

Ramelius Resources

FY19 financial results & dividend announced

HOLD (previously ADD)

Current price:	A\$1.26
Target price:	A\$1.12
Previous target:	A\$0.95
Up/downside:	-10.4%
Reuters:	RMS.AX
Bloomberg:	RMS AU
Market cap:	US\$556.6m
	A\$825.6m
Average daily turnover:	US\$3.97m
	A\$5.82m
Current shares o/s	657.9m
Free float:	100.0%

- Solid FY19 financial results driven by a strong 2H19 due to a higher realised gold price and lower costs.
- FY19 revenue of A\$352.7m in line with our estimate (A\$353m). A\$112.2m EBITDA 5% above our estimate (A\$107m).
- Cash and equivalents of A\$106.8m with no debt.
- A fully franked dividend of A\$0.01/share announced.
- FY20 production guidance of 205-225koz at an AISC of A\$1,225-\$1,325/oz.

The key numbers

FY19 revenue was A\$352.7m in line with our estimate of A\$353m. RMS finished the year with A\$112.2m EBITDA vs our forecast of A\$107m (+5%). NPAT of A\$21.8m was reported for FY19 (Morgans: A\$24m, -9%). A fully franked A\$0.01/share dividend has been announced. RMS finished the financial year with a strong second half performance due largely to higher realised gold price and a lower total cost of production. FY20 production guidance was reaffirmed to be 205-225koz at an AISC of A\$1,225-\$1,325/oz.

The positives

1) RMS have a five year 1Moz detailed mine plan giving production and cost guidance for the short to medium term; 2) At the end of FY19 RMS had A\$106.8m in cash and equivalents and no debt; 3) RMS have a A\$0.01/share dividend, the first since 2010; 4) Australian dollar gold price at record levels (+A\$2,300/oz), factors contributing to gold price appreciation remain largely unresolved; 5) AISC has been consistent for the past five years giving investors confidence RMS have a solid understanding and control over costs.

The negatives

1) Cost pressures identified for FY20 onwards (mainly labour related); 2) Near term capital requirements to bring recent acquisition online (Tampia Hill); 3) Tampia refractory ore is an unknown and as such is a processing risk; 4) Greenfinch pit environmental approval delay resulting in lower grade stockpile ore being fed through the mill; 5) Over the next two years RMS have approximately 40% of production hedged at an average price of \$1,875/oz

Investment view

In our view the rapid appreciation observed in the gold price and gold miners is well founded given the material shift in gold market fundamentals. This is primarily driven by our view that volatility is likely to remain a notable feature across global markets for the medium term. As a result of this view, we have increased the value attributed to in-situ resources outside of the current mine plan. Our new target price utilising the revised valuation is \$1.12/share. We recommend a HOLD rating as the factors that have caused the AUD gold price to reach record highs are still unresolved and may further elevate the AUD gold price and subsequently the share price of RMS. RMS is a low-cost producer that has a substantial cash balance and a visible growth plan.



Price performance	1M	3M	12M
Absolute (%)	42.6	45.9	167
Relative (%)	47.8	46.2	163.

Dorab POSTMASTER

T (618) 6160 8707

E dorab.postmaster@morgans.com.au

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- N/A

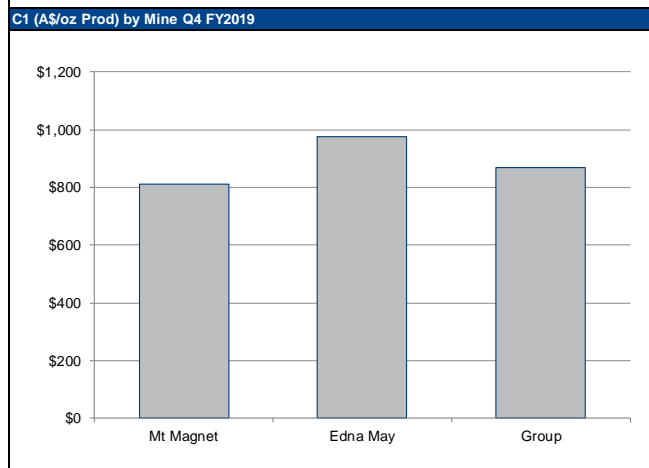
Financial Summary	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
Revenue (A\$m)	341.8	352.8	435.8	452.4	449.7
Operating EBITDA (A\$m)	126.6	112.0	134.2	132.7	116.5
Net Profit (A\$m)	30.76	21.83	43.72	43.17	34.55
Normalised EPS (A\$)	0.058	0.033	0.066	0.066	0.053
Normalised EPS Growth	57%	(42%)	100%	(1%)	(20%)
FD Normalised P/E (x)	21.73	34.10	18.88	19.13	23.90
DPS (A\$)	-	-	0.010	0.010	0.010
Dividend Yield	0.00%	0.00%	0.80%	0.80%	0.80%
EV/EBITDA (x)	4.65	6.51	5.08	4.74	4.91
P/FCFE (x)	NA	26.60	23.43	21.80	16.21
Net Gearing	(37.1%)	(34.3%)	(43.1%)	(50.5%)	(60.6%)
P/BV (x)	3.28	2.96	2.47	2.12	1.98
ROE	16.4%	9.1%	14.2%	11.9%	8.6%
% Change In Normalised EPS Estimates			19.6%	(4.2%)	(9.5%)
Normalised EPS/consensus EPS (x)			0.70	0.57	0.92

