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**Jinchuan Group International Resources Co Ltd. (2362\_HK)**  
 1H2021 Earnings Update Report

Industry : Metals and Mining

Target Price	HK\$ 2.00
Current Price	HK\$ 1.25
Upside Potential	60%
Rating	BUY

Market Cap.	HK\$15.76 bn US\$2.04 bn
Shares Outstanding	12,609.9 mn
Free Float (FF)	2,816 mn
52 Week Range (HK\$)	1.61 / 0.63
Avg. Daily Value	HK\$31 mn US\$4 mn
HANG SENG Index Level	25,408
Public Holding %	22.35%



Risk: Above Average

Forecasting and Valuations

(US\$ mn except ratio)	FY2021E	FY2022E
Revenue	696	1184
Net Income	167	297
EPS (US cents)	1.25	2.23
EPS Growth	430%	78%
PE	12.7	7.1
P/S	2.8	1.7
P/B	2.00	1.56

**Analyst :**

 Ketan Chaphalkar  
 ketan@evaluateresearch.com

 Sandy Mehta, CFA  
 sandy@evaluateresearch.com

**Stock at a Multiyear Inflection Point, Strong Revenue and EPS Growth Expected**

Based on our model estimates, revenues should increase from US\$665 mn in FY2020 to US\$1184 mn in FY2022 at a CAGR of 33% while earnings should increase from a profit of US\$31.5 mn in FY2020 to a profit of US\$297 mn in FY2022 at a CAGR of 207%. Similarly, the EPS is expected to increase at a CAGR of 207% from US0.24 cents in FY2020 to US2.23 cents in FY2022. We have a 12-month price target of HK\$2.00 on the stock, suggesting an upside of 60% from the current levels. Once the revenue growth picks up we will revise the target on the higher side.

**12.7x/7.1x FY2021/FY2022 P/E; 2x/1.56x FY2021/FY2022 P/B; 2.88x/1.70x FY2021/FY2022 P/S**

We believe that the stock is currently at a multiyear inflection point and expect earnings to increase significantly in FY2021 and beyond, supported by continuously rising copper and cobalt prices. Based on our model forecasts, the stock is trading at a P/E of just 12.7x and 7.1x on FY2021 and FY2022 earnings. Similarly, on FY2020 numbers, P/B basis, the stock is trading at 2.3x and the current book value of the company is low due to large levels of impairments taken in the earlier years. We believe that with record high levels of copper and cobalt prices and strong sales results in 2021 and beyond, there will be substantial impairment reversal in the coming year, suggesting an even lower P/B multiple. Given that the stock is trading at attractive valuations with multiple catalysts in place, we believe that the stock offers compelling growth potential for investors.

**10.7x/6.9x FY2021/2022 EV/EBITDA, Robust EBITDA Growth**

The company reported an EBITDA of US\$163 mn in the first half of 2021, an increase of 296% as compared to US\$41 mn in the first half of 2020. In FY2018 and FY2019, EBITDA was US\$214.2 mn and US\$116.2 mn respectively. With rapidly increasing capacity utilization at the Ruashi and Kinsenda mines and economies of scale kicking in, we expect EBITDA to increase further going forward supported by upward trend in price of copper and cobalt. For FY2021 and FY2022, we forecast EBITDA of US\$313 mn and US\$533 mn, respectively. Based on our model estimates, the stock is trading at FY2021 EV/EBITDA of 10.7x and FY2022 EV/EBITDA of 6.9x.

For mining companies EBITDA is the appropriate measure to evaluate their financial performance which can otherwise seem distorted if the

impact of items that are non-recurring in nature is to be taken into consideration. The impairment loss and fair value gains are non-recurring in nature and are not relevant to core business operations. We believe that EBITDA reflects the true nature of the company's financial performance and is a better indicator of its expected performance in the future.

**Stellar Growth in Gross and Net Profit, Sales Growth Resilient at +4%; Tight Cost Control**

Jinchuan International Resources reported resilient revenue growth along with robust operating and financial performance for the first half of 2021, inline with of our expectations. The company's revenues from its mining operations increased by 57% YoY for 1H2021 to US\$324 mn, in comparison to US\$207 mn for 1H2020. Higher average price per ton of copper and cobalt along with higher volume of cobalt were the primary reasons for a resilient growth witnessed during 1H2021. LME copper price reached an all-time high of US\$10,720 per ton in May 2021 and closed at US\$9,385 per ton at the end of June 2021. Compared to 1H2020 the average LME copper price increased by 66% from US\$5,490 per ton to US\$9,095 per ton in 1H2021. Compared to 1H2020 the average MB cobalt price increased by 28% from US\$34,605 per ton to US\$44,313 per ton in 1H2021. The company's results were positively impacted by the higher prices which offset the impact of lower sales volumes.

The company recorded a consolidated net profit of US\$79 million in 1H2021 as compared to a loss of US\$25 million in 1H2020 due to the combined effect of rebound in prices of copper and cobalt and strict cost control measures implemented during 2021.

The revenue from trading of metal and mineral products however witnessed a drastic fall of 74% to US\$37 million in 1H2021 from US\$141 million in 1H2020 as a result of tighter risk control measures made due to Covid-19 pandemic. As an overall effect, the total revenues increased by 4% in 1H2021 as compared to 1H2020. The revenue from trading of metal and mineral products is expected to gradually recover in 2021 and beyond to ultimately contribute in much higher proportion as compared to this year's performance.

