

# Zhaojin Mining Industry (1818.HK)

Earnings Review: 1Q25 inline; benefit from gold price rally; maintain Buy

Buy

1818.HK 12m Price Target: **HK\$27.00** Price: **HK\$20.00** Upside: **35.0%**

Zhaojin reported 1Q25A NP of Rmb659mn (PRC GAAP) and EPS of Rmb0.190/sh, up 198% and 188% yoy respectively. 1Q25A recurring NP was Rmb635mn (PRC GAAP), up 203% yoy. The results are at 43% of 1H25 earnings forecast or 20% our full-year 2025 estimate, and 23% of full-year Bloomberg consensus, mostly in line.

We revise up our earnings estimates by 14-43% for 2025-27E by incorporating higher gold price forecast from global commodity team. With Haiyu mine fully ramped up, we expect Zhaojin's self-mined gold output to increase to 30t by 2028E, from 16t in 2024A, implying 17% CAGR. On the back of the strong volume growth and rising gold price, we expect recurring net profit to increase from Rmb1.64bn in 2024A to Rmb4.77bn in 2028E (when expansion projects fully ramp up), implying a 31% CAGR. Maintain Buy with revised target price at HK\$27.0 (from HK\$17.0).

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## Key Data

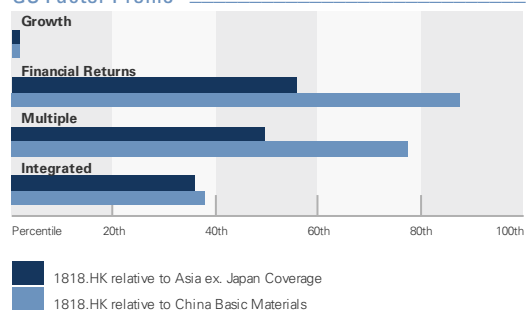
Market cap: HK\$69.4bn / \$8.9bn  
Enterprise value: HK\$89.6bn / \$11.5bn  
3m ADTV: HK\$338.7mn / \$43.6mn  
China  
China Basic Materials  
M&A Rank: 3  
Leases incl. in net debt & EV?: Yes

## GS Forecast

	12/24	12/25E	12/26E	12/27E
<b>Revenue (Rmb mn) New</b>	<b>11,550.7</b>	<b>17,496.5</b>	<b>18,518.0</b>	<b>18,322.5</b>
Revenue (Rmb mn) Old	11,550.7	15,888.2	16,138.4	17,540.3
EBITDA (Rmb mn)	4,068.7	9,155.8	9,848.0	8,631.4
<b>EPS (Rmb) New</b>	<b>0.43</b>	<b>1.22</b>	<b>1.26</b>	<b>0.94</b>
EPS (Rmb) Old	0.43	0.95	0.88	0.83
P/E (X)	25.5	15.4	14.9	20.0
P/B (X)	1.8	2.4	2.1	2.0
Dividend yield (%)	0.5	0.8	0.8	0.6
CROCI (%)	9.0	13.1	13.1	11.4

