

Ramelius Resources

Trotting along nicely

HOLD (no change)

Current price:	A\$1.29
Target price:	A\$1.25
Previous target:	A\$1.12
Up/downside:	-2.9%
Reuters:	RMS.AX
Bloomberg:	RMS AU
Market cap:	US\$577.3m
	A\$845.8m
Average daily turnover:	US\$4.93m
	A\$7.21m
Current shares o/s	657.9m
Free float:	100.0%

- RMS reported group production for the quarter of 44,182oz at an All-in sustaining cost (AISC) of A\$1,234/oz.
- 39,918oz of gold was sold in the Quarter at an average gold price of A\$1,810/oz.
- FY20 production and cost guidance remains unchanged.
- Cash & gold on hand of A\$92.8M at the end of the quarter.
- Solid Quarter, setting up for a strong second half of FY20.

The key figures

RMS reported group production for the quarter of 44,182oz (MorgansE 45,410oz) at an All-in sustaining cost (AISC) of A\$1,234/oz (MorgansE A\$1,431/oz). 39,918oz of gold was sold in the Quarter at an average gold price of A\$1,810/oz for total revenue of A\$72.3M. Cash & gold on hand of A\$92.8M at the end of the quarter (June 2019 Quarter: A\$106.8M), after investing A\$7.6M on exploration & A\$19.1M in project development. Group gold production for the Q219 is expected to be between 45 and 50koz (MorgansE 47,235oz) at an AISC of A\$1,325 to 1,425/oz (MorgansE A\$1,379/oz). FY20 guidance was reaffirmed for 205 to 225koz at an AISC of A\$1,225 to 1,325/oz, this is weighted to the second half of FY20 (H219 production estimate of 122koz).

The positives

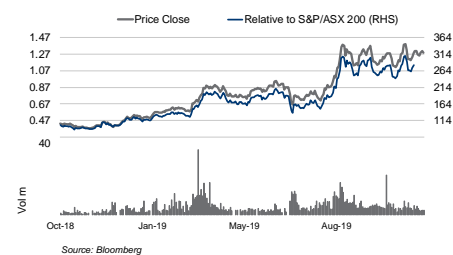
1) AISC was below estimate largely due to an increase of 66% from the prior quarter in high grade open pit ore mined at Mt Magnet; 2) Underground development continuing at Mt Magnet (Shannon underground); 3) Stopping production commenced this quarter at Edna May; 4) Mining permit approved at Marda; 5) Clearing permit granted 7th October at Greenfinch (Edna May); 6) Subsequent to the end of the Quarter RMS executed a A\$35M debt facility to support working capital as well as any corporate or asset acquisition; 7) Vivien mine life extended bringing additional high grade ore into the 5-year plan.

The negatives

1) The achieved gold price for RMS this quarter was A\$1,810/oz as a result of their hedging position. The December Quarter has 33,750oz hedged at an average price of A\$1,813/oz, this represents ~71% assuming MorgansE of 47,235oz. As of 30th September the RMS hedge book included 242,650oz of forward sales at an average price of A\$1,890/oz; 2) Edna May mill still heavily reliant on low grade stockpile feed while alternative ore sources are being developed.

Investment view

Our price target increases to A\$1.25ps and we maintain our HOLD rating. RMS continues to meet production and cost guidance while developing assets to increase future production to 250kozpa. Production guidance for the December quarter is between 45koz and 50koz at an AISC of between A\$1,325/oz and A\$1,425/oz. RMS has a strong track record of delivering to production and cost guidance, we expect this to continue while development work on future ore sources progresses.



Price performance	1M	3M	12M
Absolute (%)	13.2	44.4	198.
Relative (%)	14.2	47	182.

