/y Growth	*2.7%*	*(2.5%)*	*11.0%*	*2.9%*	*3.3%*
Net debt/(cash)	(87,699)	(57,760)	(146,869)	(160,835)	(177,673)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**91,086**	**75,059**	**111,041**	**110,097**	**112,885**
o/w Depreciation & amortization	24,964	24,842	25,324	26,530	27,809
o/w Changes in working capital	(104)	(394)	2,794	769	(511)
Cash flow from investing activities	**(86,095)**	**(21,794)**	**(38,023)**	**(40,000)**	**(40,000)**
o/w Capital expenditure	(37,708)	(49,251)	(38,023)	(40,000)	(40,000)
as % of sales	*11.1%*	*16.7%*	*9.2%*	*9.6%*	*9.6%*
Cash flow from financing activities	**(48,590)**	**(96,242)**	**16,091**	**(56,131)**	**(56,047)**
o/w Dividends paid	(53,980)	(87,204)	(43,988)	(56,131)	(56,047)
o/w Shares issued/(repurchased)	1,015	2,630	60,080	0	0
o/w Net debt issued/(repaid)	2,225	(13,216)	0	0	0
Net change in cash	**(43,515)**	**(43,125)**	**89,109**	**13,966**	**16,838**
Adj. Free cash flow to firm	**53,378**	**25,808**	**73,018**	**70,097**	**72,885**
y/y Growth	*1.5%*	*(51.7%)*	*182.9%*	*(4.0%)*	*4.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	28.7%	29.3%	29.1%	28.2%	29.0%
EBITDA margin	31.9%	35.5%	31.1%	30.5%	31.5%
EBIT margin	24.5%	27.1%	24.9%	24.1%	24.9%
Net profit margin	16.4%	17.9%	16.6%	16.3%	16.8%
ROE	13.5%	12.8%	15.1%	13.5%	13.6%
ROA	8.6%	8.2%	9.9%	9.0%	8.9%
ROCE	14.3%	13.7%	16.5%	14.7%	14.8%
SG&A/Sales	3.4%	4.0%	4.0%	4.0%	4.0%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.5	0.6	0.5	0.5
Assets/Equity (x)	1.6	1.6	1.5	1.5	1.5
Interest cover (x)	1,289.0	271.8	364.3	NM	NM
Operating leverage	520.0%	32.0%	72.0%	(130.9%)	1479.9%
Tax rate	20.4%	20.9%	20.9%	20.9%	20.9%
Revenue y/y Growth	(1.0%)	(13.2%)	39.7%	1.4%	0.2%
EBITDA y/y Growth	(3.8%)	(3.4%)	22.2%	(0.5%)	3.6%
EPS y/y Growth	(6.5%)	(5.3%)	18.2%	(0.2%)	3.5%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	14.2	14.9	12.6	12.7	12.2
P/BV (x)	1.9	1.9	1.7	1.7	1.6
EV/EBITDA (x)	15.9	16.7	13.0	13.1	12.6
Dividend Yield	5.7%	5.3%	6.3%	6.2%	6.5%

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

600188.SS, 600188 CH
Price (10 Sep 26):Rmb21.75

▲ **Price Target (Dec-27):Rmb22.00**
Prior (Dec-27):Rmb20.00

Yankuang - A

Maintain N

We have revised our model to reflect higher coal prices and cost assumptions. Our 2026–28E earnings change by -1% to +4%; we raise our PT to Rmb22.0/share (from Rmb20.0/share) and maintain N on Yankuang-A.

Asia Basic Materials

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Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	51	45	45	16	16
Growth	83	91	95	97	94
Momentum	7	48	94	87	9
Quality	69	27	48	24	69
Low Vol	56	23	33	78	54

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	65.4%	-0.1%	-7.4%	66.7%
Rel	66.3%	0.7%	-5.9%	63.4%

