

China Molybdenum (3993.HK)

Slight Improvement in Operation!

Bloomberg | Reuters | POEMS
3993.HK | 3993.HK | 3993.HK
Industry: Metal & Mining

Phillip Securities Research Pte Ltd

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Report type: Results Review and Forecast

Rating: Neutral | CP:HKD 4.12 | TP:HKD 3.95

Company Profile

China Molybdenum is focus on mining, smelting and deep processing of molybdenum and wolfram as well as scientific research, producing and trade. Its market value is in top 30 in the world mining industry.

Summary


The price rebound in molybdenum and wolfram would benefit the operation results of China Molybdenum. The urbanization process has been bringing the steel price up, the market demand of products is another positive factor to the company.

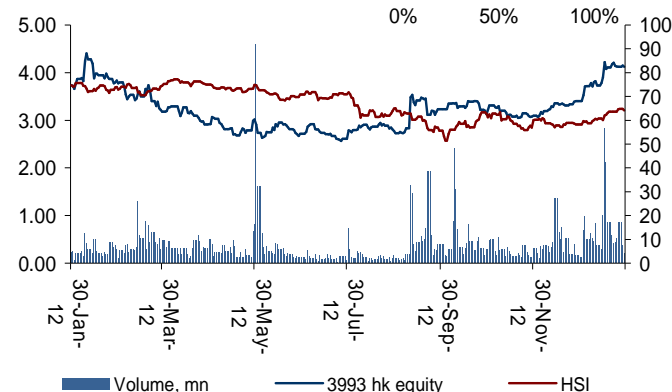
China Molybdenum will devote fund to the industry chain construction of wolfram. With the growth of self-sufficiency rate in raw materials, the leading position of China Molybdenum will be consolidated.

Most financial indicators have been improving and are not affected by revenue decline. Overall, the financial stability of China Molybdenum is reliable.

The EPS of 2011FY is CNY 0.23, we estimate that the performance in the 4th quarter is hard to improve, so the EPS in the 2012FY and 2013FY are CNY 0.22 and 0.27, the target price in next 6 months is HKD 3.95 under 12x P/E, the rating is Neutral.

China Molybdenum

Rating	3.00	Neutral
- Previous Rating	3.00	Neutral
Target Price (HKD)	3.95	
- Previous Target Price (HKD)	3.55	
Closing Price (HKD)	4.12	
Expected Capital Gains (%)	-4.2%	
Expected Dividend Yield (%)	-	
Expected Total Return (%)	-4.2%	
Raw Beta (Past 2yrs weekly data)	1.47	
Market Cap. (HKD bn)	50,712	
Enterprise Value (HKD mn)	39,975	
52 week range (HKD)	2.85 - 4.4	
Closing Price in 52 week range		



Key Financial Summary

FYE	2010	2011	2012E	2013E
Revenue (CNY mn)	4,908	6,002	4,981	5,997
Net Profit, adj. (CNY mn)	1,021	1,123	1,069	1,285
EPS, adj. (CNY)	1.05	0.23	0.22	0.26
P/E (X),adj.	3.9	17.9	18.7	15.8
BVPS (CNY)	12.00	2.37	3.13	3.28
P/B (X)	0.34	1.74	1.32	1.26
DPS (CNY)	0.00	0.00	0.00	0.00
Div. Yield (%)	0.00%	0.00%	0.00%	0.00%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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Financial Data

Income Statement

Unit:mn CNY	2009	2010	2011	2012E	2013E
Revenue	2,957.15	4,307.70	6,001.71	4,981.42	5,977.70
Cost	(2,112.24)	(2,643.70)	(4,073.88)	(3,483.17)	(4,179.80)
Gross Profit	844.91	1,664.00	1,927.83	1,498.25	1,797.90
Other Revenue	-	-	10.43	11.47	12.62
Administrative Expense	(296.74)	(350.10)	(455.75)	(501.33)	(576.52)
Operating Profit	548.18	1,313.91	1,482.51	1,008.40	1,233.99
Finance Expense	(21.36)	(41.79)	(87.92)	(74.73)	(82.21)
Other Income & Loss	182.51	143.39	142.34	149.46	156.93
EBIT	707.79	1,414.70	1,533.11	1,083.12	1,308.72
Tax	(181.40)	(357.87)	(372.28)	(54.16)	(65.44)
Minority Interest	31.30	36.14	37.99	39.89	41.88
Net Profit	495.09	1,020.69	1,122.84	1,068.85	1,285.16

Balance Sheet

Unit:mn CNY	2009	2010	2011	2012E	2013E
Current asset	7001.48	6206.07	7002.27	7702.50	8087.63
Non-current asset	5259.48	7503.57	8394.46	8814.18	9254.89
Total asset	12260.96	13709.64	15396.73	16516.68	17342.52
Current liabilities	3508.82	1931.76	1138.54	996.22	1095.85
Non-current liabilities	119.47	77.49	320.34	240.25	264.28
Total liabilities	1258.01	2009.25	3829.16	1236.48	1360.12
Total equity	11002.94	11700.39	11567.58	15280.21	15982.39
Shares	975.23	975.23	4876.17	4876.17	4876.17
EPS (CNY)	0.51	1.05	0.23	0.22	0.26
Book value per share(CNY)	11.28	12.00	2.37	3.13	3.28
Equity/Asset (%)	89.74%	85.34%	75.13%	92.51%	92.16%
ROA (%)	4.04%	7.45%	7.29%	6.47%	7.41%
ROE (%)	4.50%	8.72%	9.71%	7.00%	8.04%
P/E(x)	5.33	2.58	11.74	12.34	10.26
P/B(x)	0.24	0.23	1.14	0.86	0.82
Div.(CNY)	-	-	-	-	-

(Source: Company Report, PSR est.)

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