**Reduction in Finance Costs: Significant Improvement in Gross Margins**

Net finance costs have decreased by 46% from US\$7.8 million in 1H2020 to US\$4.1 million in 1H2021 due to significant reduction in bank loan interest rates. The company has entered into interest rate swap agreements for bank loans with principal amount of US\$194 million in December 2020, to swap the remaining interest payments from floating interest payments to fixed interest payments aiming to lock down the future interest payment amount. The decrease in finance cost was due to the effective interest rate for 1H2021 being lower than that in 1H2020. Also, the company has gradually repaid its bank loan using cashflow from the Kinsenda mine, leading to a decrease in principal outstanding. With interest rates expected to remain low due to the ongoing pandemic, the finance costs would remain stable in the near future.

The gross profit has increased by a whopping 814% from US\$15 million in 1H2020 to US\$134 million in 1H2021. As copper and cobalt prices recovered in the second half of 2020 and surged ahead in the first half of 2021, the gross profit margin improved to 37% in the first half of 2021 as compared to 7% in

1H2020. The company was able to reduce the overall mining costs as it was able to reduce costs in its operations. For example, the plan to sell copper blister from the Kinsenda mine led to an increase in gross profit in the first half of 2021.

### **Healthy Balance Sheet and Comfortable Gearing Ratio**

The company had cash and cash equivalent to the tune of US\$108.3 million in FY2020 as compared to US\$45.2 million in FY2019, a strong increase of 140%. At the end of June 2021, the company reported cash and cash equivalents of US\$250.9 million a stellar increase of 131% in just six months' time. The effective fixed interest rate for the remaining loan term ranges from 2.5% to 3.9%. The gearing ratio was 23.4% in FY2020 as compared to 33.0% in FY2019. The decrease in the gearing ratio was due to the decrease in bank borrowings and increase in cash in FY2020. The gearing ratio has further reduced to 16.6% at the end of June 2021 due to increase in cash in the first half of 2021. The company's capital structure is in a comfortable position and even if the need arises for borrowing in the near future due to any possible acquisitions or mergers then it would still have the flexibility to borrow further.

### **Production Issues Temporary: Revival Likely in 2022**

In 1H2021, the company produced 28,503 tons of copper (1H2020: 39,006 tons) and 1,447 tons of cobalt (1H2020: 2,635 tons) and sold 29,385 tons of copper (1H2020: 34,000 tons) and 1,187 tons of cobalt (1H2020: 2,970 tons) which generated revenue of US\$272.7 million and US\$51.0 million respectively (1H2020: US\$149.0 million and US\$57.8 million respectively).

Copper production was 27% lower in 1H2021 as compared to 1H2020. Ruashi mine's copper production in 1H2021 of 15,637 tons which was 7% lower as compared to 1H2020 of 16,823 tons due to the lower ore feed grade and the lower copper recovery rate. Kinsenda mine reported lower copper production of 12,866 tons which was 10% lower than 1H2020 at 14,219 tons, as the ore and feed grade were lower in 1H2021. The company's cobalt production was 45% lower in 1H2021 as compared to 1H2020. The lower production was due to lower grade of cobalt ore mined and lower cobalt recoveries.

We expect the production volume for copper and cobalt to improve gradually as the existing production issues seem to be temporary with ore and feed grade likely to be higher in the first half of 2022. We expect the revenue growth to improve sharply in 2022 and beyond, as copper sales should witness a sharp rise and prices have risen sharply due to the favorable supply-demand situation as compared to the same time period last year (during the start of the pandemic).

The revenue growth has been resilient for this company even in the first half of 2021 as the drastic fall in the financial performance in the first half of 2020 more than compensated for the sharp recovery witnessed in the second half of 2020.

### **Perennial Demand and Varied Applications for Copper and Cobalt: Prices expected to remain firm in the Long-term**

Copper, as the most used conductible material, is used frequently in areas including solar, wind, power storage, new energy and distribution with the enhance of carbon neutral era, and the demand for copper will increase further. According to market research, electric vehicle (EV) industry worldwide will need 250% more copper in 2030 for charging stations compared to 2019, and as each EV consumes quadruple copper as compared to a conventional internal combustion engine-powered vehicle, copper will benefit from the modest growth of the electric vehicle industry in the long term. In the case of cobalt, since retreating by more than 70% from an all-time high of US\$43.7 per pound recorded in April 2018 to US\$12.1 per pound by the end of July 2019, cobalt price has stayed relatively stable in 2020 and 2021 with a steady rise. Cobalt price has traded within the range of US\$13.75 per pound to US\$17.0 per pound in 2020. Cobalt price rose above US\$20.0 per pound in February 2021 and traded within the range of US\$19.8 per pound to US\$25.3 per pound since then.

On supply side of cobalt, one of the largest cobalt mine in the DRC has suspended operations since August 2019, and the mine has announced that they will be restarting operation from 2022, providing extra supply in cobalt market. Meanwhile, Gécamines SA has established a new subsidiary to purchase, process and sell cobalt produced by artisanal miners and small-scale miners in the DRC as part of DRC Government's measures to implement stricter control to regulate artisanal and illegal cobalt mining in the DRC. In terms of overall supply, research institute CRU does not foresee any major changes for the rest of 2021.

On the demand side, the two main uses of cobalt are for the manufacturing of alloy and industrial chemical and for manufacturing of batteries. According to a recent cobalt research, in 2020, around 53% of cobalt usage was for manufacturing of batteries, in which approximately 73% of the battery demand is for non-EV purpose, including telecommunication equipment, computer and laptop, while the remaining approximately 26% is for manufacturing of EV batteries.

