**Investment Summary: China Coal Energy Co Ltd / 601898.SS**

**Date:** September 05, 2025 **Stock Price (Close, Sept 04, 2025):** 11.06 CNY **Market Cap:** 137.033B CNY **Recommended Action:** Buy **Industry:** Thermal Coal, Energy

**Business Overview**

China Coal Energy Co Ltd (601898.SS) is a leading integrated coal enterprise in China, primarily engaged in coal production and sales (steam and coking coal), coal chemical products (metallurgy and forging cokes), coal mining equipment manufacturing, and other operations like electrolytic aluminum and coal gas production. Major divisions include Coal (80-85% of sales, ~25% gross margin), Coal Chemical (~10-15%, ~20% margin), Equipment (~3-5%, ~15% margin), and Others (~2%, variable). FY2024 revenue was 189.4B CNY (down 1.8% YoY), operating income ~38B CNY, and net margin ~10%. Fiscal year-end: December. Steam coal powers electricity generation for utilities and industries; coking coal enables steel production for manufacturers. Key customers: power plants (60%), steel mills (30%), chemicals (10%). Strengths: Abundant reserves, diversified operations, advanced mining tech. Challenges: Coal price volatility, environmental regulations, transition to renewables.

**Business Performance**

* **Sales Growth Past 5 Years:** Averaged 5% CAGR (2019-2024), but declined 12% in 2022-2024 due to demand slowdown; Forecast 2025: -11% to 168.9B CNY.
* **Profit Growth Past 5 Years:** 8% CAGR, but -31.5% in H1 2025; Forecast 2025: -20% net profit decline.
* **Operating Cash Flow Increase:** Up 15% YoY in 2024 to 34.1B CNY, driven by efficient operations.
* **Market Share and Ranking:** ~5-7% in China's coal market; Ranked top 5 among producers.

**Industry Context**

* **Product Cycle Maturity:** Mature, with declining demand in power sector amid green shift.
* **Market Size and Growth Rate CAGR:** 4,619 MMT in 2024; 3.2% CAGR to 2034.
* **Company Market Share and Ranking:** 5-7%; Top 5.
* **Avg Sales Growth Past 3 Years vs Industry:** Company -5%, industry +2%.
* **Avg EPS Growth Past 3 Years vs Industry:** Company +3%, industry +5%.
* **Debt-to-Total Assets Ratio vs Industry:** Company 28%, industry avg 35% (better positioned).
* **Industry Cycle Phase:** Slowing down; Transition from expansion to contraction due to carbon goals.
* **Industry Specific Metrics:** (1) Production cost/tonne: Company ~300 CNY (vs industry 350); (2) EBITDA/tonne: Company 150 CNY (vs 120); (3) Reserve life: Company 30 years (vs 25). Company outperforms on efficiency.

**Financial Stability and Debt Levels**

China Coal maintains solid stability with strong operating cash flow (34.1B CNY in 2024) covering capex (~12B CNY) and dividends (yield 4.28%). Liquidity is healthy (cash on hand ~50B CNY), though current ratio ~1.2 signals moderate short-term risk; not a cash business, so below 1.3 threshold raises minor concerns. Debt totals 100.9B CNY; debt-to-equity 0.64, debt-to-assets 28% (below industry 35%), interest coverage >10x, Altman Z-Score ~3 (safe). Prudent management amid volatility, no major issues.

**Key Financials and Valuation**

* **Sales and Profitability:** FY2024 sales 189.4B CNY (-1.8% YoY); Forecast 2025: 168.9B (-11%). Divisions: Coal sales 85% (profit 70%), Chemical 12% (15%), Equipment 3% (5%). Group OP margin 20% (stable); Forward guidance: EPS 3.20 CNY (+116% but from low base), sales -11%.
* **Valuation Metrics:** P/E TTM 9.50 (vs industry 10, historical 8); PEG 1.2; Dividend yield 4.28%; Stock at 11.06 CNY (52-week: 9.42-15.92, mid-low).
* **Financial Stability and Debt Levels:** Current ratio 1.2; D/E 0.64; Interest coverage >10x; Risks: Price sensitivity.
* **Industry Specific Metrics:** (1) Cost/tonne 300 CNY (vs industry 350; superior cost control); (2) EBITDA/tonne 150 (vs 120; higher profitability); (3) Utilization rate 85% (vs 80; efficient ops). Company rates favorably, implying competitive edge in downturns.

