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Zijin Mining (2899.HK)

3Q26 NP up 26% YoY, down 4% QoQ, Weaker Gold Segment Offset by Strong Copper Contribution, Maintain Buy

CITI'S TAKE

Zijin's reported 9M26 net income totaled Rmb57.5bn, +52% YoY, representing 71%/70% of Bloomberg consensus/Citi full year estimates, and recurring net profit totaled Rmb55.8bn, +64% YoY. 3Q26 net profit at Rmb18.4bn, +26%YoY and -4% QoQ, slightly lower than our estimate mainly due to higher cost and lower sales volume of mined gold/copper/lithium amid less attributable profit from associates than our expectation. Excluding one-offs (mainly non-recurring fair value gain related to equity and fund investments at Rmb550mn), 3Q26 recurring net profit is Rmb17.8bn, +42% YoY and -9% QoQ. 3Q26 GP delivered at Rmb32.5bn, +54% YoY and -5% QoQ. Copper segment Gp contribution has exceeded that of gold in 3Q26. With gold price at ~ USD4000/oz, and share price already low, we believe the near term risk-reward is attractive. Maintain Buy. More details to follow after results presentation at 3pm HKT on Oct 26th.

Buy	
Price (23 Oct 26 16:10)	HK$29.46
Target price	HK$60.50
Expected share price return	105.4%
Expected dividend yield	3.7%
Expected total return	109.1%
Market Cap	HK$783,365M US$99,888M

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Mined gold: 3Q26 unit GP decrease on lower ASP and increasing cost — In 9M26, mine gold production volume reached 70.1t, +8% YoY, accounting for 67% of our full year estimation. In 3Q26, gold production volume reached 23.4t (incl. non-consolidated volume), -1% YoY and +1% QoQ. 3Q26 gold sales volume at 22.6t, +3% YoY and +3% QoQ. 3Q26 ASP decreased to Rmb868/g (+13% YoY and -9% QoQ), while unit cost increased to Rmb313/t (+12% YoY and +2% QoQ). As a result, 3Q26 mined gold GP/t delivered at Rmb555/t, +14% YoY and -14% QoQ. Segment GP is estimated at Rmb12.5bn in 3Q26, +17% YoY and -12% QoQ, accounting for 39% of total GP in 3Q26, vs. 42% in 2Q26 and 51% in 3Q25.

Mined copper: 3Q26 unit GP increase QoQ on higher ASP despite increasing cost — In 9M26, mine copper production volume reached 816kt, -2% YoY, accounting for 70% of our full year estimation. The lower output YoY is mainly driven by lower attributable volume from Kamoa project, at 84.5kt in 9M26, vs. 140.6kt in 9M25. In 3Q26, copper production was 281kt (+7% YoY and +2% QoQ, incl. nonconsolidated volume) and sales volume at 245kt (+10% YoY and +3% QoQ). 3Q26 mined copper

Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	32,051	1.194	48.7	21.0	4.8	25.9	1.5
2025A	51,777	1.889	58.1	13.3	3.6	31.8	2.4
2026E	82,150	2.997	58.7	8.4	2.7	38.4	3.8
2027E	92,696	3.381	12.8	7.4	2.2	33.8	4.3
2028E	96,317	3.513	3.9	7.1	1.8	28.3	4.5

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

ASP delivered at Rmb89,539/t (+41% YoY and +5% QoQ). With unit cost at Rmb29,054/t (+14% YoY and +4% QoQ), unit GP reached Rmb60,485/t (+58% YoY and +6% QoQ). Segment GP is estimated at Rmb14.8bn in 3Q26, +74% YoY and +9% QoQ, accounting for 46% of total GP in 3Q26, vs. 39% in 2Q26 and 40% in 3Q25. Copper segment GP exceeds that of gold. This is the first time since 1Q25.

