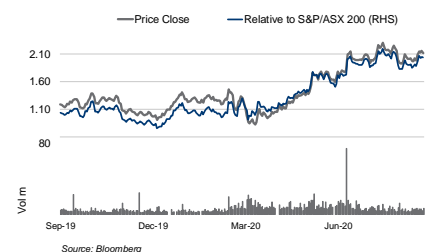


# Ramelius Resources

## Moving on up (to the ASX 200)

**ADD** (no change)

Current price:	A\$2.12
Target price:	A\$2.49 ▲
Previous target:	A\$2.31
Up/downside:	17.6%
Reuters:	RMS.AX
Bloomberg:	RMS AU
Market cap:	US\$1,245m A\$1,714m
Average daily turnover:	US\$11.68m A\$16.63m
Current shares o/s	814.6m
Free float:	100.0%



Price performance	1M	3M	12M
Absolute (%)	0.5	29.3	58.2
Relative (%)	2.4	30.4	67.8

### Mat COLLINGS

T (61) 8 6160 8707

E mat.collings@morgans.com.au

Analyst(s) own shares in the following stock(s) mentioned in this report:

– N/A

- We roll our RMS model to reflect movement in the gold price and AUD, as well as minor updates to the balance sheet & FY21 cost forecasts post reporting season.
- We expect the addition of RMS to S&P ASX 200 will create some additional buying in the stock.
- The mid-point of guidance for FY21 is 270koz @ A\$1,230 – 1,330/oz AISC, with 65-70kz forecast in the September quarter at AISC of A\$1,300.
- We maintain our ADD for RMS for its gold leverage and track record of cost discipline.

### Q1 guidance 65-70koz

RMS have released more detail on their September quarter forecast, with 65-70koz forecast at between A\$1,250 and A\$1,350 AISC. The company is also guiding to A\$25.9m in growth capital in the quarter, with almost A\$15m allocated to Eridanus and Brown Hill Open pits at Mt Magnet operations. The company has guided A\$55-60m in total growth capital for the year.

### Model refreshed

Our revised target price is primarily driven by the strong run in the gold price since our last update, with our spot gold price increased from US\$1700 to US\$1900. Minor updates after full FY20 reporting have also been undertaken, including some of the more detailed forecasts for Q1 production and costs. The gold price has done the heavy lifting, however, given most other updates had already been incorporated from June quarter pre-reporting.

### Increased production, with room for mine life extension

RMS forecast production in excess of 250koz for the next two years within their life of mine plan. As discussed in previous research, the life of mine plan is a technically conservative document, with minimal allowance for conversion of existing Resources. RMS are budgeting A\$25-30m p.a. in exploration in the coming years to increase resource confidence, but have not baked any of this into their forecasts. In addition, there are funds for allocated during FY21 for feasibility studies on existing high confidence Resources that should see Reserves increase beyond the current mine life estimate.

### Investment view

We see upside in the share price, based on the current AUD gold price and modest exploration success. We also expect good news from the company as they progress exploration activities and feasibility studies in the current year, which could underpin further extension to their life of mine plans. Management have indicated they remain on the outlook for acquisitions, with A\$165m cash in the bank, subject to valuations.

Financial Summary	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
Revenue (A\$m)	352.8	460.6	701.5	688.9	685.0
Operating EBITDA (A\$m)	112.0	262.8	371.3	355.0	351.3
Net Profit (A\$m)	21.8	113.8	212.9	203.8	203.8
Normalised EPS (A\$)	0.03	0.15	0.26	0.25	0.25
Normalised EPS Growth	(42%)	345%	77%	(4%)	0%
FD Normalised P/E (x)	57.60	12.99	8.11	8.47	8.47
DPS (A\$)	-	0.020	0.020	0.020	0.020
Dividend Yield	0.00%	0.94%	0.94%	0.94%	0.94%
EV/EBITDA (x)	11.59	5.94	3.73	3.36	2.87
P/FCFE (x)	44.93	17.42	10.09	8.99	9.21
Net Gearing	(34.3%)	(32.2%)	(47.8%)	(59.2%)	(66.2%)
P/BV (x)	5.00	3.35	2.43	1.92	1.59
ROE	9.1%	30.3%	34.7%	25.3%	20.5%
% Change In Normalised EPS Estimates			16.5%	16.8%	16.9%
Normalised EPS/consensus EPS (x)			1.19	1.15	1.00