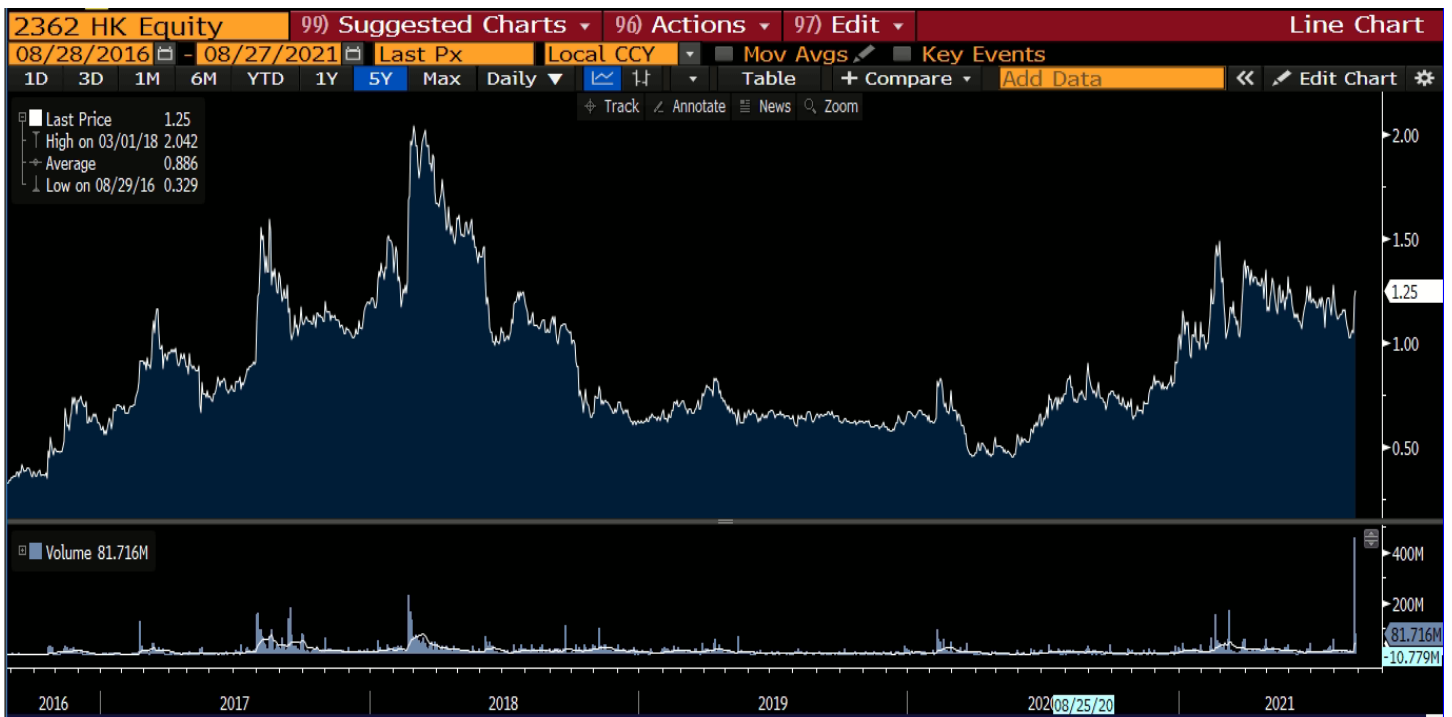
Analysts predict that the increase in EV battery demand is estimated to be at a 24.3% CAGR from 2020 to 2025. The long-term demand for cobalt will grow from 143,000 tons in 2020, of which the EV battery sector accounts for 14.6%, to 230,000 tons in 2025, of which the EV battery sector will account for 27%.

### **Industry Dynamics**

Global mining industry underwent severe challenges in the past eighteen months which were caused mainly by the disruption of COVID-19. With the disruption caused by COVID-19 to the commodity industry, LME copper price reached a bottom of as low as US\$4,617.5 per ton in March 2020 and has since rebounded to a historical high of US\$10,720 per ton in May 2021. LME copper price closed 1H2021 at US\$9,385 per ton by the end of June 2021, representing a gain of 21% compared to 31 December 2020 and a gain of 103.2% compared to the lowest point in 2020.

With COVID-19 still causing disruption in copper producing countries in South America including the two largest copper producing countries Peru and Chile, and the interruption of Australia's supply of copper concentrate to the PRC since the final quarter of 2020, where copper smelters in the PRC are struggling to secure enough concentrates from the world and LME inventories have fallen to the lowest level since 2008. Copper market is forecasted to remain tight in the short-term future. While the precise timing of COVID-19 to be contained is still unknown, copper fundamental factors are still strong and copper price is expected to stay strong even after COVID-19 is contained. With the availability of COVID-19 vaccine, copper, as a critical commodity used in construction and infrastructure, will benefit from the economic recovery. Global commodities trader Trafigura sees a significant deficit in the region of ten million tons of copper by 2030 and will require building eight projects the size of Escondida, the world's largest copper mine, to close the gap.