Mined lithium: unit GP at Rmb60k/t, -24% QoQ — In 3Q26, mined lithium production at 36kt (+627% YoY and +30% QoQ, incl. non-consolidated volume), and sales volume at 27kt (+990% YoY and +17% QoQ). 3Q26 mined lithium ASP realized at Rmb88k/t, +32% YoY and -23% QoQ. With unit cost at Rmb28k/t (-61% YoY and -21% QoQ), GP/t reached Rmb60k/t, -24% QoQ. Segment GP is estimated at Rmb1.6bn in 3Q26, -12% QoQ, accounting for 5% of total GP in 3Q26, vs. 5% in 2Q26.

Net gearing at 33%, FCF +3% QoQ — 9M26 net gearing at 33%, vs. 30% in end 1H26. 3Q26 OCF was at Rmb28.8bn (+24% YoY and +4% QoQ), and with capex at Rmb7.7bn (-18% YoY and +7% QoQ), FCF reached Rmb21.1bn, +52% YoY and +3% QoQ.

Implications — Zijin currently trades at 8.4x 2026E P/E and 2.7x 2026E P/B. Maintain Buy. More details to follow after results presentation at 3pm HKT on Oct 26th.

Figure 1. Zijin Mining 3Q26 result review

(Rmb Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY	QoQ	9M25	9M26	YoY
Key operating metrics												
Mined gold												
Production (tons, incl. non-controlling)	19.1	22.1	23.8	24.6	23.5	23.2	23.4	-1%	1%	64.9	70.1	8%
Sales (tons)	18.0	20.2	22.0	22.9	22.2	22.0	22.6	3%	3%	60.2	66.8	11%
ASP (Rmb/g)	642	738	768	929	1,058	955	868	13%	-9%	720	960	33%
Unit cost (Rmb/g)	(251)	(272)	(280)	(293)	(276)	(306)	(313)	12%	2%	(268)	(299)	11%
Gross profit (Rmb/g)	390	466	489	636	782	649	555	14%	-14%	452	661	46%
Gross margin	61%	63%	64%	68%	74%	68%	64%	0.3ppt	-4.0ppt	63%	69%	6.2ppt
Mined copper												
Production (kt, incl. non-controlling)	288	279	263	255	259	275	281	7%	2%	830	816	-2%
Sales (kt)	220	219	222	223	223	237	245	10%	3%	662	705	7%
ASP (Rmb/t)	62,030	62,128	63,716	73,421	83,617	85,263	89,539	41%	5%	62,629	86,230	38%
Unit cost (Rmb/t)	(24,107)	(24,406)	(25,385)	(27,905)	(26,969)	(28,040)	(29,054)	14%	4%	(24,636)	(28,054)	14%
Gross profit (Rmb/t)	37,922	37,722	38,333	45,516	56,649	57,223	60,485	58%	6%	37,993	58,176	53%
Gross margin	61%	61%	60%	62%	68%	67%	68%	7.4ppt	0.4ppt	61%	67%	6.8ppt
Mined zinc												
Production (kt, incl. non-controlling)	88	91	91	86	85	92	81	-12%	-13%	271	258	-5%
Sales (kt)	90	91	86	85	74	97	83	-5%	-15%	268	254	-5%
ASP (Rmb/t)	15,018	14,291	15,604	15,118	17,199	17,798	20,169	29%	13%	14,961	18,392	23%
Unit cost (Rmb/t)	(10,256)	(9,970)	(10,060)	(9,369)	(9,689)	(9,694)	(10,459)	4%	8%	(10,096)	(9,941)	-2%
Gross profit (Rmb/t)	4,762	4,320	5,544	5,749	7,510	8,104	9,710	75%	20%	4,865	8,451	74%
Gross margin	32%	30%	36%	38%	44%	46%	48%	12.6ppt	2.6ppt	33%	46%	13.4ppt