SOURCE: MORGANS, COMPANY REPORTS

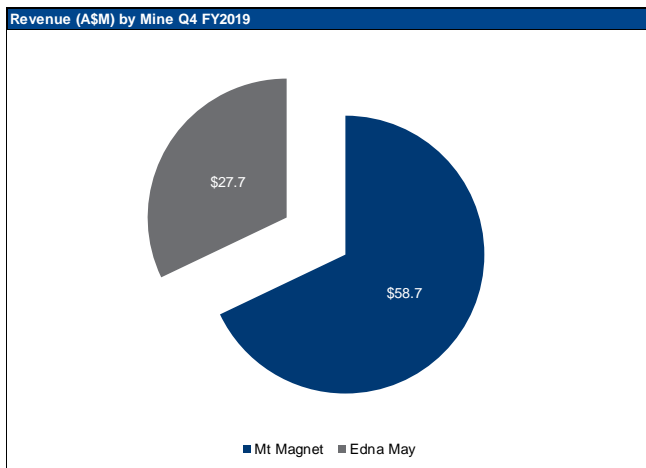
Figure 1: Business snapshot

Ramelius Resources (as at 26-08-19)		RMS AU / RMS.AX	Mining
Market cap (A\$m):	825.6	Rating:	HOLD
Shares outstanding (m):	657.9	Price (A\$):	1.26
Free float (%):	100%	Target price (A\$):	1.12
Company website:	www.rameliusresources.com.au	Upside/downside to target price (%):	-10.4%

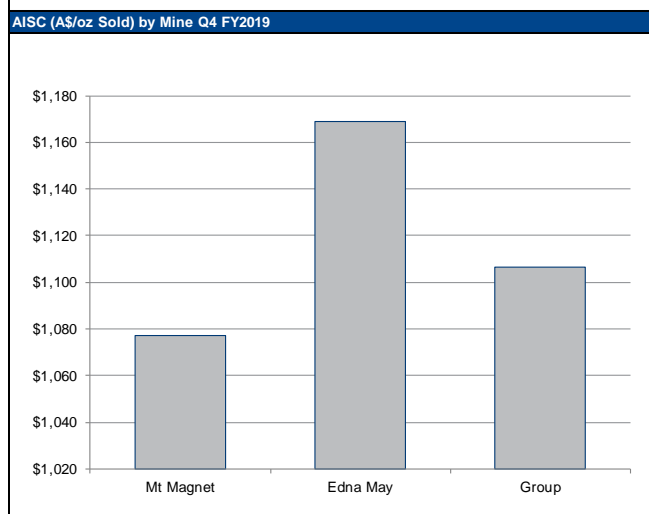
Company description
 Ramelius Resources (RMS) is a Western Australia focused gold producer that listed on the ASX in 2003 and has been in production since 2006. Currently RMS 100% owns the Mount Magnet, Edna May, Vivien, Marda and Tampia Hill gold mines.



