

17 September 2012

## Equity Focus

### Key Data

Share price (HK\$)	12.06
52Wk H/L(HK\$)	22.6/ 9.92
Issued shares (mn)	4918.4
- H Shares (mn)	1958.4
- A Shares (mn)	2960
Market cap	
- H Shares (HK\$m)	23,618
- A Shares (Rmbmn)	55,826
30-day avg vol (HK\$m)	256
Major shareholder (%):	
Yankuang Group	52.86

Source: Company, Bloomberg, ABCI Securities

### Revenue composition in FY11 (%)

Coal	96
Railway	1.01
electricity power	0.7
methanol	2.25
heat supply	0.04

Source: Company

### Share performance (%)

	Absolute	Relative*
1-mth	(1.3)	(4.2)
3-mth	(5.5)	(12.7)
6-mth	(30.9)	(27.6)

Source: Bloomberg

\*Relative to Hang Seng Index

### 1 year price performance



Source: Bloomberg

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## Yanzhou Coal (1171 HK) – Unrated China Coal & Consumable Fuels Industry

### Fueled by global QE and domestic coal price

**Domestic coal spot prices have been rising for three weeks. This will benefit Yanzhou Coal, which has large exposure in spot market. Besides, recent quantitative easing program in EU and US will fuel the market liquidity and commodity price.**

**Domestic coal prices have been improved for three continuous weeks.** By 12 Sep, Bohai-Rim steam coal price index (5500 kcal/kg) has climbed up to Rmb630/ton, from Rmb626/ton on 22 Aug. We believe the recent recovery of spot coal prices would benefit Yanzhou Coal.

In addition, the coal inventory of QHD port reduced significantly. On 14 Sep., the QHD inventory was about 6.92 mn tonnes, down 21% from June's peak and remained at a normal level.

**Global QE improved the market liquidity and support commodity price.** After German approved the ESM, the US Fed released QE3 last week. We believe this would lower global economic risk and fuel the rally of energy prices.

**Short-term outlook:** Although int'l and domestic coal prices have stabilized since the end of Aug., the recovery signal of the coal industry is weak. Domestic demand remains weak and it might take more time to eliminate the over-supply risk. However, given its present low P/B and PER, and considering global QE sentiment and recent on-the-process economic stimulus of China, the stock price is bottoming.

**Risk factors:** 1) Coal price risk; 2) Imbalance of supply and demand; 3) Business cycles of downstream industries; 4) Weak Q3 results to be unveiled in Oct.

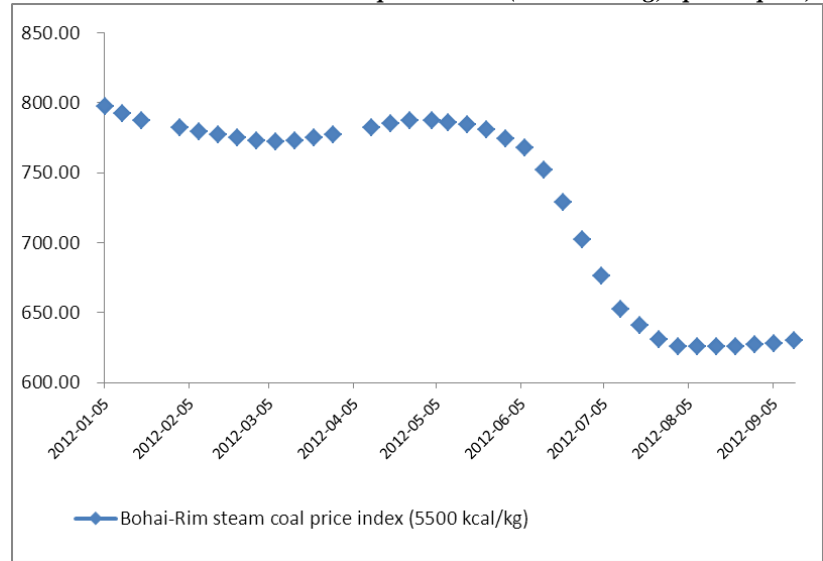
### Performance and Valuation

FY ended Dec 31	FY08A	FY09A	FY10A	FY11A	FY12E
Turnover (Rmb mn)	24,903	20,677	33,944	47,066	52,789
Net Income (Rmb mn)	6,489	4,117	9,281	8,928	6,724
Chg (% YoY)	100.9	(36.5)	125.4	(3.8)	(24.7)
EPS (Rmb)	1.32	0.840	1.890	1.820	1.377
Chg (% YoY)	100.0	(36.4)	125.0	(3.7)	(24.3)
P/E (x)	—	—	—	5.4	7.1
P/B (x)	—	—	—	1.1	1.0
Dividend yield (%)	—	—	—	5.8	4.4
ROAE (%)	26.9	14.7	27.9	22.3	14.5
Net debt/total equity (%)	Net Cash	37.4	37.0	39.3	51.9

Source: Company, Bloomberg, ABCI Securities estimates

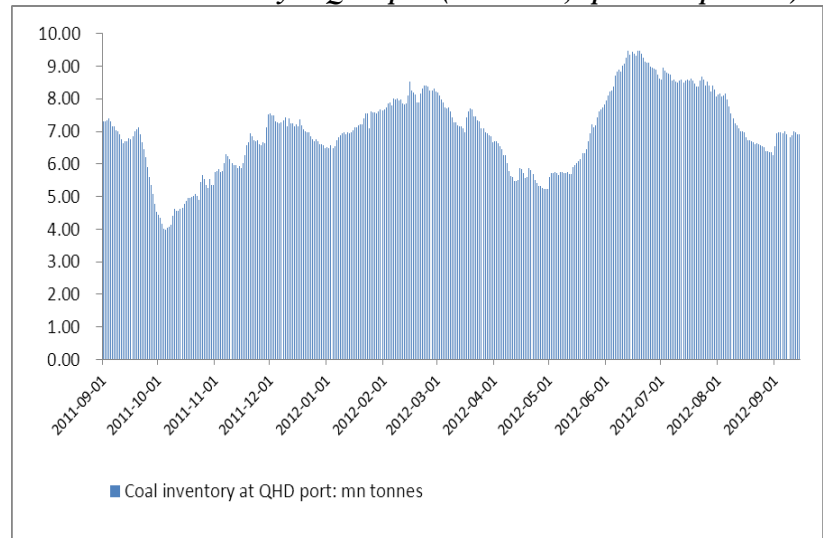


**Exhibit 1: Bohai-Rim steam coal price index (5500 kcal/kg, up to Sep 14)**



Source: Bloomberg, ABCI Securities

**Exhibit 2: Coal inventory at QHD port (mn tonnes, up to 12 September)**



Source: Bloomberg, ABCI Securities



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