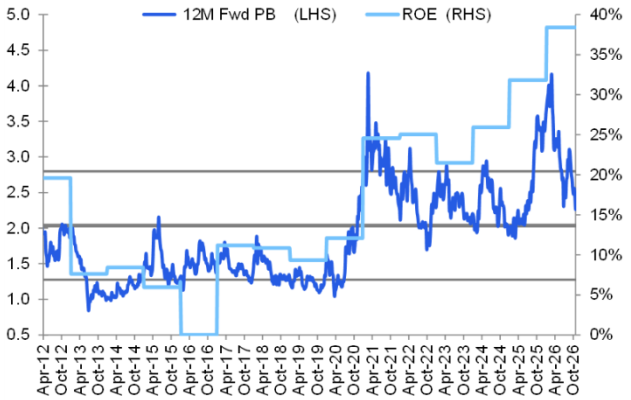
Financial data (Rmb Mn)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**YoY**	**QoQ**	**9M25**	**9M26**	**YoY**
Net revenue	**77,154**	**86,982**	**84,062**	**92,965**	**95,660**	**92,532**	**86,172**	**3%**	**-7%**	**248,199**	**274,365**	**11%**
COGS	(60,865)	(67,013)	(62,938)	(61,472)	(62,718)	(58,164)	(53,624)	-15%	-8%	(190,816)	(174,506)	-9%
Gross profit	**16,290**	**19,969**	**21,124**	**31,493**	**32,943**	**34,368**	**32,548**	**54%**	**-5%**	**57,382**	**99,859**	**74%**
SG&A	(2,682)	(2,710)	(3,264)	(5,069)	(3,749)	(3,421)	(3,541)	8%	4%	(8,656)	(10,711)	24%
Asset impairment loss	(45)	(19)	(98)	(266)	(169)	(55)	15			(162)	(209)	29%
Changes in fair value	478	773	1,772	(79)	2,820	(1,246)	852	-52%		3,023	2,427	-20%
Investment income	176	1,178	808	(1,602)	(1,025)	769	(155)			2,163	(411)	
Other expenses	(323)	(49)	(70)	(368)	66	(10)	(180)	156%	1665%	(442)	(125)	-72%
EBIT	**13,894**	**19,143**	**20,272**	**24,110**	**30,886**	**30,405**	**29,539**	**46%**	**-3%**	**53,309**	**90,830**	**70%**
Share of profit from associate	1,351	1,283	1,464	1,318	1,409	1,440	841	-43%	-42%	4,099	3,690	-10%
Net interest expense	(556)	(618)	(588)	(321)	(711)	61	(262)	-55%		(1,762)	(912)	-48%
Profit before tax	**14,688**	**19,809**	**21,149**	**25,107**	**31,584**	**31,906**	**30,118**	**42%**	**-6%**	**55,646**	**93,608**	**68%**
Income tax	(2,223)	(3,628)	(4,093)	(6,986)	(6,418)	(7,259)	(6,420)	57%	-12%	(9,944)	(20,097)	102%
Profit after tax	**12,465**	**16,180**	**17,056**	**18,121**	**25,166**	**24,647**	**23,698**	**39%**	**-4%**	**45,701**	**73,511**	61%
Minority interests	(2,298)	(3,055)	(2,484)	(4,207)	(5,086)	(5,557)	(5,342)	115%	-4%	(7,838)	(15,985)	104%
Net profit	**10,167**	**13,125**	**14,572**	**13,914**	**20,079**	**19,090**	**18,356**	**26%**	**-4%**	**37,864**	**57,526**	**52%**
Basic EPS	**0.38**	**0.49**	**0.55**	**0.52**	**0.76**	**0.72**	**0.69**	**26%**	**-4%**	**1.42**	**2.17**	**52%**
Recurring net profit	**9,881**	**11,743**	**12,503**	**16,597**	**18,459**	**19,576**	**17,808**	**42%**	**-9%**	**34,127**	**55,842**	**64%**
Gross margin	21.1%	23.0%	25.1%	33.9%	34.4%	37.1%	37.8%	12.6ppt	0.6ppt	23.1%	36.4%	13.3ppt
EBIT margin	18.0%	22.0%	24.1%	25.9%	32.3%	32.9%	34.3%	10.2ppt	1.4ppt	21.5%	33.1%	11.6ppt
Net margin	13.2%	15.1%	17.3%	15.0%	21.0%	20.6%	21.3%	4.0ppt	0.7ppt	15.3%	21.0%	5.7ppt
SG&A % of sales	3.5%	3.1%	3.9%	5.5%	3.9%	3.7%	4.1%	0.2ppt	0.4ppt	3.5%	3.9%	0.4ppt
Effective tax rate	15.1%	18.3%	19.4%	27.8%	20.3%	22.8%	21.3%	2.0ppt	-1.4ppt	17.9%	21.5%	3.6ppt
% of MI	18.4%	18.9%	14.6%	23.2%	20.2%	22.5%	22.5%	8.0ppt	0.0ppt			