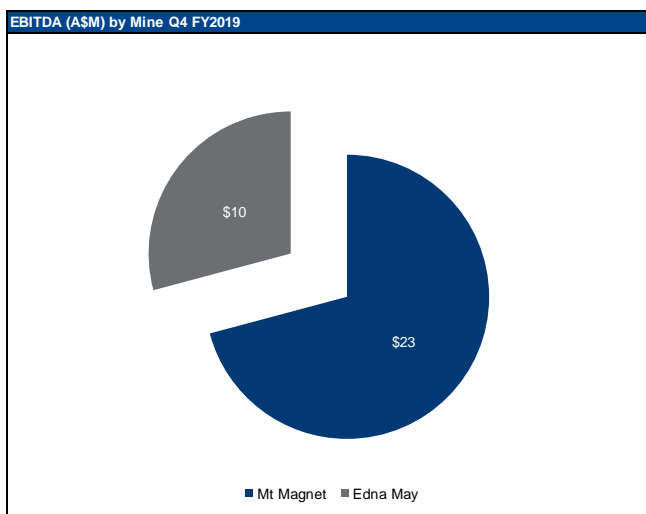
Source: Morgans



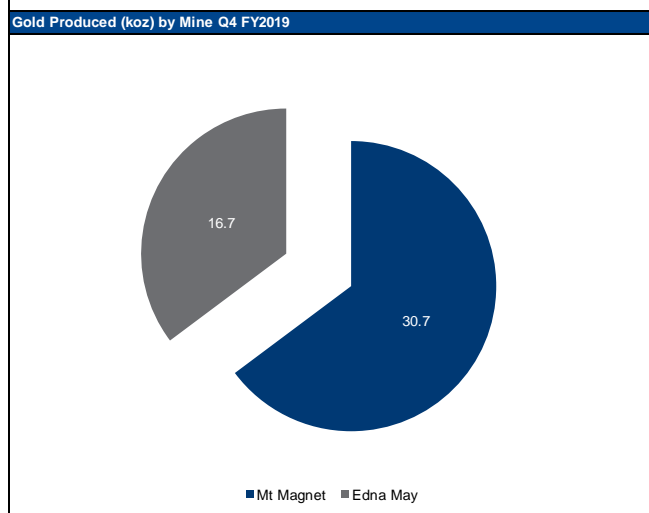
Source: Morgans



Source: Morgans



Source: Morgans



Source: Morgans

Key drivers / risks

Key Industry Drivers
 Gold price as a proxy of global market sentiment.
 AUD:US exchange rate

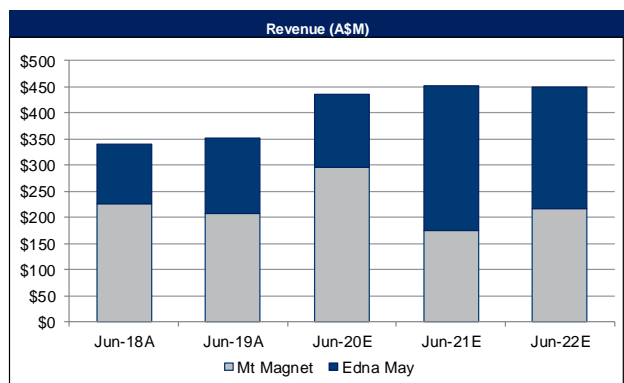
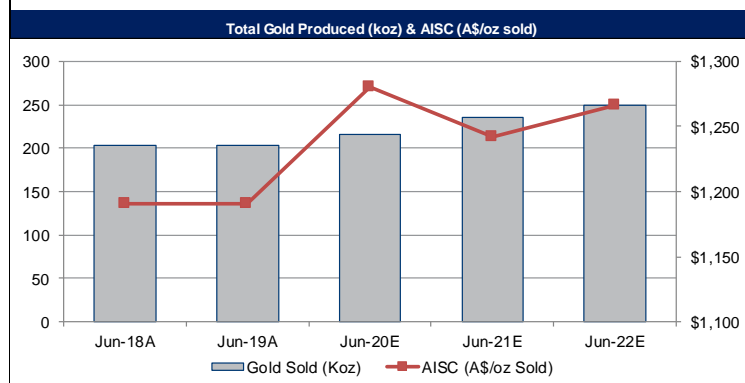
Key risks
 Most sensitive inputs are gold price and exchange rate hence they are the key risks.
 Operational risks include the development of Tampia Hill that contains some refractory ore (refractory ore requires additional processing to the ore that RMS currently excavate) and overseeing a growing number of operations.