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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	400.5	454.3	458.7
Operating EBITDA (A\$m)	126.6	112.0	115.6	134.5	125.5
Net Profit (A\$m)	30.76	21.83	30.92	44.19	40.61
Normalised EPS (A\$)	0.058	0.033	0.047	0.067	0.062
Normalised EPS Growth	57.3%	(42.5%)	41.6%	43.0%	(8.1%)
FD Normalised P/E (x)	22.25	34.91	27.34	19.13	20.82
DPS (A\$)	-	-	0.010	0.010	0.010
Dividend Yield	0.00%	0.00%	0.78%	0.78%	0.78%
EV/EBITDA (x)	4.77	6.69	6.20	4.95	4.81
P/FCFE (x)	NA	27.24	43.00	23.52	14.84
Net Gearing	(37.1%)	(34.3%)	(40.7%)	(48.0%)	(59.3%)
P/BV (x)	3.36	3.03	2.67	2.27	2.08
ROE	16.4%	9.1%	10.4%	12.8%	10.4%
% Change In Normalised EPS Estimates			(29.3%)	2.4%	17.5%
Normalised EPS/consensus EPS (x)			0.46	0.52	0.53

SOURCE: MORGANS, COMPANY REPORTS

Figure 1: Business snapshot

Ramelius Resources (as at 29-10-19)		RMS AU / RMS.AX	Mining
Market cap (A\$m):	845.4	Rating:	HOLD
Shares outstanding (m):	657.9	Price (A\$):	1.29
Free float (%):	100%	Target price (A\$):	1.25
Company website:	www.rameliusresources.com.au	Upside/downside to target price (%):	-2.9%

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.

How RMS makes money & Growth factors

RMS's earnings come from its Western Australian based gold operations. RMS has two processing hubs, Mt Magnet and Edna May. Mt Magnet processes ore from the Mt Magnet mining operation as well as Vivien underground mine (ore is trucked to Mt Magnet). Edna May processes ore from Edna May mining operation and is due to have ore trucked from Marda and Tampia Hill.

Short-term key growth factors:

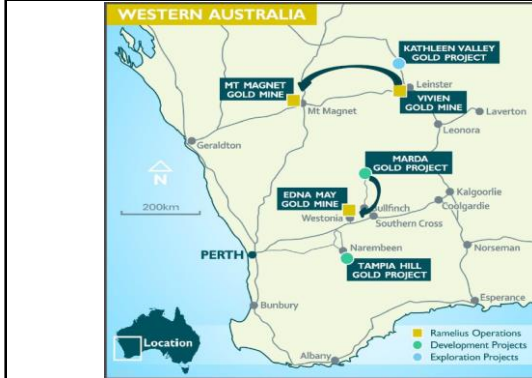
- Ramp-up of newly acquired Marda & Tampia Hill operations
- Extensional exploration at current operations

Long-term key growth factors:

- RMS have a successful history of acquiring distressed or isolated operations and integrating them with current operations. RMS's strong balance sheet allows for future transactions

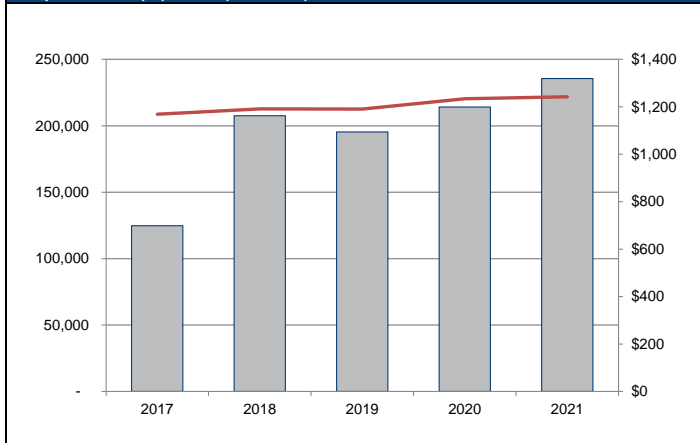
Source: Morgans

Map of RMS Operations



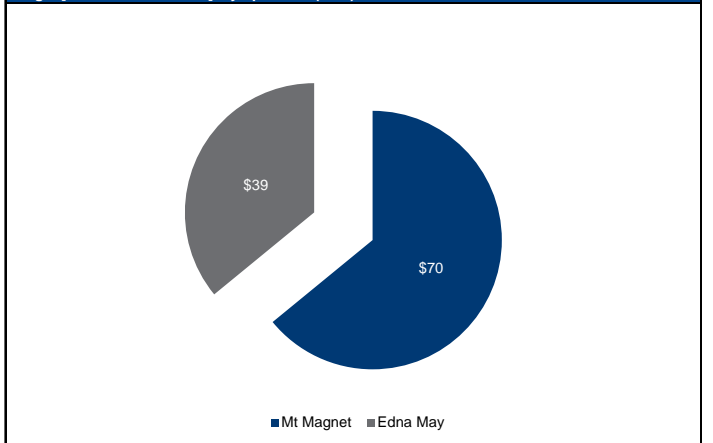
Source: Company

Group Production (oz) & AISC (A\$/oz Sold)



