

China Vanadium Titano-Magnetite Mining (0893.HK)

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Announcement Crystallizes Acquisition Value; New TP HK\$5.1

Buy/Low Risk	1L
Price (04 Feb 10)	HK\$4.39
Target price	HK\$5.10
from HK\$4.91	
Expected share price return	16.2%
Expected dividend yield	1.1%
Expected total return	17.3%
Market Cap	HK\$9,109M
	US\$1,172M

	2008	2009E	2010E
EPS new(Rmb)	0.166	0.172	0.283
EPS Old(Rmb)	0.166	0.173	0.272
EPS Growth	363.2	3.7	64.7
P/E	23.3	22.4	13.6
EV/EBITDA	22.2	14.2	7.5
Consensus Data	na	0.191	0.305

Price Performance (RIC: 0893.HK, BB: 893 HK)



- **What's new?** – In conjunction with the previously announced Yangqueqing asset the company has announced the leasing of 800kt of iron ore concentrate capacity and 120kt of high grade titanium concentrate capacity. In addition the company has announced the acquisition of Cizhuqing exploration right and a 300ktpa iron ore concentrate production line.
- **Implication 1: based on 800ktpa, Yangqueqing is worth HK\$0.58/s** - On a standalone basis we assume that the mine output will match the concentrator capacity at 800ktpa. We expect capex and costs to follow the neighbouring Baico mine. We value this at 4.5x EV/EBITDA for 2011 and discount back at 10%.
- **Implication 2: Cizhuqing exploration highlights increased organic growth potential** – Based on a simple understanding of the assets, if mine output was matched at 300ktpa concentrator capacity, then we think this could be worth an incremental HK\$0.13/s. However this is only an exploration right today, so we do not incorporate this in our base case.
- **Raising earnings by 25% for 2011, 4% for 2010** – As we incorporate our estimates on the delivery of the Yangqueqing asset ramp up to 800ktpa, we are lifting our earnings.
- **New Target Price of HK\$5.1 vs HK\$4.91; maintain our Buy recommendation** – The recent acquisition highlights the ability of management to do deals in the region and improve the organic growth outlook.
- Risks on the macro backdrop: US\$ strengthening and policy tightening concern.