Upcoming catalysts
 Development of Tampia Hill.
 Possible M&A activity

Source: Morgans

Figure 2: Financial summary

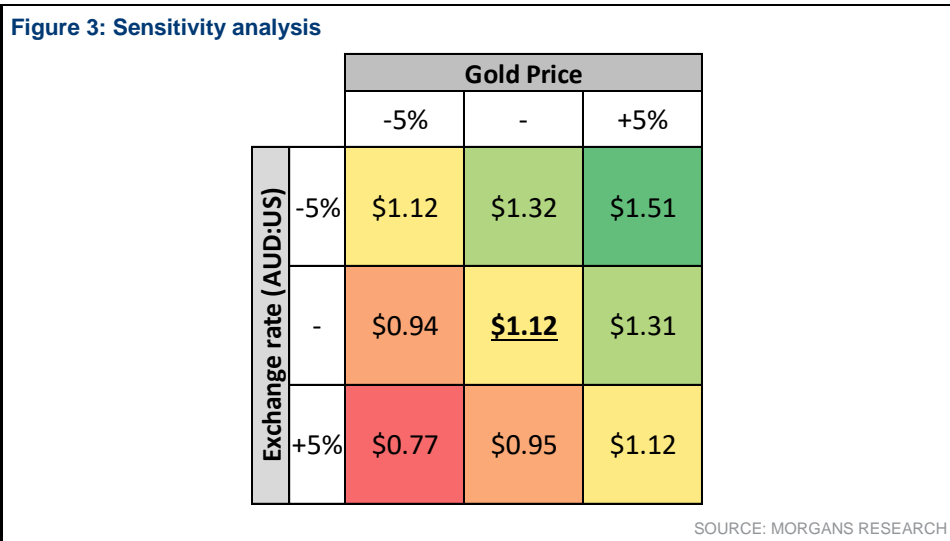
RMS						Mining and Metals					
Income statement (A\$M)						Gold Sold (Koz)					
	Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E		Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E
Sales Revenue	\$342	\$353	\$436	\$452	\$450	Mt Magnet	136	120	146	91	121
Operating Costs	-\$209	-\$210	-\$276	-\$293	-\$315	Edna May	68	83	69	144	128
Other Income/Costs	-\$6	-\$31	-\$26	-\$27	-\$18	TOTAL GOLD SOLD	203	203	215	236	249
EBITDA	\$127	\$112	\$134	\$133	\$117	Gold Produced (Koz)					
Depreciation & Amortisation	-\$81	-\$81	-\$74	-\$74	-\$72		Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E
EBIT	\$46	\$31	\$60	\$58	\$45	Mt Magnet	135	114	146	91	121
Other Income & Expenses	\$0	\$2	\$2	\$3	\$4	Edna May	73	81	69	144	128
Profit before Income Tax	\$45	\$30	\$62	\$62	\$49	TOTAL GOLD PRODUCED	208	195	215	236	249
Income Tax Expense	-\$15	-\$9	-\$19	-\$18	-\$15	Key Metrics					
NPAT - Reported	\$31	\$22	\$44	\$43	\$35		Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E
Cashflow Statement (A\$M)						Revenue (A\$M)					
	Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E		Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E
Operating EBITDA	\$127	\$112	\$154	\$154	\$128	Mt Magnet	\$226	\$208	\$296	\$175	\$218
Net Finance Income	\$1	\$2	\$2	\$3	\$4	Edna May	\$113	\$143	\$140	\$277	\$232
Income Tax Paid	\$0	\$0	\$0	\$0	-\$15	TOTAL REVENUE	\$339	\$351	\$436	\$452	\$450
Other	-\$9	\$23	-\$1	\$7	\$4	AISC (A\$/oz Sold)					
Net operating Cashflow	\$119	\$137	\$155	\$164	\$122		Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E
Capex (Development, PP&E, other)	-\$70	-\$66	-\$80	-\$84	-\$47	Mt Magnet	\$1,186	\$1,148	\$1,206	\$1,246	\$1,262
Net Proceeds from Sales/Acquisitions	-\$38	-\$20	\$0	\$0	\$0	Edna May	\$1,203	\$1,251	\$1,436	\$1,240	\$1,270
Payment for Exploration / Tenements	-\$14	-\$19	-\$20	-\$21	-\$12	GROUP	\$1,191	\$1,190	\$1,280	\$1,242	\$1,266
Other Investing Cashflows	-\$1	-\$4	\$0	\$0	\$0	Valuation					
Net Cash from Investing Activities	-\$123	-\$109	-\$100	-\$105	-\$59		A\$M		A\$/sh		
Net Proceeds from Debt	\$0	\$0	\$0	\$0	\$0	DR (%)			11.5%		
Dividends Paid	\$0	\$0	-\$7	-\$7	-\$7	Mt Magnet NPV	\$310		\$0.47		
Proceeds from Issues of Shares	\$0	\$0	\$0	\$0	\$0	Edna May NPV	\$208		\$0.32		
Other Financing Cashflows	\$0	-\$1	\$0	\$0	\$0	Total Current NPV (A\$M)	\$518		\$0.79		
Net Cash from Financing Activities	\$0	\$0	-\$7	-\$7	-\$7	Other Exploration (A\$M)	\$140		\$0.21		
Net Inc/Dec in Cash and Cash Equivalents	-\$4	\$28	\$49	\$52	\$56	Corporate Cost (A\$M)	-\$30		-\$0.05		
Balance Sheet (A\$M)						Total Valuation (A\$M)					
	Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E		A\$M		A\$/sh		
Cash & Cash Equivalents	\$75	\$96	\$144	\$197	\$253	Cash & Cash Equivalents (A\$M)	\$107		\$0.16		
Other Current Assets	\$61	\$48	\$69	\$62	\$63	Listed Investments	\$5		\$0.01		
Total Current Assets	\$138	\$152	\$222	\$268	\$325	Total Valuation (A\$M)	\$740		\$1.12		
Development Assets	\$85	\$99	\$104	\$113	\$89	Shares In Issue (million)			658		
Property, Plant & Equipment	\$51	\$44	\$45	\$47	\$46	Target Price (A\$/Share)			\$1.12		
Exploration and Evaluation Expenditure	\$19	\$99	\$99	\$99	\$99						
Other Non-Current Assets	\$29	\$2	\$2	\$2	\$2						
Total Non-Current Assets	\$184	\$244	\$250	\$260	\$236						
Total Assets	\$322	\$397	\$472	\$528	\$561						
Trade & Other Payables	\$32	\$45	\$65	\$65	\$70						
Provisions & Other Current Liabilities	\$6	\$7	\$7	\$7	\$7						
Total Current Liabilities	\$38	\$52	\$72	\$72	\$77						
Provisions	\$43	\$46	\$46	\$46	\$46						
Other Non-Current Liabilities	\$39	\$20	\$20	\$20	\$20						
Total Non-Current Liabilities	\$82	\$66	\$66	\$66	\$66						
Total Liabilities	\$120	\$118	\$138	\$138	\$143						
Total Equity	\$202	\$279	\$335	\$390	\$418						