## 5-year Price Chart



Income Statement (US\$ million)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CAGR(2020-25)
<b>Revenue</b>	<b>470.7</b>	<b>364.8</b>	<b>549.2</b>	<b>1,400.0</b>	<b>1,246.9</b>	<b>664.6</b>	<b>696.1</b>	<b>1,184.3</b>	<b>2,183.9</b>	<b>2,411.9</b>	<b>2,664.6</b>	32.0%
y/y		-22.5%	50.5%	154.9%	-10.9%	-46.7%	4.7%	70.1%	84.4%	10.4%	10.5%	
Cost of Sales	-462.6	-362.5	-433.0	-1,201.1	-1,157.8	-577.3	-452.5	-769.8	-1,419.5	-1,567.7	-1,732.0	24.6%
as a % of sales	98.3%	99.4%	78.8%	85.8%	92.9%	86.9%	65.0%	65.0%	65.0%	65.0%	65.0%	
Gross Profit	8.1	2.4	116.2	198.8	89.1	87.3	243.6	414.5	764.4	844.2	932.6	
Gross Profit Margin	1.71%	0.65%	21.15%	14.20%	7.14%	13.14%	35.00%	35.00%	35.00%	35.00%	35.00%	
EBITDA	6.28	13.58	102.24	214.20	116.2	140.4	313.2	532.9	982.8	1,085.4	1,199.1	
EBITDA Margin	1.3%	3.7%	18.6%	15.3%	9.3%	21.1%	45.0%	45.0%	45.0%	45.0%	45.0%	
Administrative selling and distribution costs	-55.4	-44.4	-51.8	-79.8	-73.1	-31.2	-34.8	-59.2	-131.0	-144.7	-159.9	
as a % of sales	11.8%	12.2%	9.4%	5.7%	5.9%	4.7%	5.0%	5.0%	6.0%	6.0%	6.0%	
<b>Operating Income</b>	<b>-47.3</b>	<b>-42.0</b>	<b>64.3</b>	<b>119.1</b>	<b>16.0</b>	<b>56.1</b>	<b>208.8</b>	<b>355.3</b>	<b>633.3</b>	<b>699.5</b>	<b>772.7</b>	
y/y		-11.2%	-253.1%	85.1%	-86.6%	251.5%	272.3%	70.1%	78.3%	10.4%	10.5%	
Operating margin (%)	-10.0%	-11.5%	11.7%	8.5%	1.3%	8.4%	30.0%	30.0%	29.0%	29.0%	29.0%	
Finance Costs	-6.6	-6.8	-8.7	-24.1	-20.7	-14.1	-13.6	-14.7	-15.7	-16.8	-16.8	
Finance Income	0.4	0.7	1.0	2.0	1.8	1.3	1.1	8.8	14.3	23.3	34.8	
interest rate		1%	1%	3%	2%	1%	1%	2%	2%	2%	2%	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	-3.9	-2.3	-12.5	-1.1	-0.2	-5.2	0.0	0.0	0.0	0.0	0.0	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment Loss(-)/Reversal (+)	-312.3	53.7	17.1	53.5	9.7	27.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Pretax Income (reported)</b>	<b>-369.6</b>	<b>3.3</b>	<b>61.2</b>	<b>149.4</b>	<b>6.4</b>	<b>64.2</b>	<b>196.3</b>	<b>349.4</b>	<b>631.9</b>	<b>706.0</b>	<b>790.8</b>	65.2%
y/y		-100.9%	1735.5%	144.2%	-95.7%	896.4%	205.5%	78.0%	80.9%	11.7%	12.0%	
<b>Pretax Income (adjusted)</b>	<b>-57.4</b>	<b>-50.4</b>	<b>44.1</b>	<b>95.9</b>	<b>-3.2</b>	<b>38.2</b>	<b>196.3</b>	<b>349.4</b>	<b>631.9</b>	<b>706.0</b>	<b>790.8</b>	83.4%
y/y		-12.1%	-187.5%	117.5%	-103.3%	-1299.2%	414.4%	78.0%	80.9%	11.7%	12.0%	
- Income Tax Expense	13.8	3.0	-7.8	-54.8	6.7	-22.4	-29.4	-52.4	-94.8	-105.9	-118.6	
effective tax rate (%)	3.7%	-89.8%	12.7%	36.7%	-103.9%	34.8%	15.0%	15.0%	15.0%	15.0%	15.0%	
- Minority Interests	64.049	-2.033	11.811	27.2	4.4	12.6	0.0	0.0	0.0	0.0	0.0	
<b>Income Before XO Items</b>	<b>-291.8</b>	<b>8.4</b>	<b>41.6</b>	<b>94.6</b>	<b>13.1</b>	<b>41.9</b>	<b>166.8</b>	<b>297.0</b>	<b>537.1</b>	<b>600.1</b>	<b>672.2</b>	
y/y		-102.9%	398.0%	127.3%	-86.1%	218.7%	298.2%	78.0%	80.9%	11.7%	12.0%	
- Extraordinary Loss Net of Tax	0.0	0.3	0.0	-1.3	-0.5	2.8	0.0	0.0	0.0	0.0	0.0	
<b>Net Income (reported)</b>	<b>-291.7</b>	<b>8.6</b>	<b>41.6</b>	<b>66.2</b>	<b>8.2</b>	<b>31.5</b>	<b>166.8</b>	<b>297.0</b>	<b>537.1</b>	<b>600.1</b>	<b>672.2</b>	84.5%
y/y		-103.0%	382.4%	59.0%	-87.5%	282.0%	429.8%	78.0%	80.9%	11.7%	12.0%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Net Income (adjusted)</b>	<b>20.5</b>	<b>-93.8</b>	<b>46.7</b>	<b>14.0</b>	<b>7.9</b>	<b>28.4</b>	<b>166.8</b>	<b>297.0</b>	<b>537.1</b>	<b>600.1</b>	<b>672.2</b>	88.4%
y/y		-557.5%	-149.8%	-70.1%	-43.4%	259.3%	488.3%	78.0%	80.9%	11.7%	12.0%	
Basic EPS (reported)	-0.0671	0.0020	0.0089	0.0071	0.0007	0.0025	0.0132	0.0236	0.0426	0.0476	0.0533	84.5%
Basic EPS (adjusted)	0.0047	-0.0216	0.0100	0.0015	0.0006	0.0022	0.0132	0.0236	0.0426	0.0476	0.0533	88.4%
Basic Weighted Avg Shares	4,350.75	4,350.75	4,682.90	9,286.38	12,609.87	12,609.87	12,609.87	12,609.87	12,609.87	12,609.87	12,609.87	
<b>Diluted EPS (reported)</b>	<b>-0.0671</b>	<b>0.0007</b>	<b>0.0032</b>	<b>0.0050</b>	<b>0.0006</b>	<b>0.0024</b>	<b>0.0125</b>	<b>0.0223</b>	<b>0.0404</b>	<b>0.0451</b>	<b>0.0505</b>	84.5%
y/y		-101.0%	370.2%	57.2%	-87.5%	282.0%	429.8%	78.0%	80.9%	11.7%	12.0%	
<b>Diluted EPS (adjusted)</b>	<b>0.0047</b>	<b>-0.0073</b>	<b>0.0036</b>	<b>0.0010</b>	<b>0.0006</b>	<b>0.0021</b>	<b>0.0125</b>	<b>0.0223</b>	<b>0.0404</b>	<b>0.0451</b>	<b>0.0505</b>	88.4%
y/y		-255.3%	-148.6%	-70.5%	-43.4%	259.3%	488.3%	78.0%	80.9%	11.7%	12.0%	
Diluted Weighted Avg Shares	4,350.75	12,816.87	13,149.02	13,299.87	13,299.87	13,299.87	13,299.87	13,299.87	13,299.87	13,299.87	13,299.87	