**Big Trends and Big Events**

* **Green Transition (All Segments):** China's carbon peak by 2030 pushes renewables; Industry: Reduces coal demand 1-2%/yr; Company: Hits coal sales, but chemical/equipment pivot mitigates.
* **Policy Reforms (Coal/Power):** 14th Five-Year Plan caps coal; Industry: Import drop 100Mt in 2025; Company: Domestic focus aids, but price pressure.
* **Global Demand Shift (Steel/Chemical):** Steel overcapacity; Industry: Coking coal glut; Company: Diversified revenue cushions.

**Customer Segments and Demand Trends**

* **Major Segments:** Power (60%, ~100B CNY), Steel (30%, 50B), Chemicals/Intl (10%, 20B).
* **Forecast:** Power +1% (2-3 yrs, hydro competition); Steel -2% (overcapacity); Chemicals +3% (innovation). Drivers: Infrastructure, exports.
* **Criticisms and Substitutes:** Complaints: High prices, pollution; Substitutes: Renewables (slow switch, 5-10 yrs).

**Competitive Landscape**

* **Industry Dynamics:** High concentration (CR4 ~60%), margins 10-15%, utilization 80%, CAGR 2%; Slowing cycle.
* **Key Competitors:** China Shenhua (20% share, 22% margin), Yankuang (15%, 18%).
* **Moats:** Scale, state licenses, cost leadership vs competitors' tech focus.
* **Key Battle Fronts:** Cost efficiency top; Company excels via integrated chain, outperforming peers.

**Risks and Anomalies**

* Declining H1 2025 profits (-31%) vs stable ops; Resolution: Cost cuts.
* Regulatory scrutiny on emissions; Potential: Fines, but compliance investments.
* Price volatility; Hedge via contracts.

**Forecast and Outlook**

* Management: 2025 sales ~169B (-11%), profits down 20%; Decline from coal prices.
* Growth: Equipment +5%; Reasons: Demand slowdown.
* Recent Surprise: H1 miss due to prices; Reasons: Market glut.

**Leading Investment Firms and Views**

* Goldman Sachs: Buy, target 13.50 CNY (+22% upside).
* Piper Sandler: Hold, target 12.00 (+8%).
* Consensus: Buy (76% strong buy), avg target 12.02 (range 9.40-15.45, +9% upside).

**Recommended Action: Buy**

* **Pros:** Undervalued P/E, strong dividend, efficient metrics vs industry, cash flow resilience.
* **Cons:** Profit declines, green transition risks, competitive pressures.

**Industry Ratio and Metric Analysis**

Important metrics: Cost/tonne, EBITDA/tonne, Utilization. (a) Company: 300/150/85%; (b) vs Avg: 350/120/80 (better); (c) Trends: Industry costs rising 5%/yr, company stable; Utilization falling industry-wide, company steady—indicates resilience.

**Key Takeaways**

China Coal holds a strong position in a mature industry with scale and diversification as strengths, but faces risks from declining demand and regulations. Recommendation rationale: Buy due to attractive valuation and yields outweighing short-term headwinds. Monitor: Coal prices, policy shifts, renewable adoption for opportunities. Missed points: Geopolitical import risks, tech investments in clean coal.

**Sources:** Company website (en.chinacoalenergy.com), 2024 Annual Report, H1 2025 Interim Report, Yahoo Finance, Reuters, Deloitte China Coal Market Report 2025, IEA Coal Mid-Year Update 2025, Analyst notes (Goldman Sachs, Piper Sandler via Investing.com, WSJ).