	12/24	6/25E	12/25E	6/26E
EPS (Rmb)	0.27	0.51	0.71	0.85

## GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.  
See disclosures for details.

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Buy

## Zhaojin Mining Industry (1818.HK)

Rating since Mar 27, 2024

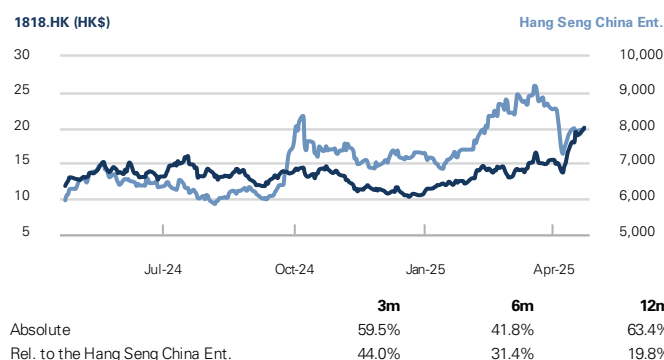
## Ratios &amp; Valuation

	12/24	12/25E	12/26E	12/27E
P/E (X)	25.5	15.4	14.9	20.0
P/B (X)	1.8	2.4	2.1	2.0
FCF yield (%)	1.7	4.7	7.2	7.5
EV/EBITDAR (X)	14.2	9.2	8.4	9.1
EV/EBITDA (excl. leases) (X)	14.2	9.2	8.4	9.1
CROCI (%)	9.0	13.1	13.1	11.4
ROE (%)	7.2	17.5	15.3	10.2
Net debt/equity (%)	66.7	43.0	25.4	11.7
Net debt/equity (excl. leases) (%)	66.4	42.8	25.2	11.5
Interest cover (X)	4.8	12.8	14.4	13.8
Days inventory outst, sales	180.1	145.1	147.0	142.2
Receivable days	51.5	32.9	32.1	32.6
Days payable outstanding	160.8	177.1	191.8	171.9
DuPont ROE (%)	5.8	13.1	11.9	8.0
Turnover (X)	0.2	0.3	0.3	0.3
Leverage (X)	2.1	1.9	1.7	1.6
Gross cash invested (ex cash) (Rmb)	52,143.9	58,559.7	60,732.3	61,804.3
Average capital employed (Rmb)	32,519.2	38,527.8	41,553.4	41,696.0
BVPS (Rmb)	6.23	7.69	8.81	9.60

## Growth &amp; Margins (%)

	12/24	12/25E	12/26E	12/27E
Total revenue growth	37.1	51.5	5.8	(1.1)
EBITDA growth	51.5	125.0	7.6	(12.4)
EPS growth	105.6	183.0	3.1	(25.3)
DPS growth	25.0	183.0	3.1	(25.3)
EBIT margin	23.9	43.7	44.2	36.0
EBITDA margin	35.2	52.3	53.2	47.1
Net income margin	12.6	24.2	24.1	18.2

## Price Performance



Source: FactSet. Price as of 22 Apr 2025 close.

## Income Statement (Rmb mn)

	12/24	12/25E	12/26E	12/27E
Total revenue	11,550.7	17,496.5	18,518.0	18,322.5
Cost of goods sold	(7,028.7)	(8,625.7)	(9,307.8)	(10,493.0)
SG&A	(1,522.1)	(1,641.2)	(1,638.1)	(1,887.4)
R&D	—	—	—	—
Other operating inc./exp.)	(236.6)	408.6	608.2	645.9
<b>EBITDA</b>	<b>4,068.7</b>	<b>9,155.8</b>	<b>9,848.0</b>	<b>8,631.4</b>
Depreciation & amortization	(1,305.4)	(1,517.5)	(1,667.7)	(2,043.4)
<b>EBIT</b>	<b>2,763.3</b>	<b>7,638.3</b>	<b>8,180.2</b>	<b>6,588.1</b>
Net interest inc./exp.)	(544.6)	(597.5)	(566.6)	(477.6)
Income/(loss) from associates	10.2	10.2	10.2	10.2
<b>Pre-tax profit</b>	<b>2,228.9</b>	<b>7,051.0</b>	<b>7,623.8</b>	<b>6,120.6</b>
Provision for taxes	(377.6)	(1,762.8)	(1,906.0)	(1,530.1)
Minority interest	(400.5)	(1,047.6)	(1,259.0)	(1,259.5)
Preferred dividends	—	—	—	—
<b>Net inc. (pre-exceptionals)</b>	<b>1,450.8</b>	<b>4,240.6</b>	<b>4,458.9</b>	<b>3,330.9</b>
Post-tax exceptionals	—	—	—	—
<b>Net inc. (post-exceptionals)</b>	<b>1,450.8</b>	<b>4,240.6</b>	<b>4,458.9</b>	<b>3,330.9</b>
<b>EPS (basic, pre-exception) (Rmb)</b>	<b>0.43</b>	<b>1.22</b>	<b>1.26</b>	<b>0.94</b>
<b>EPS (diluted, pre-exception) (Rmb)</b>	<b>0.43</b>	<b>1.22</b>	<b>1.26</b>	<b>0.94</b>
<b>EPS (basic, post-exception) (Rmb)</b>	<b>0.43</b>	<b>1.22</b>	<b>1.26</b>	<b>0.94</b>
<b>EPS (diluted, post-exception) (Rmb)</b>	<b>0.43</b>	<b>1.22</b>	<b>1.26</b>	<b>0.94</b>
DPS (Rmb)	0.05	0.14	0.15	0.11
Div. payout ratio (%)	11.6	11.6	11.6	11.6