Balance Sheet (US\$ million)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CY 2024E	CY 2025E
<b>Assets</b>											
+ Cash & Near Cash Items	52.7	96.6	75.2	78.9	45.2	108.3	437.9	713.6	1,164.9	1,742.2	2,395.9
+ Short-Term Investments	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	118.8	104.4	146.8	212.1	156.5	128.1	95.4	146.0	257.3	284.1	313.9
+ Inventories	103.0	109.1	172.1	186.1	202.0	191.4	85.8	129.8	227.4	251.1	277.4
+ Other Current Assets	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>274.4</b>	<b>313.8</b>	<b>394.1</b>	<b>477.1</b>	<b>403.9</b>	<b>427.8</b>	<b>619.1</b>	<b>989.4</b>	<b>1,649.5</b>	<b>2,277.5</b>	<b>2,987.3</b>
+ Mineral Rights	421.2	478.0	488.1	478.1	489.4	501.1	501.1	501.1	501.1	501.1	501.1
+ Gross Fixed Assets	1,086.3	1,131.4	1,157.828	1,262.3	1,296.7	1,351.5	1,379.3	1,414.8	1,458.5	1,506.8	1,546.7
- Accumulated Depreciation	-396.4	-443.3	-486.8	-519.5	-607.8	-697.5	-746.2	-805.4	-860.0	-914.3	-967.6
+ Net Fixed Assets	689.9	688.1	671.1	742.8	688.9	705.3	633.1	609.4	598.5	592.5	579.1
+Exploration and Evaluation Assets	172.7	181.6	212.3	141.0	146.2	119.7	119.7	119.7	119.7	119.7	119.7
+ Other Long-Term Assets	22.2	18.6	16.6	14.2	16.1	14.4	14.4	14.4	14.4	14.4	14.4
+ Goodwill & other Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long-Term Assets</b>	<b>1,306.0</b>	<b>1,366.3</b>	<b>1,388.1</b>	<b>1,376.1</b>	<b>1,340.5</b>	<b>1,340.5</b>	<b>1,268.3</b>	<b>1,244.6</b>	<b>1,233.7</b>	<b>1,227.7</b>	<b>1,214.4</b>
<b>Total Assets</b>	<b>1,580.4</b>	<b>1,680.1</b>	<b>1,782.1</b>	<b>1,853.2</b>	<b>1,744.4</b>	<b>1,768.3</b>	<b>1,887.4</b>	<b>2,234.0</b>	<b>2,883.2</b>	<b>3,505.2</b>	<b>4,201.6</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
+ Accounts Payable	92.9	71.8	87.8	74.0	70.6	95.4	47.7	97.3	209.4	231.3	255.5
+ Short-Term Borrowings	16.4	83.3	133.9	165.5	28.4	30.7	30.7	30.7	30.7	30.7	30.7
+ Other Short-Term Liabilities	13.6	10.8	138.6	178.9	143.3	152.6	152.6	152.6	152.6	152.6	152.6
<b>Total Current Liabilities</b>	<b>122.9</b>	<b>165.9</b>	<b>360.3</b>	<b>418.4</b>	<b>242.3</b>	<b>278.8</b>	<b>231.0</b>	<b>280.6</b>	<b>392.7</b>	<b>414.6</b>	<b>438.8</b>
+ Long-Term Borrowings	257.0	311.2	231.4	123.8	209.0	179.0	179.0	179.0	179.0	179.0	179.0
+Long Term Provisions	26.2	27.3	28.8	32.1	33.1	30.2	30.2	30.2	30.2	30.2	30.2
+Amount Due to fellow subsidiary & intermediate holding company	120.0	120.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Long-Term Liabilities	293.3	288.1	291.2	300.2	270.2	263.4	263.4	263.4	263.4	263.4	263.4
<b>Total Liabilities</b>	<b>819.4</b>	<b>912.6</b>	<b>911.6</b>	<b>874.4</b>	<b>754.5</b>	<b>751.4</b>	<b>703.6</b>	<b>753.3</b>	<b>865.4</b>	<b>887.2</b>	<b>911.5</b>
+ Perpetual subordinated convertible securities	1,089.1	1,089.1	1,089.1	88.5	88.5	88.5	88.5	88.5	88.5	88.5	88.5
+ Share Capital & APIC	5.6	5.6	6.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2
+ Retained Earnings & Other Equity	-402.7	-394.1	-303.6	753.2	760.0	789.8	956.6	1,253.6	1,790.7	2,390.8	3,063.0
<b>Total Shareholders' Equity</b>	<b>692.0</b>	<b>700.6</b>	<b>791.7</b>	<b>857.8</b>	<b>864.6</b>	<b>894.5</b>	<b>1,061.3</b>	<b>1,358.2</b>	<b>1,895.4</b>	<b>2,495.4</b>	<b>3,167.7</b>
+ Minority Interest	69.0	67.0	78.8	121.0	125.2	122.5	122.5	122.5	122.5	122.5	122.5
<b>Total Liabilities &amp; Equity</b>	<b>1,580.4</b>	<b>1,680.1</b>	<b>1,782.1</b>	<b>1,853.2</b>	<b>1,744.4</b>	<b>1,768.3</b>	<b>1,887.4</b>	<b>2,234.0</b>	<b>2,883.2</b>	<b>3,505.2</b>	<b>4,201.6</b>