SOURCE: MORGANS, COMPANY REPORTS

## Ramelius Resources

as at September 6, 2020

Market cap (A\$m):	1,714	Rating:	ADD
Shares outstanding (m):	814.6	Price (A\$):	2.12
Free float (%):	100.0	Target price (A\$):	2.49
Website:	www.rameliusresources.com.au	Upside/downside to target price (%):	17.6

### 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 wholly owns the Mount Magnet, Edna May, Vivien, Marda and Tampia Hill gold mines and is finalising the acquisition of the Penny West Project

#### 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
- Integration of Penny Gold Project operations

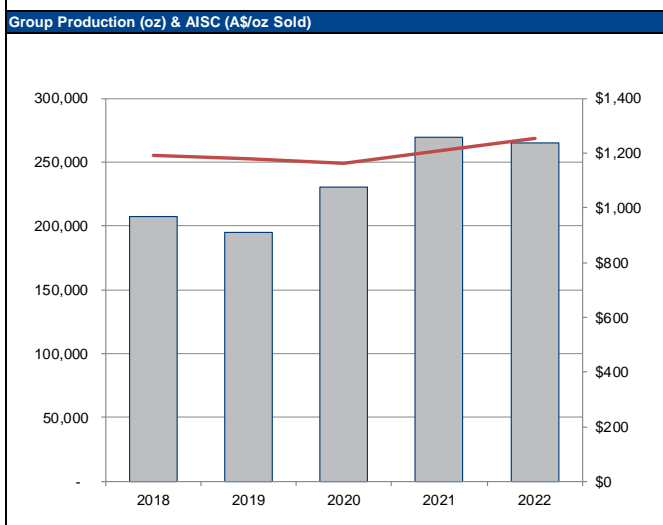
**Long-term key growth factors:**

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

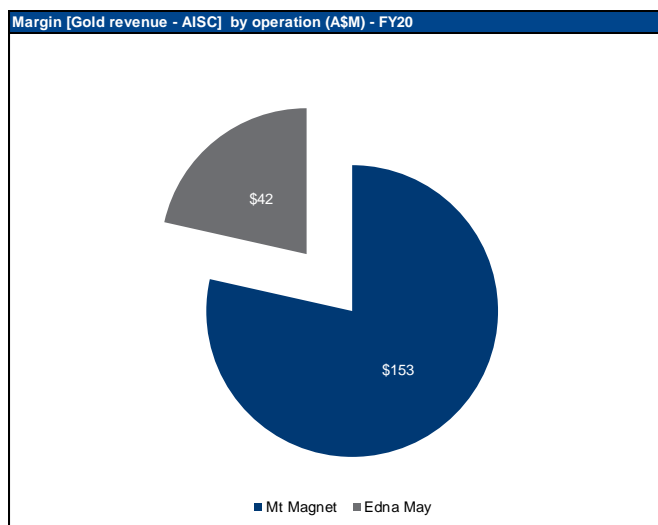
Source: Morgans



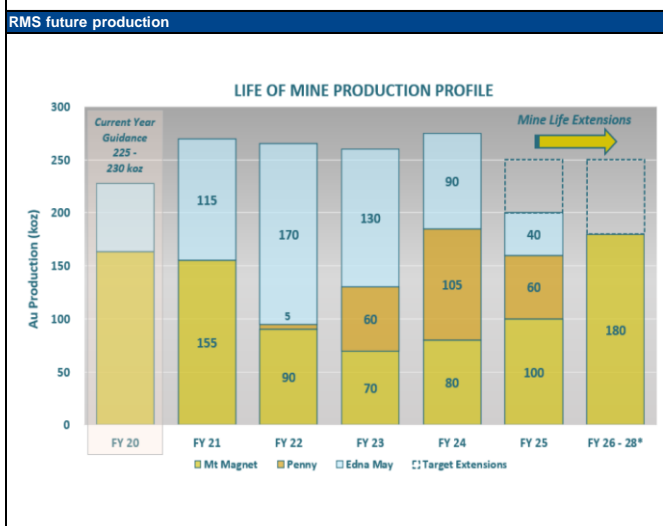
Source: Company



Source: Morgans



Source: Morgans



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**