Company Data

Shares O/S (mn)	10,040
52-week range (Rmb)	27.80-12.98
Market cap ($ mn)	32,560
Exchange rate	6.71
Free float (%)	24.7%
3M ADV (mn)	61.13
3M ADV ($ mn)	187.0
Volatility (90 Day)	61
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	17|2|1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	144,933	170,847	176,332	177,622
EBITDA	40,079	57,491	57,116	58,206
Adj. EBITDA	40,079	57,491	57,116	58,206
Adj. EBIT	22,809	39,627	39,417	40,777
Adj. net income	8,381	16,856	16,914	17,740
Net income	8,381	16,856	16,914	17,740
Adj. EPS	0.84	1.68	1.69	1.77
BBG EPS	0.99	1.70	1.75	1.87
Net debt	96,094	73,850	52,970	30,451
Cashflow from operations	19,485	48,682	49,727	50,394
Investing cashflow	(16,951)	(16,550)	(15,550)	(14,550)
FCFF	714	32,132	34,177	35,845
Margins and Growth				
Revenue Growth Y/Y (%)	(7.5%)	17.9%	3.2%	0.7%
EBITDA Growth Y/Y (%)	(19.9%)	43.4%	(0.7%)	1.9%
Adj. EPS growth	(44.1%)	100.2%	0.3%	4.9%
Ratios				
Adj. tax rate	22.5%	22.5%	22.5%	22.5%
Net debt/EBITDA	2.4	1.3	0.9	0.5
ROCE	8.0%	12.8%	12.2%	12.2%
ROE	8.9%	15.8%	14.5%	14.1%
Valuation				
FCFF yield	0.3%	14.7%	15.7%	16.4%
Dividend yield	2.3%	3.9%	3.9%	4.1%
EV/Revenue	3.4	2.8	2.7	2.6
EV/EBITDA	12.3	8.3	8.2	7.8
Adj. P/E	25.9	13.0	12.9	12.3
P/ BV	2.2	1.9	1.8	1.7

Summary Investment Thesis and Valuation

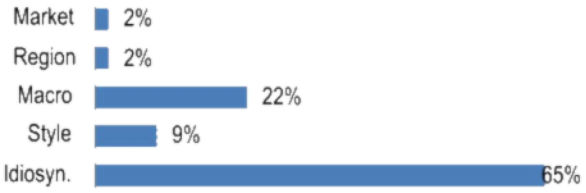
Investment Thesis

Yankuang's high spot exposure — only about 23% of sales are under long-term contracts — positions the company to benefit from any upside in coal prices. We expect prices to remain elevated and volatile in 2H26, with our base case at Rmb805/t for 2026 with upside risk in the near term due to supply constraints and restocking demand. Its higher payout ratio versus traditional SOEs, along with earnings growth from new capacity and one-off gains, supports attractive dividend potential. Yankuang is a beneficiary of a higher coal price (Indonesia disruption), but we expect the impact to be short lived. Maintain Neutral.

Valuation

Our Dec-27 PT for Yankuang-A is Rmb22, based on our NPV valuation using a discount rate of 8.2%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.16	-0.14
Region: China	0.24	0.13
Macro:		
Markit EM Composite PMI SA	0.32	0.29
Generic 1st 'CO' Future	0.25	0.24
Citi Economic Surprise - EM	0.36	0.23
Quant Styles:		
Value	0.40	0.33
DivYld	0.32	0.30
Growth	-0.31	-0.28

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

Yankuang - A *(Neutral; Price Target: Rmb22.00)*

Investment Thesis

Yankuang's high spot exposure—only about 23% of sales are under long-term contracts—positions the company to benefit from any upside in coal prices. We expect prices to remain elevated and volatile in 2H26, with our base case at Rmb805/t for 2026 with upside risk in the near term due to supply constraints and restocking demand. Its higher payout ratio versus traditional SOEs, along with earnings growth from new capacity and one-off gains, supports attractive dividend potential. Yankuang is a beneficiary of a higher coal price (Indonesia disruption), but we expect the impact to be short lived. Maintain Neutral.

Valuation

Our Dec-27 PT for Yankuang-A is Rmb22, based on our NPV valuation using a discount rate of 8.2%.

Risks to Rating and Price Target

Potential upside risks include: 1) better-than-expected cost control; and 2) a stronger-than-expected rebound in seaborne coal prices due to supply disruptions.

Downside risks include: 1) the company's inability to pay out the promised dividend given the high capex cash outflow commitment and volatility in coal prices; and 2) a relaxation of coal import restrictions, which could lead to a decline in domestic coal prices.