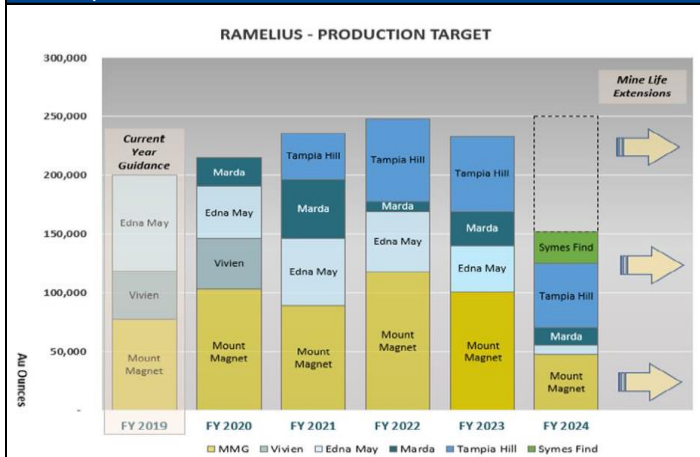
Source: Morgans

Margin [Gold revenue - AISC] by operation (A\$m) - FY19



Source: Morgans

RMS future production



Source: Company

Key risks & drivers

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.

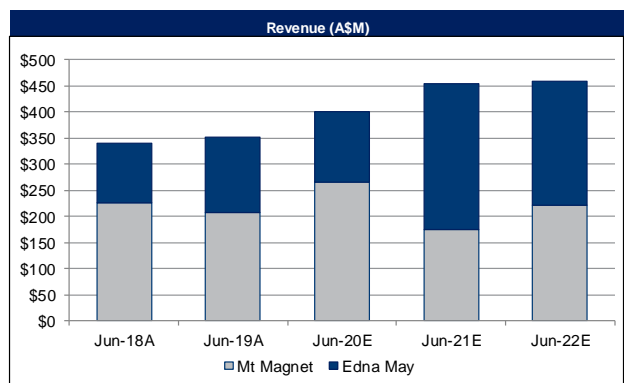
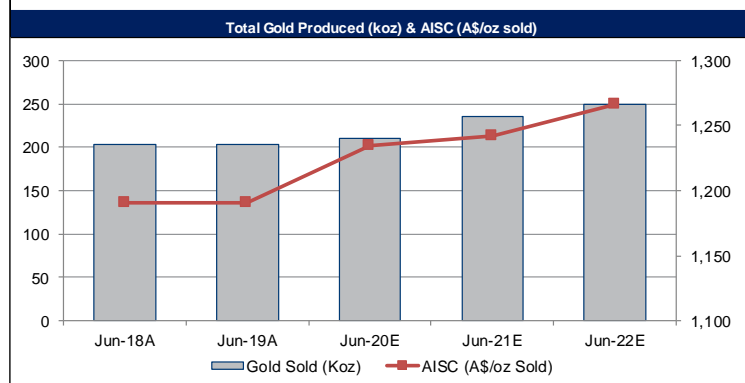
Upcoming catalysts
 Development of Tampia Hill.
 Possible M&A activity