B/S and CF	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**YoY**	**QoQ**	**9M25**	**9M26**	**YoY**
Gross debt (Rmb mn)	153,742	166,887	169,636	164,213	180,766	165,395	169,687	0%	3%	169,636	169,687	0%
Net debt (Rmb mn)	116,436	134,155	108,139	102,997	90,512	83,056	92,911	-14%	12%	108,139	92,911	-14%
Total equity (Rmb mn)	185,696	191,882	226,967	248,023	267,419	273,088	280,205	23%	3%	226,967	280,205	23%
Net gearing (%)	63%	70%	48%	42%	34%	30%	33%	-14.5ppt	2.7ppt	48%	33%	-14.5ppt
Receivable days	10	10	8	9	8	10	11	40%	14%	8	11	29%
Inventory days	54	48	48	59	59	62	73	51%	17%	48	67	41%
Payable days	34	29	31	41	42	44	51	63%	17%	31	47	52%
OCF (Rmb mn)	12,528	16,302	23,278	23,322	27,832	27,640	28,805	24%	4%	52,107	84,276	62%
Capex (Rmb mn)	(5,101)	(23,616)	(9,355)	(8,349)	(5,834)	(7,186)	(7,700)	-18%	7%	(38,072)	(20,720)	-46%
FCF (Rmb mn)	7,427	(7,314)	13,923	14,973	21,998	20,454	21,104	52%	3%	14,036	63,557	353%

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Source: Citi Research, Company Reports

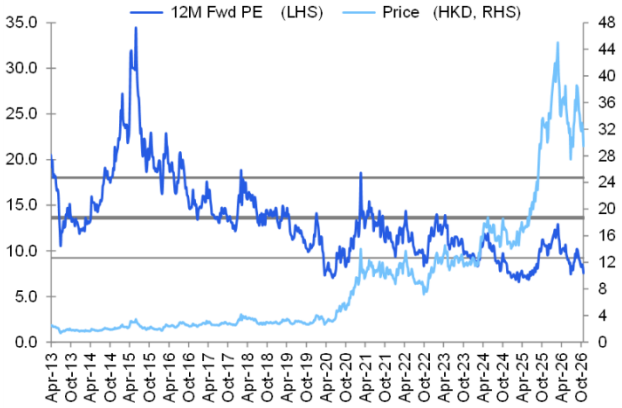
Figure 2. Zijin-H 12M fwd PB vs ROE



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Source: Citi Research, Bloomberg

Figure 3. Zijin-H 12M fwd PE



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Source: Citi Research, Bloomberg

Zijin Mining

Valuation

We value Zijin-H at HK$60.50/share. In our DCF, we assume 2.5% terminal growth and a WACC of 8.2% (a 3.5% risk free rate, 1.05 beta and a 7% market risk premium) to reach a value of HK$58.0/sh. We also estimate Kamoa NPV at HK$2.5/sh. As a result, our NPV for Zijin-H works out to HK$60.50/sh.

Risks

Major downside risks that could prevent the shares from reaching our target price include: 1) lower-than-expected gold and copper prices; 2) capex overruns in projects under development; 3) cost inflation that erodes profitability; and 4) lower than expected gold and copper output.