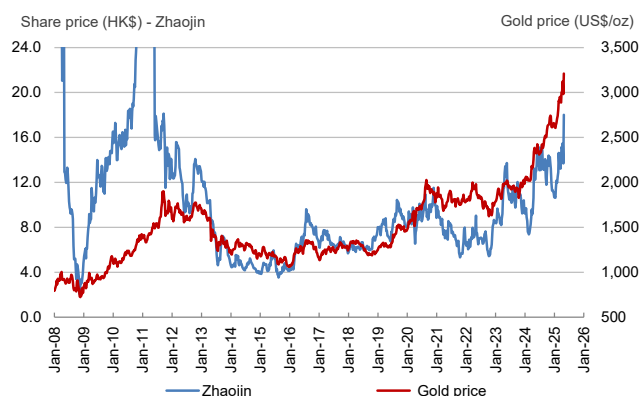
## Balance Sheet (Rmb mn)

	12/24	12/25E	12/26E	12/27E
Cash & cash equivalents	2,234.2	6,234.9	9,259.0	9,161.2
Accounts receivable	1,529.6	1,620.2	1,635.7	1,632.8
Inventory	6,246.4	7,665.5	7,251.7	7,025.1
Other current assets	3,880.9	4,587.7	4,709.1	4,685.9
<b>Total current assets</b>	<b>13,891.0</b>	<b>20,108.3</b>	<b>22,855.6</b>	<b>22,505.0</b>
Net PP&E	18,456.4	20,067.7	21,526.8	21,348.4
Net intangibles	17,127.8	17,056.2	16,986.6	16,918.8
Total investments	412.2	412.2	412.2	412.2
Other long-term assets	3,680.7	3,680.7	3,680.7	3,680.7
<b>Total assets</b>	<b>53,567.9</b>	<b>61,325.0</b>	<b>65,461.8</b>	<b>64,865.0</b>
Accounts payable	3,540.4	4,830.1	4,953.6	4,930.0
Short-term debt	7,573.6	7,286.3	6,806.1	5,073.5
Short-term lease liabilities	12.2	12.2	12.2	12.2
Other current liabilities	3,308.9	535.2	568.7	615.9
<b>Total current liabilities</b>	<b>14,435.2</b>	<b>12,663.8</b>	<b>12,340.7</b>	<b>10,631.5</b>
Long-term debt	5,411.1	7,766.6	6,925.5	3,890.4
Long-term lease liabilities	58.5	58.5	58.5	58.5
Other long-term liabilities	8,529.4	8,599.7	8,674.2	8,747.8
<b>Total long-term liabilities</b>	<b>13,940.5</b>	<b>16,366.3</b>	<b>15,599.7</b>	<b>12,638.2</b>
<b>Total liabilities</b>	<b>28,375.7</b>	<b>29,030.1</b>	<b>27,940.4</b>	<b>23,269.7</b>
Preferred shares	—	—	—	—
Total common equity	21,183.6	27,238.6	31,206.2	34,020.5
<b>Minority interest</b>	<b>4,008.7</b>	<b>5,056.3</b>	<b>6,315.3</b>	<b>7,574.8</b>
<b>Total liabilities &amp; equity</b>	<b>53,567.9</b>	<b>61,325.0</b>	<b>65,461.8</b>	<b>64,865.0</b>
Net debt, adjusted	10,750.6	8,818.0	4,472.6	(197.3)