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

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	\$400	\$454	\$459	Mt Magnet	136	120	139	91	121	
Operating Costs	-\$209	-\$210	-\$259	-\$293	-\$315	Edna May	68	83	71	144	128	
Other Income/Costs	-\$6	-\$31	-\$26	-\$27	-\$18	TOTAL GOLD SOLD	203	203	210	236	249	
EBITDA	\$127	\$112	\$116	\$135	\$126	AISC (A\$/oz Sold)						
Depreciation & Amortisation	-\$81	-\$81	-\$73	-\$74	-\$72	Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E		
EBIT	\$46	\$31	\$42	\$60	\$54	Mt Magnet	1,186	1,148	1,165	1,246	1,262	
Other Income & Expenses	\$0	\$2	\$2	\$3	\$4	Edna May	1,203	1,251	1,371	1,240	1,270	
Profit before Income Tax	\$45	\$30	\$44	\$63	\$58	GROUP	1,191	1,190	1,234	1,242	1,266	
Income Tax Expense	-\$15	-\$9	-\$13	-\$19	-\$17	Key Metrics						
NPAT - Reported	\$31	\$22	\$31	\$44	\$41	Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E		
Cashflow Statement (A\$M)						Gold Price (\$US/oz)	\$1,257	\$1,302	\$1,495	\$1,405	\$1,300	
Operating EBITDA	\$127	\$112	\$135	\$156	\$137	AUD:US	0.75	0.71	0.70	0.72	0.72	
Net Finance Income	\$1	\$2	\$2	\$3	\$4	EPS	0.06	0.03	0.05	0.07	0.06	
Income Tax Paid	\$0	\$0	\$0	\$0	-\$17	DPS	0.00	0.00	0.01	0.01	0.01	
Other	-\$9	\$23	\$1	\$4	\$4	Yield	0.0%	0.0%	0.8%	0.8%	0.8%	
Net operating Cashflow	\$119	\$137	\$139	\$162	\$128	EBITDA Margin	37%	32%	29%	30%	27%	
Capex (Development, PP&E, other)	-\$70	-\$66	-\$79	-\$84	-\$47	P/E	21.7	34.1	27.8	19.4	21.1	
Net Proceeds from Sales/Acquisitions	-\$38	-\$20	\$0	\$0	\$0	EV/EBITDA	4.8	6.7	6.2	5.0	4.8	
Payment for Exploration / Tenements	-\$14	-\$19	-\$20	-\$21	-\$12	Free Cashflow Yield	38.6%	15.3%	15.8%	18.6%	14.8%	
Other Investing Cashflows	-\$1	-\$4	\$0	\$0	\$0	Net Debt	0%	0%	0%	0%	0%	
Net Cash from Investing Activities	-\$123	-\$109	-\$99	-\$105	-\$59	Net Debt / Equity	0%	0%	0%	0%	0%	
Net Proceeds from Debt	\$0	\$0	\$0	\$0	\$0	Net Debt / EBITDA	0%	0%	0%	0%	0%	
Dividends Paid	\$0	\$0	-\$7	-\$7	-\$7	Revenue (A\$M)						
Proceeds from Issues of Shares	\$0	\$0	\$0	\$0	\$0	Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E		
Other Financing Cashflows	\$0	-\$1	\$0	\$0	\$0	Mt Magnet	\$226	\$208	\$266	\$176	\$222	
Net Cash from Financing Activities	\$0	\$0	-\$7	-\$7	-\$7	Edna May	\$113	\$143	\$135	\$279	\$237	
Net Inc/Dec in Cash and Cash Equivalents	-\$4	\$28	\$33	\$50	\$62	TOTAL REVENUE	\$339	\$351	\$400	\$454	\$459	
Balance Sheet (A\$M)						Valuation						
Jun-18A	Jun-19A	Jun-20E	Jun-21E	Jun-22E	DR (%)			8.2%				
Cash & Cash Equivalents	\$75	\$96	\$129	\$179	\$241	Mt Magnet NPV	\$389		\$0.59			
Other Current Assets	\$61	\$48	\$67	\$63	\$64	Edna May NPV	\$210		\$0.32			
Total Current Assets	\$138	\$152	\$204	\$251	\$314	Total Current NPV (A\$M)	\$599		\$0.91			
Development Assets	\$85	\$99	\$104	\$112	\$89	Other Exploration (A\$M)	\$154		\$0.23			
Property, Plant & Equipment	\$51	\$44	\$45	\$47	\$46	Corporate Cost (A\$M)	-\$30		-\$0.05			
Exploration and Evaluation Expenditure	\$19	\$99	\$99	\$99	\$99	Cash & Cash Equivalents (A\$M)	\$93		\$0.14			
Other Non-Current Assets	\$29	\$2	\$2	\$2	\$2	Listed Investments	\$5		\$0.01			
Total Non-Current Assets	\$184	\$244	\$250	\$260	\$236	Total Valuation (A\$M)	\$821		\$1.25			
Total Assets	\$322	\$397	\$454	\$511	\$550	Shares In Issue (million)	658					
Trade & Other Payables	\$32	\$45	\$65	\$65	\$70	Target Price (A\$/Share)	\$1.25					
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	\$317	\$373	\$407							



SOURCE: MORGANS RESEARCH, COMPANY

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