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Yankuang - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**156,672**	**144,933**	**170,847**	**176,332**	**177,622**
COGS	(107,844)	(109,505)	(117,130)	(119,729)	(119,872)
Gross profit	**48,828**	**35,428**	**53,717**	**56,604**	**57,749**
SG&A	(15,418)	(12,715)	(14,989)	(15,117)	(14,872)
Adj. EBITDA	**50,039**	**40,079**	**57,491**	**57,116**	**58,206**
D&A	(17,489)	(17,270)	(17,864)	(17,699)	(17,429)
Adj. EBIT	**32,550**	**22,809**	**39,627**	**39,417**	**40,777**
Net Interest	(3,531)	(3,519)	(3,456)	(3,129)	(2,822)
Adj. PBT	**29,413**	**18,661**	**35,769**	**35,886**	**37,553**
Tax	(6,761)	(4,199)	(8,049)	(8,075)	(8,451)
Minority Interest	(6,571)	(5,217)	(10,000)	(10,033)	(10,499)
Adj. Net Income	**14,863**	**8,381**	**16,856**	**16,914**	**17,740**
Reported EPS	1.50	0.84	1.68	1.69	1.77
Adj. EPS	**1.50**	**0.84**	**1.68**	**1.69**	**1.77**
DPS	**0.77**	**0.50**	**0.84**	**0.84**	**0.88**
Payout ratio	51.3%	59.6%	50.0%	50.0%	50.0%
Shares outstanding	9,897	9,990	10,037	10,037	10,037

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	41,079	37,428	59,672	80,552	103,070
Accounts receivable	13,788	12,355	14,564	15,032	15,142
Inventories	7,869	7,565	8,034	8,206	8,212
Other current assets	61,044	87,821	91,808	92,725	92,906
Current assets	**102,289**	**125,505**	**151,736**	**173,533**	**196,233**
PP&E	132,663	142,120	140,805	138,656	135,777
LT investments	25,660	26,883	26,883	26,883	26,883
Other non current assets	89,151	80,554	80,554	80,554	80,554
Total assets	**411,903**	**452,944**	**477,861**	**497,509**	**517,329**
Short term borrowings	42,485	53,032	53,032	53,032	53,032
Payables	39,409	43,277	45,963	46,948	46,982
Other short term liabilities	52,834	52,628	53,021	53,165	53,170
Current liabilities	**134,728**	**148,937**	**152,016**	**153,144**	**153,183**
Long-term debt	79,978	80,490	80,490	80,490	80,490
Other long term liabilities	127,554	132,911	132,911	132,911	132,911
Total liabilities	**262,282**	**281,847**	**284,926**	**286,055**	**286,094**
Shareholders' equity	87,872	100,480	112,318	120,804	130,086
Minority interests	61,749	70,617	80,617	90,650	101,149
Total liabilities & equity	**411,903**	**452,944**	**477,861**	**497,509**	**517,329**
BVPS	**8.75**	**10.01**	**11.19**	**12.04**	**12.96**
y/y Growth	*(10.6%)*	*14.4%*	*11.8%*	*7.6%*	*7.7%*
Net debt/(cash)	81,384	96,094	73,850	52,970	30,451

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**25,852**	**19,485**	**48,682**	**49,727**	**50,394**
o/w Depreciation & amortization	17,489	17,270	17,864	17,699	17,429
o/w Changes in working capital	6,952	4,212	(908)	212	(142)
Cash flow from investing activities	**(15,458)**	**(16,951)**	**(16,550)**	**(15,550)**	**(14,550)**
o/w Capital expenditure	(22,821)	(18,771)	(16,550)	(15,550)	(14,550)
as % of sales	*14.6%*	*13.0%*	*9.7%*	*8.8%*	*8.2%*
Cash flow from financing activities	**(9,770)**	**(7,662)**	**(9,888)**	**(13,297)**	**(13,326)**
o/w Dividends paid	(23,575)	(18,249)	(9,888)	(13,297)	(13,326)
o/w Shares issued/(repurchased)	17,489	18,774	0	0	0
o/w Net debt issued/(repaid)	11,820	12,262	0	0	0
Net change in cash	**537**	**(4,809)**	**22,244**	**20,880**	**22,519**
Adj. Free cash flow to firm	**3,031**	**714**	**32,132**	**34,177**	**35,845**
y/y Growth	*(249.0%)*	*(76.4%)*	*4399.9%*	*6.4%*	*4.9%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	31.2%	24.4%	31.4%	32.1%	32.5%
EBITDA margin	31.9%	27.7%	33.7%	32.4%	32.8%
EBIT margin	20.8%	15.7%	23.2%	22.4%	23.0%
Net profit margin	9.5%	5.8%	9.9%	9.6%	10.0%
ROE	18.5%	8.9%	15.8%	14.5%	14.1%
ROA	3.9%	1.9%	3.6%	3.5%	3.5%
ROCE	13.1%	8.0%	12.8%	12.2%	12.2%
SG&A/Sales	9.8%	8.8%	8.8%	8.6%	8.4%
Net debt/Equity	0.5	0.6	0.4	0.3	0.1
Net debt/EBITDA	1.6	2.4	1.3	0.9	0.5
Sales/Assets (x)	0.4	0.3	0.4	0.4	0.4
Assets/Equity (x)	4.8	4.6	4.4	4.2	4.0
Interest cover (x)	14.2	11.4	16.6	18.3	20.6
Operating leverage	(463.4%)	399.4%	412.4%	(16.5%)	472.0%
Tax rate	23.0%	22.5%	22.5%	22.5%	22.5%
Revenue y/y Growth	4.4%	(7.5%)	17.9%	3.2%	0.7%
EBITDA y/y Growth	(10.6%)	(19.9%)	43.4%	(0.7%)	1.9%
EPS y/y Growth	(28.8%)	(44.1%)	100.2%	0.3%	4.9%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	14.5	25.9	13.0	12.9	12.3
P/BV (x)	2.5	2.2	1.9	1.8	1.7
EV/EBITDA (x)	9.4	12.3	8.3	8.2	7.8
Dividend Yield	3.5%	2.3%	3.9%	3.9%	4.1%