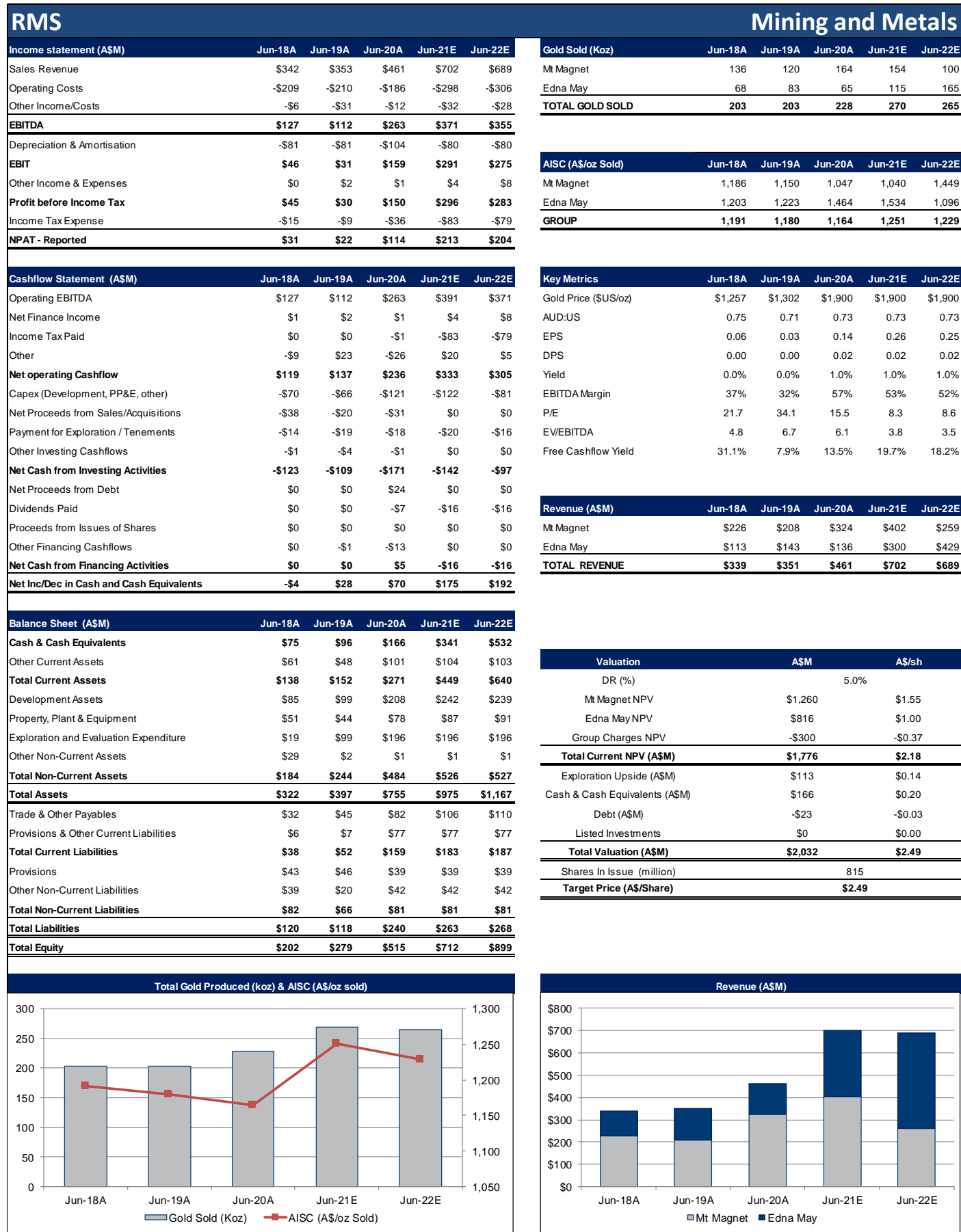
Development of Tampia Hill.  
Penny West development and exploration

**Key Industry Drivers**

Gold price as a proxy of global market sentiment.  
USD:AUD exchange rate

Source: Morgans

Figure 1: Financial summary



SOURCE: MORGANS RESEARCH, COMPANY

## Valuation methodology

Our target price is A\$2.49ps. A discounted cashflow methodology was used as the basis of valuation, with a 5% discount rate applied reflecting RMS's status as a gold producer in a stable jurisdiction with two production centres.

A revised flat forward price of US\$1,900/oz (from US\$1,700) was applied to gold sales, adjusted where applicable to account for the RMS existing hedge book. A fixed AUD:USD exchange rate of 0.73 was also applied, for a price of A\$2,602/oz. A sensitivity table is presented below showing the impact of changes in FX and gold price on our target price.