Cash Flow (US\$ million)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CY 2024E	CY 2025E
+ Profit before tax-Cash Tax Paid	-376.7	-0.5	58.6	139.0	-56.2	44.6	166.8	297.0	537.1	600.1	672.2
+ Depreciation & Amortization	57.5	57.9	50.5	96.2	100.4	89.7	48.7	59.2	54.6	54.3	53.3
+ Other Non-Cash Adjustments	324.7	-43.4	-6.4	-7.3	10.8	-8.3	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	17.1	-14.3	-80.9	-115.1	32.9	47.2	176.3	-45.0	-96.8	-28.7	-31.9
<b>Cash From Operating Activities</b>	<b>22.6</b>	<b>-0.3</b>	<b>21.7</b>	<b>112.8</b>	<b>87.9</b>	<b>173.2</b>	<b>391.9</b>	<b>311.2</b>	<b>494.9</b>	<b>625.6</b>	<b>693.6</b>
+ Disposal of Fixed Assets	0.022	0.365	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-111.7	-55.5	-43.6	-33.1	-39.5	-54.8	-27.8	-35.5	-43.7	-48.2	-40.0
+ Increase in Investments	0	0	0.0	0.0	0.0	-34.5	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	4.354	1.47	1.4	3.8	-9.6	1.3	0.0	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-107.3</b>	<b>-53.6</b>	<b>-42.2</b>	<b>-29.3</b>	<b>-49.1</b>	<b>-88.0</b>	<b>-27.8</b>	<b>-35.5</b>	<b>-43.7</b>	<b>-48.2</b>	<b>-40.0</b>
+ Dividends Paid	0.0	0.0	0.0	0.0	-1.6	-1.6	0.0	0.0	0.0	0.0	0.0
+ Change in Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	134.4	207.8	3.7	51.5	114.4	37.3	50.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-47.9	-82.8	-77.5	-115.8	-129.4	-64.9	-50.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	0.0	0.0	49.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	-14.5	-22.0	23.6	-15.1	-56.4	-28.6	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>72.0</b>	<b>102.9</b>	<b>-0.7</b>	<b>-79.4</b>	<b>-73.1</b>	<b>-57.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Effect of Exchange Rate Changes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.4</b>	<b>2.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Changes in Cash</b>	<b>-12.7</b>	<b>49.0</b>	<b>-21.2</b>	<b>3.8</b>	<b>-34.6</b>	<b>29.6</b>	<b>364.1</b>	<b>275.7</b>	<b>451.3</b>	<b>577.4</b>	<b>653.7</b>
Opening cash	60.1	47.4	96.4	75.2	78.9	44.3	73.8	437.9	713.6	1,164.9	1,742.2
Closing cash	47.4	96.4	75.2	78.9	44.3	73.8	437.9	713.6	1,164.9	1,742.2	2,395.9