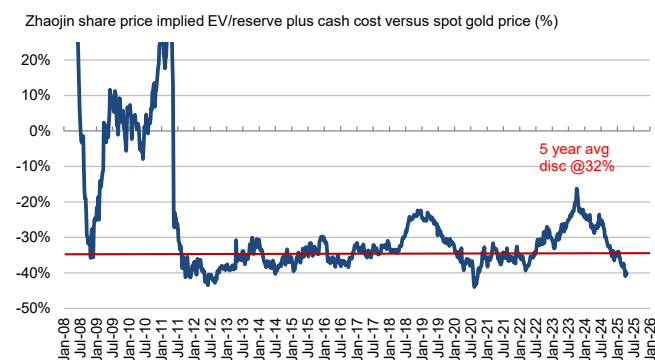
## Cash Flow (Rmb mn)

	12/24	12/25E	12/26E	12/27E
Net income	1,450.8	4,240.6	4,458.9	3,330.9
D&A add-back	1,305.4	1,517.5	1,667.7	2,043.4
Minority interest add-back	400.5	1,047.6	1,259.0	1,259.5
Net (inc)/dec working capital	(1,223.2)	(771.3)	508.3	350.0
Other operating cash flow	663.7	0.0	(0.0)	0.0
<b>Cash flow from operations</b>	<b>2,597.2</b>	<b>6,034.4</b>	<b>7,893.9</b>	<b>6,983.8</b>
Capital expenditures	(1,892.6)	(2,678.0)	(2,678.0)	(1,418.0)
Acquisitions	—	—	—	—
Divestitures	—	—	—	—
Others	(3,403.4)	(379.2)	(379.2)	(379.2)
<b>Cash flow from investing</b>	<b>(5,296.0)</b>	<b>(3,057.2)</b>	<b>(3,057.2)</b>	<b>(1,797.2)</b>
Repayment of lease liabilities	(23.0)	(23.0)	—	—
Dividends paid (common & pref)	(130.8)	(168.1)	(491.3)	(516.6)
Inc/(dec) in debt	2,145.5	(790.8)	(1,321.2)	(4,767.7)
Other financing cash flows	(199.7)	1,982.4	0.0	0.0
<b>Cash flow from financing</b>	<b>1,815.0</b>	<b>1,023.5</b>	<b>(1,812.5)</b>	<b>(5,284.3)</b>
<b>Total cash flow</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Free cash flow	704.5	3,356.4	5,215.9	5,565.8

Source: Company data, Goldman Sachs Research estimates.

**Exhibit 1: Zhaojin share price vs. gold price**

Source: Bloomberg

**Exhibit 2: Zhaojin share price implied EV/reserve plus cash cost versus spot gold price**

Source: Bloomberg, Goldman Sachs Global Investment Research

**1Q25A versus expectation**

Net revenue was up 53% yoy and was 18% of our full year estimates, likely due to 1Q low season for gold production. COGS was up 32% yoy and was 18% of our full year estimates.

Operating cash flow was Rmb953mn in 1Q25, up 294% yoy. Investing cash outflow was Rmb1.5bn, up 46% yoy. Free cash flow remains negative at Rmb511mn in 1Q25, versus negative Rmb764mn in 1Q24A. By the end of 1Q25A, the balance sheet remain stretched with net gearing adjusted (adding back perpetual bonds) reaching 121%, mostly flat versus 120% as of end 2024A. Working capital management improved - AR/AP/inventory days decreased by 6%-55% yoy to 7-381 days by the end of 1Q25.

**Gold price update**

We revise up the benchmark gold price forecast by 12% per year for 2025-26E by incorporating our global commodity team's latest forecasts. Our global team remains bullish on gold price and revised up year-end gold forecast to US\$3,700/toz with a projected range of US\$3,650-3,950/toz, incorporating stronger-than-expected central bank demand and the boost from increased recession risk to ETF inflows in the forecasting framework. Accordingly, the team has gold price forecasts of US\$3,295/toz in 2025E and US\$3,892/toz in 1H26E.