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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J.P.Morgan

Neutral

1171.HK, 1171 HK
Price (10 Sep 26):HK$13.28
Price Target (Dec-27):HK$12.50

Asia Basic Materials

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	16	20	23	1	7
Growth	61	87	92	90	84
Momentum	27	30	96	98	6
Quality	65	41	47	36	68
Low Vol	54	41	55	78	74
ESGQ	13	24	19	19	96

Yankuang - H

Maintain N

We have revised our model to reflect higher coal prices and cost assumptions. Our 2026–28E earnings change by -1% to +4%; we keep our PT unchanged at HK$12.5/share and maintain N on Yankuang-H.

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	38.0%	4.8%	-5.2%	40.1%
Rel	40.6%	8.6%	-7.4%	44.8%

Company Data

Shares O/S (mn)	10,040
52-week range (HK$)	17.42-9.22
Market cap ($ mn)	17,001
Exchange rate	7.84
Free float (%)	73.1%
3M ADV (mn)	34.61
3M ADV ($ mn)	54.3
Volatility (90 Day)	48
Index	HSI
BBG ANR (Buy | Hold | Sell)	9|3|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	144,933	170,847	176,332	177,622
EBITDA	40,079	57,491	57,116	58,206
Adj. EBITDA	40,079	57,491	57,116	58,206
Adj. EBIT	22,809	39,627	39,417	40,777
Adj. net income	8,381	16,856	16,914	17,740
Net income	8,381	16,856	16,914	17,740
Adj. EPS	0.84	1.68	1.69	1.77
BBG EPS	0.97	1.64	1.68	1.81
Net debt	96,094	73,850	52,970	30,451
Cashflow from operations	19,485	48,682	49,727	50,394
Investing cashflow	(16,951)	(16,550)	(15,550)	(14,550)
FCFF	714	32,132	34,177	35,845
Margins and Growth				
Revenue Growth Y/Y (%)	(7.5%)	17.9%	3.2%	0.7%
EBITDA Growth Y/Y (%)	(19.9%)	43.4%	(0.7%)	1.9%
Adj. EPS growth	(44.1%)	100.2%	0.3%	4.9%
Ratios				
Adj. tax rate	22.5%	22.5%	22.5%	22.5%
Net debt/EBITDA	2.4	1.3	0.9	0.5
ROCE	8.0%	12.8%	12.2%	12.2%
ROE	8.9%	15.8%	14.5%	14.1%
Valuation				
FCFF yield	0.6%	28.2%	30.0%	31.4%
Dividend yield	4.4%	7.4%	7.4%	7.8%
EV/Revenue	3.4	2.8	2.7	2.6
EV/EBITDA	12.5	8.5	8.3	8.0
Adj. P/E	13.5	6.8	6.7	6.4
P/ BV	1.1	1.0	0.9	0.9

