Zijin Gold International - H

First Take: 3Q26 results missed on volume

Overweight

2259.HK, 2259 HK
Price (16 Oct 26):HK$148.40
Price Target (Dec-27):HK$165.00



Asia Basic Materials

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Our First Take: Zijin Gold reported 3Q26 NPAT of US$564mn (-12% QoQ; +47% YoY), a miss, taking 9M26 attributable profit to US$2bn, tracking 67% of JPMe/BBGe FY26 consensus. We believe the miss mainly reflects a lower-than-expected 3Q26 production ramp (9M26 production tracking ~69% of the FY26 target), while lower QoQ gold prices also weighed on earnings. Costs were the key positive, with 9M26 AISC improving to US$1,649/oz from US$1,678/oz in 1H26. Given production has missed market expectations for two consecutive quarters, we expect the stock to be under near-term pressure; however, we continue to view gold prices as the key share-price driver for Zijin Gold, and given our constructive view on gold, we maintain OW.

Key Positives

- **AISC improved in 3Q26.** 9M26 AISC declined to US$1,649/oz, compared to US$1,678/oz in 1H26, showing improved sustained unit cash costs in 3Q26, despite ongoing pressure from higher royalties (gold-price linked) and elevated raw and auxiliary materials.

Key Negatives/Question Marks

- **Softer 3Q26 production run-rate; awaiting ramp schedule**. 3Q26 mined-gold production came in at 13.7t (-1% QoQ; +5% YoY), lifting 9M26 output to ~41t (~69% of Zijin Gold's FY26 production guidance). The company attributed the softer 3Q26 production run-rate to equipment maintenance and changes in geological conditions. Separately, management highlighted ongoing technical upgrades and equipment work, including the hollow shaft repair of the ball mill at Norton Gold Fields' Paddington Mill, which should help support production release in 4Q26 and 2027. However, with the implied 18.2t required in 4Q26 to meet FY26 guidance, the near-term production ramp looks demanding. We await further details from management on the mine ramp schedule and any potential change to FY26 production guidance.

Likely Changes to Consensus

We expect downward consensus revisions as Zijin Gold's 9M26 NPAT tracks only 67% of BBGe FY26 consensus.

Expected Stock Reaction

We expect a negative share price reaction given the weaker-than-expected result.



See page 4 for analyst certification and important disclosures, including non-US analyst disc

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Table 1: Zijin Gold 3Q26 results summary

Rmb mn	3Q26	2Q26	QoQ	YoY	9M26	9M25	YoY
Revenue	**1,822**	**1,931**	***-6%***	***28%***	**5,809**	**3,415**	***70%***
Profit Before Tax	932	1,104	*-16%*	*43%*	3,300	1,515	*118%*
NPAT to shareholders	**564**	**643**	***-12%***	***47%***	**2,015**	**905**	***123%***
Net Margin	*31.0%*	*33.3%*	*-2.4ppt*	*3.8ppt*	*34.7%*	*26.5%*	*8.2ppt*
Mine produced gold							
Sales Volume (t)	13.70	13.84	*-1%*	*5%*	41.00	32.08	*28%*
Group Cost							
AISC (US$/oz)					1,649	1,574	*5%*
Cash Flow							
Operating Cash Flow	980	579	*69%*	*48%*	2,778	1,081	*157%*
Balance Sheet							
Debt-to-Asset Ratio					28%	29%	*-1.7ppt*

Note: *Mine produced gold reported includes Pogera Gold mine volumes; ASP and COGS are therefore on a consolidated basis.
Source: Company data, J.P. Morgan

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Investment Thesis, Valuation and Risks

Zijin Gold International - H *(Overweight; Price Target: HK$165.00)*

Investment Thesis

Zijin Gold, a subsidiary of Zijin Mining, has established a strong growth platform through acquisitions and reserve expansion, achieving a 15% CAGR in gold production from 2023 to 2025. Operating nine mines across four continents, the company is expanding capacity at key sites, with gold production target of 70-75t in 2028. Zijin Gold's disciplined acquisition strategy drives improving capital efficiency, with ROLTA reaching 29% in 2025 (vs. 12% in 2024). With a favorable gold price outlook and robust growth pipeline, we forecast earnings to grow at a 33% CAGR from 2025 to 2028. We have an OW rating and Dec-2027 PT of HK$165.

Valuation

Our Dec 2027 price target of HK$165 is based on a DCF valuation with a WACC of 8.5% and a terminal growth rate of 2.5%. Our PT implies a FY27E P/E multiple of 17.5x and a FY27E EV/EBITDA multiple of 9.8x.

Table 3: Zijin Gold - Valuation

NPV	
Enterprise value	49,456
Less: net debt	2,969
Less: minority interest	(5,295)
Plus: Porgera (equity basis)	3,277
Equity value	50,407
No. of share	2,676
NPV per share (USD/shr)	**19**
NPV per share (HKD/shr)	**147**
Premium	1.1
PT (HKD/shr)	**165**

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) gold price volatility; 2) operational risks arising from exposure to multiple foreign jurisdictions, project construction delays, and illegal mining activities at the Buriticá gold mine in Colombia; and 3) lower-than-expected realized prices for mineral products.