**Valuations**

Our valuation methodology remains unchanged, based on a historical P/B vs ROE correlation, but in order to incorporate the company's strong growth potential, we use a 2028E earnings base under gold assumption of US\$2,600/oz (from prior US\$1,957/oz, as we now use average of LT gold price assumption and spot price from prior LT price only to factor in near term impact from higher spot gold), or a 2028E P/B of 3.12x (from 2.26x) with ROE at 12.4% (from 9.0%) and discount back to 2025E at a 10% discount rate (in line with the rest of our coverage). Our 2028E valuation implies 25x P/E on our 2028E EPS, at the average level of global gold peers.

**Key risks:** 1) Gold and copper price fluctuations (2025E earnings are impacted 7% for

every US\$100/oz change in gold price); 2) project execution, which is key to the sustainability of the company's growth profile; and 3) declining grade for mines, which drives the output and unit production cost of a mine.

### Exhibit 3: 1Q25A results summary - Zhaojin

Zhaojin (PRC GAAP)		1Q24A	2Q24A	3Q24A	4Q24A	1Q25A	YoY	QoQ
Net Revenue	Rmb mn	1,919	2,758	3,144	3,855	2,933	53%	-24%
Cost of sales	Rmb mn	(1,147)	(1,551)	(1,764)	(2,687)	(1,510)	32%	-44%
Gross profit	Rmb mn	772	1,206	1,380	1,168	1,423	84%	22%
Other revenue	Rmb mn	2	105	(71)	6	20	1158%	211%
SG&A	Rmb mn	(319)	(293)	(377)	(456)	(370)	16%	-19%
Other operating Costs	Rmb mn	13	(289)	(133)	29	9	-30%	-68%
Operating profit	Rmb mn	468	729	799	747	1,082	131%	45%
Finance costs	Rmb mn	(93)	(154)	(91)	(115)	(79)	-15%	-31%
Share of associates	Rmb mn	(17)	0	(51)	(13)	(14)	-17%	9%
PBT	Rmb mn	359	575	658	620	989	176%	60%
Tax	Rmb mn	(80)	(146)	(137)	(14)	(159)	98%	1013%
Minority	Rmb mn	(57)	(116)	(175)	(52)	(171)	198%	227%
Net profit	Rmb mn	221	313	346	553	659	198%	19%
Net profit-recurring	Rmb mn	210	451	508	519	635	203%	22%
EPS	Rmb/sh	0.066	0.093	0.103	0.165	0.190	188%	15%
EPS (recurring)	Rmb/sh	0.062	0.134	0.151	0.154	0.183	193%	18%
Gold price - Benchmark	US\$/oz	2,072	2,338	2,477	2,661	2,862	38%	8%
Inv days	days	428	355	326	209	381	-11%	82%
A/R days	days	17	14	12	4	7	-55%	81%
A/P days	days	59	50	73	28	55	-6%	99%
OCF	Rmb mn	242	(441)	1,744	1,052	953	294%	-9%
FCF	Rmb mn	(764)	(934)	(2,259)	1,257	(511)	-33%	n.a.
Net debt-rpt	Rmb mn	16,547	18,573	17,645	18,356	19,173	16%	4%
Net debt-adj perpetual	Rmb mn	23,623	25,715	24,838	25,381	26,264	11%	3%
Net gearing-rpt, excl MI	%	89%	91%	85%	87%	88%	-1%	1%
Net gearing-adj perp, ex MI	%	127%	126%	120%	120%	121%	-5%	0%

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 4: Key assumptions and financials - Zhaojin**