Summary Investment Thesis and Valuation

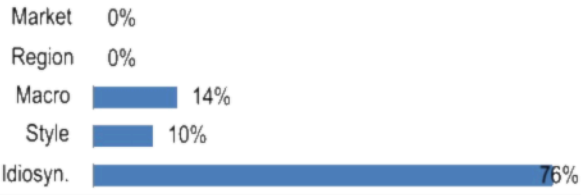
Investment Thesis

Yankuang's high spot exposure—only about 23% of sales are under long-term contracts—positions the company to benefit from any upside in coal prices. We expect prices to remain elevated and volatile in 2H26, with our base case at Rmb805/t for 2026 with upside risk in the near term due to supply constraints and restocking demand. Its higher payout ratio versus traditional SOEs, along with earnings growth from new capacity and one-off gains, supports an attractive dividend potential. Yankuang is a beneficiary of a higher coal price (Indonesia disruption), but we expect the impact to be short lived. Maintain Neutral.

Valuation

Our Dec-27 PT for Yankuang-H is HK$12.50, based on a three-month average A-H premium of 94% applied to our A-share NPV valuation.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.11	-0.03
Region: Hong Kong	-0.10	-0.02
Macro:		
Emerging Economies CPI(YoY)	-0.32	-0.27
Markit EM Composite PMI SA	0.33	0.26
Generic 1st 'CO' Future	0.29	0.23
Quant Styles:		
Value	0.36	0.26
DivYld	0.28	0.23
Growth	-0.27	-0.23

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

Yankuang - H *(Neutral; Price Target: HK$12.50)*

Investment Thesis

Yankuang's high spot exposure—only about 23% of sales are under long-term contracts—positions the company to benefit from any upside in coal prices. We expect prices to remain elevated and volatile in 2H26, with our base case at Rmb805/t for 2026 with upside risk in the near term due to supply constraints and restocking demand. Its higher payout ratio versus traditional SOEs, along with earnings growth from new capacity and one-off gains, supports an attractive dividend potential. Yankuang is a beneficiary of a higher coal price (Indonesia disruption), but we expect the impact to be short lived. Maintain Neutral.

Valuation

Our Dec-27 PT for Yankuang-H is HK$12.50, based on a three-month average A-H premium of 94% applied to our A-share NPV valuation.

Risks to Rating and Price Target

Potential upside risks include: 1) better-than-expected cost control; and 2) a stronger-than-expected rebound in seaborne coal prices due to supply disruptions.

Downside risks include: 1) the company's inability to pay out the promised dividend given the high capex cash outflow commitment and volatility in coal prices; and 2) a relaxation of coal import restrictions, which could lead to a decline in domestic coal prices.

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Yankuang - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**156,672**	**144,933**	**170,847**	**176,332**	**177,622**
COGS	(107,844)	(109,505)	(117,130)	(119,729)	(119,872)
Gross profit	**48,828**	**35,428**	**53,717**	**56,604**	**57,749**
SG&A	(15,418)	(12,715)	(14,989)	(15,117)	(14,872)
Adj. EBITDA	**50,039**	**40,079**	**57,491**	**57,116**	**58,206**
D&A	(17,489)	(17,270)	(17,864)	(17,699)	(17,429)
Adj. EBIT	**32,550**	**22,809**	**39,627**	**39,417**	**40,777**
Net Interest	(3,531)	(3,519)	(3,456)	(3,129)	(2,822)
Adj. PBT	**29,413**	**18,661**	**35,769**	**35,886**	**37,553**
Tax	(6,761)	(4,199)	(8,049)	(8,075)	(8,451)
Minority Interest	(6,571)	(5,217)	(10,000)	(10,033)	(10,499)
Adj. Net Income	**14,863**	**8,381**	**16,856**	**16,914**	**17,740**
Reported EPS	1.50	0.84	1.68	1.69	1.77
Adj. EPS	**1.50**	**0.84**	**1.68**	**1.69**	**1.77**
DPS	**0.77**	**0.50**	**0.84**	**0.84**	**0.88**
Payout ratio	51.3%	59.6%	50.0%	50.0%	50.0%
Shares outstanding	9,897	9,990	10,037	10,037	10,037