SOURCE: MORGANS RESEARCH, COMPANY

Sensitivity analysis

The following table shows RMS's valuation sensitivity towards the gold price and the exchange rate.



Queensland

Brisbane	+61 7 3334 4888
Stockbroking, Corporate Advice, Wealth Management	
Brisbane: Edward St	+61 7 3121 5677
Brisbane: Tynan	+61 7 3152 0600
Partners	
Brisbane: North Quay	+61 7 3245 5466
Bundaberg	+61 7 4153 1050
Cairns	+61 7 4222 0555
Caloundra	+61 7 5491 5422
Gladstone	+61 7 4972 8000
Gold Coast	+61 7 5581 5777
Holland Park	+61 7 3151 8300
Ipswich/Springfield	+61 7 3202 3995
Kedron	+61 7 3350 9000
Mackay	+61 7 4957 3033
Milton	+61 7 3114 8600
Noosa	+61 7 5449 9511
Redcliffe	+61 7 3897 3999
Rockhampton	+61 7 4922 5855
Spring Hill	+61 7 3833 9333
Sunshine Coast	+61 7 5479 2757
Toowoomba	+61 7 4639 1277
Townsville	+61 7 4725 5787

New South Wales

Sydney	+61 2 9043 7900
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Place	
Sydney: Reynolds	+61 2 9373 4452
Securities	
Sydney: Currency	+61 2 8216 5111
House	
Armidale	+61 2 6770 3300
Ballina	+61 2 6686 4144
Balmain	+61 2 8755 3333
Bowral	+61 2 4851 5555
Chatswood	+61 2 8116 1700
Coffs Harbour	+61 2 6651 5700
Gosford	+61 2 4325 0884
Hurstville	+61 2 8215 5079
Merimbula	+61 2 6495 2869
Mona Vale	+61 2 9998 4200
Neutral Bay	+61 2 8969 7500
Newcastle	+61 2 4926 4044
Orange	+61 2 6361 9166
Port Macquarie	+61 2 6583 1735
Scone	+61 2 6544 3144
Wollongong	+61 2 4227 3022

Victoria

Melbourne	+61 3 9947 4111
Stockbroking, Corporate Advice, Wealth Management	
Brighton	+61 3 9519 3555
Camberwell	+61 3 9813 2945
Domain	+61 3 9066 3200
Geelong	+61 3 5222 5128
Richmond	+61 3 9916 4000
South Yarra	+61 3 8762 1400
Southbank	+61 3 9037 9444
Traralgon	+61 3 5176 6055
Warrnambool	+61 3 5559 1500

Western Australia

West Perth	+61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management	
Perth	+61 8 6462 1999

South Australia

Adelaide	+61 8 8464 5000
Exchange Place	+61 8 7325 9200
Norwood	+61 8 8461 2800
Unley	+61 8 8155 4300

Australian Capital Territory

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