Ratio Analysis	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CY 2024E	CY 2025E
<b>Growth Ratios %</b>											
Revenue		-22.5%	50.5%	154.9%	-10.9%	-46.7%	4.7%	70.1%	84.4%	10.4%	10.5%
EBITDA		116.2%	652.9%	109.5%	-45.8%	20.9%	123.1%	70.1%	84.4%	10.4%	10.5%
Operating Income		-11.2%	-253.1%	85.1%	-86.6%	251.5%	272.3%	70.1%	78.3%	10.4%	10.5%
Net income reported		-103.0%	382.4%	59.0%	-87.5%	282.0%	429.8%	78.0%	80.9%	11.7%	12.0%
Net income adjusted		-557.5%	-149.8%	-70.1%	-43.4%	259.3%	488.3%	78.0%	80.9%	11.7%	12.0%
Diluted EPS reported		-101.0%	370.2%	57.2%	-87.5%	282.0%	429.8%	78.0%	80.9%	11.7%	12.0%
Diluted EPS adjusted		-255%	-149%	-70%	-43%	259%	488%	78%	81%	12%	12%
Dividend per share		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts Receivables		-12.1%	40.6%	44.5%	-26.2%	-18.2%	-25.5%	53.1%	76.2%	10.4%	10.5%
Inventory		5.9%	57.8%	8.1%	8.5%	-5.2%	-55.2%	51.2%	75.2%	10.4%	10.5%
Fixed Assets		-0.3%	-2.5%	10.7%	-7.3%	2.4%	-10.2%	-3.7%	-1.8%	-1.0%	-2.2%
Total Assets		6.3%	6.1%	4.0%	-5.9%	1.4%	6.7%	18.4%	29.1%	21.6%	19.9%
Working Capital		13.5%	-29.3%	57.1%	-0.4%	-50.6%	-126.7%	-236.0%	373.5%	23.4%	21.0%
Accounts Payable		-22.8%	22.3%	-15.8%	-4.5%	35.1%	-50.0%	104.2%	115.1%	10.4%	10.5%
Short Term Debt		407.0%	60.7%	23.6%	-82.9%	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Long Term Debt		21.1%	-25.6%	-46.5%	68.9%	-14.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Equity		1.2%	13.0%	8.4%	0.8%	3.5%	18.6%	28.0%	39.5%	31.7%	26.9%
Cash From Operations		-101.4%	-6818.9%	419.6%	-22.0%	97.0%	126.3%	-20.6%	59.0%	26.4%	10.9%
Capital Expenditure		-50.3%	-21.3%	-24.1%	19.4%	-49.2%	38.5%	27.6%	22.9%	10.4%	-17.1%
Free Cash Flow		-37.4%	-60.7%	-462.9%	-39.2%	144.7%	207.5%	-24.3%	63.7%	28.0%	13.2%
<b>Per Share Data (US\$)</b>	<b>CY 2015</b>	<b>CY 2016</b>	<b>CY 2017</b>	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021E</b>	<b>CY 2022E</b>	<b>CY 2023E</b>	<b>CY 2024E</b>	<b>CY 2025E</b>
Basic EPS (adjusted)	0.0047	-0.0216	0.0100	0.0015	0.0006	0.0022	0.0132	0.0236	0.0426	0.0476	0.0533
Diluted EPS (adjusted)	0.0047	-0.0073	0.0036	0.0010	0.0006	0.0021	0.0125	0.0223	0.0404	0.0451	0.0505
Dividend per share (DPS)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Book Value per share (BVPS)	0.1590	0.0547	0.0602	0.0645	0.0650	0.0673	0.0798	0.1021	0.1425	0.1876	0.2382
<b>Margins (%)</b>											
Operating Margin	-10.0%	-11.5%	11.7%	8.5%	1.3%	8.4%	30.0%	30.0%	29.0%	29.0%	29.0%
EBITDA Margin	1.3%	3.7%	18.6%	15.3%	9.3%	21.1%	45.0%	45.0%	45.0%	45.0%	45.0%
Pre-Tax Margin (adjusted)	-12.2%	-13.8%	8.0%	6.9%	-0.3%	5.7%	28.2%	29.5%	28.9%	29.3%	29.7%
Net Income Margin (adjusted)	4.4%	-25.7%	8.5%	1.0%	0.6%	4.3%	24.0%	25.1%	24.6%	24.9%	25.2%
<b>Return Ratios</b>											
<b>Dupont ROE (%)</b>	<b>3.0%</b>	<b>-13.4%</b>	<b>5.9%</b>	<b>1.6%</b>	<b>0.9%</b>	<b>3.2%</b>	<b>15.7%</b>	<b>21.9%</b>	<b>28.3%</b>	<b>24.0%</b>	<b>21.2%</b>
Margin (%)	4.4%	-25.7%	8.5%	1.0%	0.6%	4.3%	24.0%	25.1%	24.6%	24.9%	25.2%
Turnover (x)	0.3	0.2	0.3	0.8	0.7	0.4	0.4	0.5	0.8	0.7	0.6
Leverage (x)	2.3	2.4	2.3	2.2	2.0	2.0	1.8	1.6	1.5	1.4	1.3
Return on Assets	1.3%	-5.6%	2.6%	0.8%	0.5%	1.6%	8.8%	13.3%	18.6%	17.1%	16.0%
Return on Capital Employed	-3.2%	-2.8%	4.5%	8.3%	1.1%	3.8%	12.6%	18.2%	25.4%	22.6%	20.5%
Return on Invested Capital	2.1%	-8.6%	4.0%	1.2%	0.7%	2.6%	13.1%	18.9%	25.5%	22.2%	19.9%
<b>FCF Calculation</b>											
Op. cash (US\$)	22.6	-0.3	21.7	112.8	87.9	173.2	391.9	311.2	494.9	625.6	693.6
capex	-111.7	-55.5	-43.6	-33.1	-39.5	-54.8	-27.8	-35.5	-43.7	-48.2	-40.0
FCF (US\$ million)	-89.1	-55.8	-21.9	79.6	48.4	118.4	364.1	275.7	451.3	577.4	653.7
FCF margin (%)	-18.9%	-15.3%	-4.0%	5.7%	3.9%	17.8%	52.3%	23.3%	20.7%	23.9%	24.5%
FCF per share	-0.0205	-0.0044	-0.0017	0.0060	0.0036	0.0089	0.0274	0.0207	0.0339	0.0434	0.0491
Price/FCF per share	-7.78	-36.58	-95.45	26.60	43.77	17.89	5.82	7.68	4.69	3.67	3.24
FCF Yield	-12.9%	-2.7%	-1.0%	3.8%	2.3%	5.6%	17.2%	13.0%	21.3%	27.3%	30.9%
<b>Net Cash calculation</b>											
Cash + short term investments	52.7	100.3	75.2	78.9	45.2	108.3	437.9	713.6	1,164.9	1,742.2	2,395.9
Less: long term debt + ST debt	-273.4	-394.6	-365.3	-289.3	-237.4	-209.7	-209.7	-209.7	-209.7	-209.7	-209.7
<b>Net Cash</b>	<b>-220.8</b>	<b>-294.2</b>	<b>-290.1</b>	<b>-210.4</b>	<b>-192.2</b>	<b>-101.4</b>	<b>228.2</b>	<b>503.9</b>	<b>955.1</b>	<b>1,532.5</b>	<b>2,186.2</b>
Net cash per share	-0.0507	-0.0230	-0.0221	-0.0158	-0.0144	-0.0076	0.0172	0.0379	0.0718	0.1152	0.1644

