



Key Data

| | |
|--------------------------|-----------|
| H-Share price (HK\$) | 42.0 |
| 52 Wk H/L(HK\$) | 43.9/41.0 |
| Issued shares (mn) | 1627 |
| - H Shares (mn) | 163 |
| - B Shares (mn) | 664 |
| - Unlisted Shares (mn) | 800 |
| Market cap | |
| - H Shares (HK\$mn) | 6,846 |
| - B Shares (USD mn) | 3,616 |
| 30-day ave. vol (HK\$mn) | NA |
| Major shareholder (%): | |
| Yitai Group Co., Ltd. | 49.17 |

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

| | |
|----------------|-------|
| Coal | 92.02 |
| Transportation | 3.66 |
| Coal Chemical | 4.10 |
| Others | 0.22 |

Source: Company

Share performance (%)

| | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | (3.2) | (2.3) |
| 3-mth | NA | NS |
| 6-mth | NA | NA |

Source: Bloomberg

*Relative to Hang Seng Index

Performance since IPO



Source: Bloomberg

Analyst:

Mark Chen
Tel: (852) 2147 8819
Email: markchen@abci.com.hk

Yitai Coal (3948 HK) – Unrated
China Coal & Consumable Fuels Industry

Key takeaways from management roadshow briefing

Yitai Coal (3948 HK) unveiled its half-year revenue edged up 75.6% YoY. Its pre-tax profit and net profit improved 12.87% YoY and 9.05% YoY for 1HFY12 respectively. Half-year EPS were up 9.05% YoY to Rmb1.96 (share adj.) NBV inched up to Rmb11.07/share as of Jun 30. Half-year ROAE was 18.24%.

Better-than-expected performance: The newly listed group posted a promising revenue of Rmb 12,614.24 mn in 1H2012, up 75.6% YoY; NP was Rmb 3,193.94mn, up 9.05% YoY, better than management's expectation (Rmb3,095 mn) in the IPO prospectus.

Competitive low coal cost. According to the management, the average cost of the coal production is Rmb83/tonne for 1HFY12, Rmb33/tonne lower than China Shenhua (1088 HK, Buy). The counter benefits from its two own railway lines in the Inner Mongolia.

Coal prices stabilizing. Management argued that the coal price was near bottom due to: 1) stern output restriction in Inner Mongolia; 2) recover in downstream demand as cross-provincial transportation begun to rise. Generally we agree with the argument as Bohai-Rim steam coal price increased to Rmb627/tonne on Aug 29, the first rise the last 4 months.

Favorable tax rate extended. Under the PRC's policy, the counter enjoys favorable income tax rate of 15% until 2020.

Asset injection. As promised in the IPO prospectus, its parent will inject profitable coal asset into the group.

Risk factors: 1) Weak power consumption growth on slowed economic growth; 2) policy risk; 3) the influx of foreign coal cap the rebound momentum of domestic coal prices.

Results and Valuation

| FY ended Dec 31 | FY09A | FY10A | FY11A |
|---------------------------|--------|----------|----------|
| Turnover (Rmb mn) | 10,252 | 13,854 | 16,516 |
| Net Income (Rmb mn) | 3,043 | 5,015 | 5,464 |
| Chg (% YoY) | NA | 65 | 9 |
| EPS (Rmb)_IPOadj. | 1.87 | 3.08 | 3.36 |
| Chg (% YoY) | NA | 65 | 9 |
| P/E (x) | — | — | 10.16 |
| P/B (x) | — | — | 2.38 |
| Dividend yield (%) | — | — | — |
| ROAE (%) | — | 43 | 35 |
| Net debt/total equity (%) | 24.9 | Net Cash | Net Cash |

Source: Company, Bloomberg, ABCI Securities estimates

Interim result highlights of the group

| By the end of Jun 30 (Rmb mn) | 1H11 | 1H12 | Chg (% YoY) |
|---|----------------|----------------|----------------|
| Revenues | 7,206 | 12,614 | 75.1 |
| Coal revenue | 6,855 | 11,485 | 67.5 |
| Transportation revenue | 327 | 457 | 39.8 |
| Coal-related Chemical revenues | - | 659 | NA |
| Others | 24 | 15 | (37.5) |
| Total cost of revenues | (2,962) | (7,820) | 164 |
| Gross profit | 4,244 | 4,794 | 13.0 |
| GPM | 59% | 38% | -21 |
| SG&A | (665) | (748) | 12.4 |
| Profit before tax | 3,596 | 4,059 | 12.8 |
| Income tax | (550) | (611) | 11.0 |
| Profit for the period | 3,046 | 3,448 | 13.1 |
| Attributable to equity shareholders of the Company | 2,929 | 3,194 | 9.0 |
| Est. post-IPO EPS (Rmb) | 1.80 | 1.96 | 9.0 |

Source: company data, ABCI Securities

Est. Post-IPO NBV

| | Rmb (mn) |
|---|-------------|
| NBV at 30/06/2012 | 18,013.57 |
| Net proceeds of issuing new H Shares in July and Aug. | 5,487.99 |
| Sub-total | 23,501.56 |
| Total Shares (mn) | 1,627.00 |
| Est. post-IPO NBV (Rmb/Share) | 14.44 |
| Or HKD/Share (assuming Rmb0.82/HKD) | 17.62 |
| Est. post-IPO PB(x) by Aug. 31 | 2.38 |

Source: company data, ABCI Securities

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Definition of equity rating

| Rating | Definition |
|--------|---|
| Buy | Stock return \geq Market return rate |
| Hold | Market return – 6% \leq Stock return < Market return rate |
| Sell | Stock return < Market return – 6% |

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011 (~15%)

Time horizon of share price target: 12-month

Definition of share price risk

| Rating | Definition |
|-----------|--|
| Very high | $2.6 \leq 180$ day volatility/180 day benchmark index volatility |
| High | $1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6 |
| Medium | $1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5 |
| Low | 180 day volatility/180 day benchmark index volatility < 1.0 |

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183