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	41,079	37,428	59,672	80,552	103,070
Accounts receivable	13,788	12,355	14,564	15,032	15,142
Inventories	7,869	7,565	8,034	8,206	8,212
Other current assets	61,044	87,821	91,808	92,725	92,906
Current assets	**102,289**	**125,505**	**151,736**	**173,533**	**196,233**
PP&E	132,663	142,120	140,805	138,656	135,777
LT investments	25,660	26,883	26,883	26,883	26,883
Other non current assets	89,151	80,554	80,554	80,554	80,554
Total assets	**411,903**	**452,944**	**477,861**	**497,509**	**517,329**
Short term borrowings	42,485	53,032	53,032	53,032	53,032
Payables	39,409	43,277	45,963	46,948	46,982
Other short term liabilities	52,834	52,628	53,021	53,165	53,170
Current liabilities	**134,728**	**148,937**	**152,016**	**153,144**	**153,183**
Long-term debt	79,978	80,490	80,490	80,490	80,490
Other long term liabilities	127,554	132,911	132,911	132,911	132,911
Total liabilities	**262,282**	**281,847**	**284,926**	**286,055**	**286,094**
Shareholders' equity	87,872	100,480	112,318	120,804	130,086
Minority interests	61,749	70,617	80,617	90,650	101,149
Total liabilities & equity	**411,903**	**452,944**	**477,861**	**497,509**	**517,329**
BVPS	**8.75**	**10.01**	**11.19**	**12.04**	**12.96**
y/y Growth	*(10.6%)*	*14.4%*	*11.8%*	*7.6%*	*7.7%*
Net debt/(cash)	81,384	96,094	73,850	52,970	30,451

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**25,852**	**19,485**	**48,682**	**49,727**	**50,394**
o/w Depreciation & amortization	17,489	17,270	17,864	17,699	17,429
o/w Changes in working capital	6,952	4,212	(908)	212	(142)
Cash flow from investing activities	**(15,458)**	**(16,951)**	**(16,550)**	**(15,550)**	**(14,550)**
o/w Capital expenditure	(22,821)	(18,771)	(16,550)	(15,550)	(14,550)
as % of sales	*14.6%*	*13.0%*	*9.7%*	*8.8%*	*8.2%*
Cash flow from financing activities	**(9,770)**	**(7,662)**	**(9,888)**	**(13,297)**	**(13,326)**
o/w Dividends paid	(23,575)	(18,249)	(9,888)	(13,297)	(13,326)
o/w Shares issued/(repurchased)	17,489	18,774	0	0	0
o/w Net debt issued/(repaid)	11,820	12,262	0	0	0
Net change in cash	**537**	**(4,809)**	**22,244**	**20,880**	**22,519**
Adj. Free cash flow to firm	**3,031**	**714**	**32,132**	**34,177**	**35,845**
y/y Growth	*(249.0%)*	*(76.4%)*	*4399.9%*	*6.4%*	*4.9%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	31.2%	24.4%	31.4%	32.1%	32.5%
EBITDA margin	31.9%	27.7%	33.7%	32.4%	32.8%
EBIT margin	20.8%	15.7%	23.2%	22.4%	23.0%
Net profit margin	9.5%	5.8%	9.9%	9.6%	10.0%
ROE	18.5%	8.9%	15.8%	14.5%	14.1%
ROA	3.9%	1.9%	3.6%	3.5%	3.5%
ROCE	13.1%	8.0%	12.8%	12.2%	12.2%
SG&A/Sales	9.8%	8.8%	8.8%	8.6%	8.4%
Net debt/Equity	0.5	0.6	0.4	0.3	0.1
Net debt/EBITDA	1.6	2.4	1.3	0.9	0.5
Sales/Assets (x)	0.4	0.3	0.4	0.4	0.4
Assets/Equity (x)	4.8	4.6	4.4	4.2	4.0
Interest cover (x)	14.2	11.4	16.6	18.3	20.6
Operating leverage	(463.4%)	399.4%	412.4%	(16.5%)	472.0%
Tax rate	23.0%	22.5%	22.5%	22.5%	22.5%
Revenue y/y Growth	4.4%	(7.5%)	17.9%	3.2%	0.7%
EBITDA y/y Growth	(10.6%)	(19.9%)	43.4%	(0.7%)	1.9%
EPS y/y Growth	(28.8%)	(44.1%)	100.2%	0.3%	4.9%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	7.6	13.5	6.8	6.7	6.4
P/BV (x)	1.3	1.1	1.0	0.9	0.9
EV/EBITDA (x)	9.5	12.5	8.5	8.3	8.0
Dividend Yield	6.8%	4.4%	7.4%	7.4%	7.8%

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