**Figure 2: NPV sensitivity to flat gold & AUD assumptions**

		USD Gold Price				
		1,500	1,700	1,900	2,100	2,300
AUD:USD	0.78	\$1.52	\$1.89	\$2.25	\$2.62	\$2.99
	0.74	\$1.67	\$2.05	\$2.44	\$2.83	\$3.22
	0.73	\$1.71	\$2.10	<b>\$2.49</b>	\$2.89	\$3.28
	0.72	\$1.75	\$2.15	\$2.55	\$2.95	\$3.35
	0.68	\$1.92	\$2.35	\$2.77	\$3.19	\$3.62

SOURCES: MORGANS, COMPANY REPORTS

We have elected to use a flat gold price and exchange rate for our valuation, as opposed to a more traditional price deck. We believe this better reflects the price volatility commonly seen in gold stocks, particularly in response to spot gold price movements. Put simply, the gold price and exchange rate we will experience in future are the major unknowns for any gold producer. They are also almost universally the two largest sensitivities for any Australian gold producer valuation.

If we view the table above, at the current RMS price the market appears to be baking in a gold price of US\$1,700/oz at an exchange rate of 0.73 or higher. We take the view that \$1,900/oz is an appropriate price for the near term. The sensitivity table presented above acts as guidance for how the RMS share price may react to further short term volatility in the gold price and 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
Newstead	+61 7 3151 4151
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
Stockbroking, Corporate Advice, Wealth Management	
Sydney: Grosvenor	+61 2 8215 5000
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
Warrambool	+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**

Canberra	+61 2 6232 4999
----------	-----------------

**Northern Territory**

Darwin	+61 8 8981 9555
--------	-----------------

**Tasmania**

Hobart	+61 3 6236 9000
--------	-----------------

**Disclaimer**

The information contained in this report is provided to you by Morgans Financial Limited as general advice only, and is made without consideration of an individual's relevant personal circumstances. Morgans Financial Limited ABN 49 010 669 726, its related bodies corporate, directors and officers, employees, authorised representatives and agents ("Morgans") do not accept any liability for any loss or damage arising from or in connection with any action taken or not taken on the basis of information contained in this report, or for any errors or omissions contained within. It is recommended that any persons who wish to act upon this report consult with their Morgans investment adviser before doing so. Those acting upon such information without advice do so entirely at their own risk.

This report was prepared as private communication to clients of Morgans and is not intended for public circulation, publication or for use by any third party. The contents of this report may not be reproduced in whole or in part without the prior written consent of Morgans. While this report is based on information from sources which Morgans believes are reliable, its accuracy and completeness cannot be guaranteed. Any opinions expressed reflect Morgans judgement at this date and are subject to change. Morgans is under no obligation to provide revised assessments in the event of changed circumstances. This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever.

**Disclosure of interest**

Morgans may from time to time hold an interest in any security referred to in this report and may, as principal or agent, sell such interests. Morgans may previously have acted as manager or co-manager of a public offering of any such securities. Morgans affiliates may provide or have provided banking services or corporate finance to the companies referred to in the report. The knowledge of affiliates concerning such services may not be reflected in this report. Morgans advises that it may earn brokerage, commissions, fees or other benefits and advantages, direct or indirect, in connection with the making of a recommendation or a dealing by a client in these securities. Some or all of Morgans Authorised Representatives may be remunerated wholly or partly by way of commission.

**Regulatory disclosures**

Analyst owns shares in the following mentioned company(ies): N/A

**Recommendation structure**

For a full explanation of the recommendation structure, refer to our website at [morgans.com.au/research\\_disclaimer](http://morgans.com.au/research_disclaimer)

**Research team**

For analyst qualifications and experience, refer to our website at [morgans.com.au/research-and-markets/our-research-team](http://morgans.com.au/research-and-markets/our-research-team)

**Research coverage policy**

For an overview on the stock selection process, refer to our website at [morgans.com.au/research-and-markets/company-analysis/Research-Coverage-Policy](http://morgans.com.au/research-and-markets/company-analysis/Research-Coverage-Policy)

**Research independence statement**

[morgans.com.au/Research-Independence-Statement](http://morgans.com.au/Research-Independence-Statement)

**Stocks under coverage**

For a full list of stocks under coverage, refer to our website at [morgans.com.au/research-and-markets/company-analysis/ASX100-Companies-under-coverage](http://morgans.com.au/research-and-markets/company-analysis/ASX100-Companies-under-coverage) and [morgans.com.au/research-and-markets/company-analysis/EX-100-Companies-under-coverage](http://morgans.com.au/research-and-markets/company-analysis/EX-100-Companies-under-coverage)

**morgans.com.au**

If you no longer wish to receive Morgans publications please contact your local Morgans branch or write to GPO Box 202 Brisbane QLD 4001 and include your account details.