Valuation ratio's	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CY 2024E	CY 2025E
P/B	0.97	1.75	1.31	2.47	2.45	2.37	2.00	1.56	1.12	0.85	0.67
P/E	32.86	-13.05	22.14	151.80	268.37	74.70	12.70	7.13	3.94	3.53	3.15
P/S	1.43	1.14	0.67	1.43	1.61	3.02	2.88	1.70	0.92	0.83	0.75
EV/sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/EBITDA	0.00	51.92	7.14	8.38	11.53	9.35	7.13	4.19	2.27	2.06	1.86
EV/EBIT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/FCF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Div payout on FCF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Working Capital Ratios	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CY 2024E	CY 2025E
Receivable days (DSO)		112	83	47	54	78	50	45	43	43	43
Inventory days (DIO)		106	93	47	57	108	45	40	38	38	38
Payables days (DPO)		82	53	21	21	46	25	30	35	35	35
Current ratio	2.2	1.9	1.1	1.1	1.7	1.5	2.7	3.5	4.2	5.5	6.8
Quick ratio	1.4	1.2	0.6	0.7	0.8	0.8	2.3	3.1	3.6	4.9	6.2
Working capital	115	131	93	145	145	71	-19	26	123	151	183
Cash conversion cycle		135	124	72	90	141	70	55	46	46	46
Leverage Ratios											
Debt / equity	40%	56%	46%	34%	27%	23%	20%	15%	11%	8%	7%
Net cash (debt) / equity	-32%	-42%	-37%	-25%	-22%	-11%	21%	37%	50%	61%	69%
Net cash (debt) / mkt cap	-33%	-71%	-79%	-15%	-19%	-10%	11%	25%	48%	76%	109%
Net cash (debt) / capital	-23%	-27%	-25%	-18%	-17%	-9%	18%	32%	45%	57%	65%
Coverage Ratios											
Interest coverage [EBIT]	-7.7	-6.8	8.4	5.4	0.8	4.4	16.6	60.0	434.3	-107.3	-42.8
Interest coverage [Opt. CF]	3.7	-0.1	2.8	5.1	4.6	13.6	31.2	52.5	339.4	-96.0	-38.4
Earnings Quality Ratios											
Net operating assets/liab [NOA]	982	1062	1161	1189	1182	1118	956	977	1063	1085	1104
Average NOA		1022	1111	1175	1186	1150	1037	966	1020	1074	1095
B/S accrual ratio		0.08	0.09	0.02	-0.01	-0.06	-0.16	0.02	0.08	0.02	0.02
CF accrual ratio		-0.06	0.07	-0.01	-0.04	-0.10	-0.17	0.04	0.08	-0.02	-0.02
Enterprise Value Calculation	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Current					
Market Cap.		415	368	1,426	1,009	996	2,008				
+ Minority Interest		69	67	79	121	125	122				
+Total Debt (ST & LT Debt)		273	395	365	289	237	210				
- Cash & Equivalents		53	100	75	79	45	108				
<b>Enterprise Value</b>		<b>705</b>	<b>730</b>	<b>1,794</b>	<b>1,340</b>	<b>1,313</b>	<b>2,232</b>				

DCF model	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
(in US\$ million)																
EBIT	-47	-42	64	119	16	56	209	355	633	699	773	854	930	980	1,022	1,057
% growth	0%	-11%	-253%	85%	-87%	252%	272%	70%	78%	10%	10%	11%	9%	5%	4%	3%
Taxes @	3.7%	-89.8%	12.7%	36.7%	-103.9%	34.8%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBIAT	-46	-80	56	75	33	37	178	302	538	595	657	726	790	833	868	898
% growth	0%	75%	-170%	34%	-57%	12%	385%	70%	78%	10%	10%	11%	9%	5%	4%	3%
+ D&A	57	58	50	96	100	90	49	59	55	54	53	57	59	61	62	64
- Capital expenditures	-112	-55	-44	-33	-40	-55	-28	-36	-44	-48	-40	-22	-22	-22	-22	-22
- Change in net WC	17	-14	-81	-115	33	47	176	-45	-97	-29	-32	-15	-13	-11	-10	-8
<b>Free Cash Flow to Firm</b>	-83	-92	-18	23	126	119	375	281	452	572	638	746	814	860	898	932
FCY y/y growth		11%	-80%	-230%	441%	-6%	216%	-25%	61%	26%	12%	17%	9%	6%	4%	4%

#### Value per Share

Terminal Growth	Cost of capital				
	6.6%	7.6%	8.6%	9.6%	10.6%
2.5%	10.29	8.08	6.61	5.55	4.76
2.8%	10.92	8.45	6.84	5.71	4.88
3.0%	11.40	8.72	7.01	5.82	4.96
3.3%	12.23	9.18	7.29	6.01	5.08
3.5%	12.87	9.52	7.50	6.14	5.17

WACC	8.6%
PV of Free Cash Flow	3,964
PV of Terminal Value	7,534
Add: Net Cash	-101
Less: Non-Controlling Interest	-121
Total Equity Value	11,276
Shares outstanding	12,609.87
<b>DCF value</b>	<b>7.01</b>

USD to HKD 7.84

All Values are in mn US\$ except stock price which is in HK\$

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## Evaluate Research Ltd.

30/F Singapore Land Tower  
50 Raffles Place  
SINGAPORE

Sai Capital Bldg – Suite 402  
Opp. JW Marriott Hotel  
SB RD, Pune 411 016  
INDIA

### Analyst:

Ketan Chaphalkar  
ketan@evaluateresearch.com

Sandy Mehta, CFA  
sandy@evaluateresearch.com

### Client Servicing:

Pooja Burgul  
pooja@evaluateresearch.com

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