Key assumptions and financials - ZHAOJIN							
Zhaojin		2022A	2023A	2024A	2025E	2026E	2027E
Total gold production volume	t	19.2	17.6	18.3	17.1	19.1	24.1
Own mined gold	t	14.5	15.4	16.1	15.0	17.0	22.0
Purchase & others	t	4.7	2.1	2.2	2.1	2.1	2.1
ASP-Gold	US\$/oz	1,806	1,993	2,433	3,348	3,245	2,600
ASP-Silver	US\$/oz	21.8	23.4	28.2	32.7	32.7	32.7
Unit cash cost -Au	US\$/oz	799	795	1,090	1,220	1,227	1,161
Unit total cost - Au	US\$/oz	1,024	1,003	1,295	1,423	1,430	1,364
EBIT	Rmb mn	1,275	1,733	2,763	7,638	8,180	6,588
EBITDA	Rmb mn	2,200	2,686	4,069	9,156	9,848	8,631
% Revenue - gold	%	89%	89%	91%	94%	94%	94%
% GP - gold	%	99%	108%	99%	102%	102%	102%
Net Profit	Rmb mn	402	686	1,451	4,241	4,459	3,331
Net Profit-recurring	Rmb mn	466	1,049	1,637	4,241	4,459	3,331
EPS	Rmb/sh	0.123	0.210	0.432	1.221	1.259	0.940
EPS-recurring	Rmb/sh	0.143	0.321	0.487	1.221	1.259	0.940
Free cash flow	Rmb mn	(1,262)	(127)	(2,699)	2,977	4,837	5,187
Net debt	Rmb mn	14,412	13,680	16,795	13,885	9,540	4,870
Net debt/equity	%	87%	73%	79%	51%	31%	14%
Net debt/equity(w ppb)	%	168%	176%	168%	103%	68%	44%
ROE	%	2.4%	3.6%	6.8%	15.6%	14.3%	9.8%
ROIC	%	2.4%	3.2%	5.0%	10.9%	10.9%	8.9%

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 5: Earnings and valuation sensitivity - Zhaojin**

Earnings and valuation sensitivity-2025E				
	Recurring Net profit	Recurring EPS	Recurring ROE	Valuation @21x PE
Gold price US\$/oz	Rmb mn	Rmb/sh	%	HK\$/sh
3,000	3,298	0.950	13%	21.4
3,200	3,839	1.106	14%	24.9
3,400	4,380	1.261	16%	28.4
3,600	4,922	1.417	18%	31.9
3,800	5,463	1.573	19%	35.4
US\$100/oz in gold		7%		

Source: Company data, Goldman Sachs Global Investment Research

**Investment Thesis - Zhaojin**

Zhaojin is one of the largest gold mining companies in China, producing 18.3t total mined gold output in 2024. With Haiyu mine fully ramped up, we expect Zhaojin's self-mined gold output to increase to 30t by 2028E, from 16t in 2024A, implying 17% CAGR. On the back of the strong volume growth and elevated gold price, we expect recurring net profit to increase from Rmb1.64bn in 2024A to Rmb4.77bn in 2028E (when expansion projects fully ramp up), implying a 31% CAGR. We are Buy-rated.

**Price Target Risks and Methodology - Zhaojin**

**Valuation methodology:** Our valuation is based on a historical P/B vs ROE correlation. We use a 2028E earnings base under average of LT gold price assumption and spot price (at US\$2,600/oz), or a 2028E P/B of 3.12x with ROE at 12.4% and discount back to 2025E at a 10% discount rate (in line with the rest of our coverage). Our 2028E valuation implies 25x P/E on our 2028E EPS, at the average level of global gold peers.

**Key risks:** 1) Gold and copper price fluctuations (2025E earnings are impacted 7% for every US\$100/oz change in gold price); 2) project execution, which is key to the sustainability of the company's growth profile; and 3) declining grade for mines, which drives the output and unit production cost of a mine.

# Disclosure Appendix

## Reg AC

We, Joy Zhang, Trina Chen and Daisy Dai, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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## GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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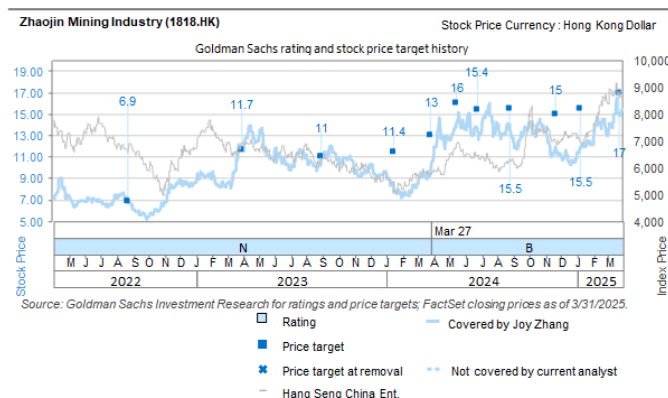
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