

Ramelius Resources (RMS)

Rating: Buy | Risk: High | Price Target: \$2.35

March quarter – through the worst of the Covid impacts

Key Information

Current Price (\$ps)	1.47
12m Target Price (\$ps)	2.35
52 Week Range (\$ps)	1.30 - 1.97
Target Price Upside (%)	59.9%
TSR (%)	62.6%
Reporting Currency	AUD
Market Cap (\$m)	1,275
Sector	Materials
Avg Daily Volume (m)	1.9
ASX 200 Weight (%)	0.06%

Fundamentals

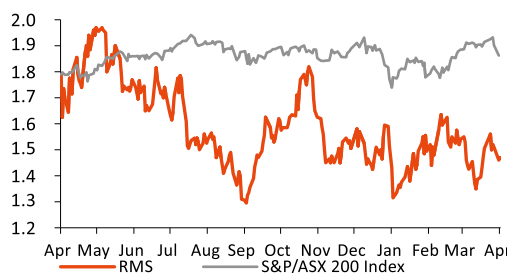
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales (\$m)	634	631	691	664
NPAT (\$m)	127	119	149	164
EPS (cps)	15.7	14.2	17.4	19.2
EPS Growth (%)	1.0%	(9.0%)	22.1%	10.1%
DPS (cps) (AUD)	2.5	4.0	5.0	6.0
Franking (%)	100%	100%	100%	100%

Ratios

YE 30 Jun	FY21A	FY22E	FY23E	FY24E
P/E (x)	10.8	10.3	8.4	7.7
EV/EBITDA (x)	3.6	3.8	3.6	3.5
Div Yield (%)	1.5%	2.7%	3.4%	4.1%
Payout Ratio (%)	16.0%	28.1%	28.7%	31.3%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(3.3%)	(6.3%)	(4.2%)	(21.9%)
Absolute (%)	(4.5%)	(1.7%)	2.8%	(17.9%)
Benchmark (%)	(1.2%)	4.6%	7.0%	4.0%



Price performance indexed to 100

Source: FactSet

Major Shareholders

Van Eck Associates Corp.	9.7%
Ruffer LLP	4.7%
Invesco Advisers, Inc.	2.9%
The Vanguard Group, Inc.	2.5%
Jupiter Asset Management Ltd.	1.9%

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Event

Ramelius has released its March quarter activities report. Production of 58.6koz was the weakest for two years, largely due to COVID related workforce shortages and planned mill maintenance in March. All in Sustaining Costs (AISC) for the quarter of A\$1,596/oz is the highest on record – but this should be peak costs as production improves in the June quarter. June quarter 2022 guidance is for production of 69-74koz at an AISC of A\$1,525/oz. Operations have largely normalised this quarter post the WA Covid lockdowns. The achieved gold price was a record high A\$2,405/oz and Ramelius remains cash positive.

Highlights

- Ramelius produced **58,602oz of gold in the quarter at an AISC of A\$1,596/oz**. Mt Magnet produced 29,588oz at an AISC of A\$1,424/oz. Edna May 29,014oz at A\$1,761/oz.
- Production was impacted in the quarter by the inability to haul as much ore from Tampia and Marda as planned due to workforce shortages in the haulage industry as a result of the WA Covid border closures. Ramelius is reporting that since the border re-opened on 3rd March, haulage volumes increased 47% in March compared to the Jan/Feb average (see chart overleaf). Ramelius is expecting the June quarter to be stronger again.
- Guidance for FY22 production has been reduced to 260-265koz**, the low end of the previous 260-300koz range. **AISC guidance has been increased to A\$1,475-1,525/oz**, the high end of the previous A\$1,425-1,525/oz range. It is worth observing that these guidance ranges were originally set in mid-2021, and so although results will be at low end on production and high end on costs – **it is a credit to Ramelius that despite the Covid challenges, rising energy costs and high inflation, they still expect to report costs and production within the original guidance.**
- Ramelius has finished Mar22q with a cash and gold balance of A\$165m which is flat on the Dec-21 balance of A\$165m.
- Ramelius has finished Mar22q with a hedge position of 208koz @ A\$2,470/oz (vs 218.5koz @ A\$2,419/oz at Dec21q).
- Further excellent drilling results at the Bartus East Prospect are highly encouraging that a resource will be defined and add mine life to Mt Magnet. Intercepts during the quarter include **57m @ 3.9g/t from 356m** and **88m @ 2.4g/t from 218m**. Ramelius is hoping to declare a maiden resource at Bartus East and include it in the mine plan in mid-2022.
- Exploration has commenced at the newly acquired Rebecca Gold Project, 150km east of Kalgoorlie. Ramelius is conducting a 75,000m drill program with the latest high grade result of **8m @ 8.6g/t from 88m**.
- We make minor revisions to our forecasts with higher costs, lower production and a small downgrade to our gold price impacting earnings by 16%/15%/5% in FY22/23/24.

Revisions	2022f			2023f			2024f		
	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
US\$ gold price	1846	1858	-1%	1881	1950	-4%	1825	1850	-1%
Revenue (A\$m)	631	684	-8%	691	749	-8%	664	673	-1%
EBITDA (A\$m)	324	354	-9%	347	390	-11%	358	367	-2%
EBIT (A\$m)	161	191	-16%	196	231	-15%	212	221	-4%
NPAT (A\$m)	119	141	-16%	149	175	-15%	164	172	-5%

Recommendation

We retain our Buy recommendation and lower our price target to A\$2.35 from A\$2.49. We set our price target at 1.5x our DCF valuation of A\$1.57 (down from \$1.66). Ramelius has a strong track record of operational excellence and a history of value-enhancing acquisitions.

Ramelius Resources

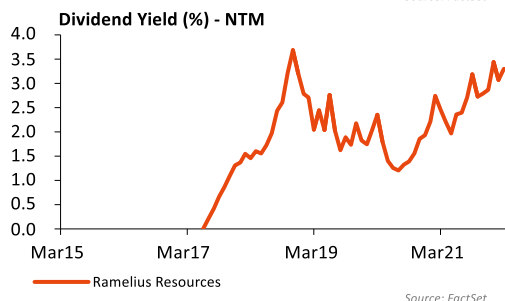
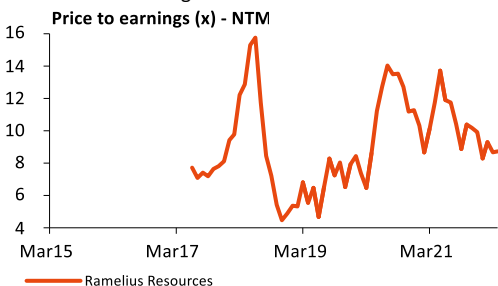
**Materials
Materials**

FactSet: RMS-AU / Bloomberg: RMS AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	1.47
Target Price (\$ps)	2.35
52 Week Range (\$ps)	1.30 - 1.97
Shares on Issue (m)	867
Market Cap (\$m)	1,275
Enterprise Value (\$m)	1,235
TSR (%)	62.6%

Valuation NPV	Data
Beta	1.00
Cost of Equity (%)	10.0%
Cost of Debt (net) (%)	2.8%
Risk Free Rate (%)	4.0%
Terminal Growth (%)	0.0%
WACC (%)	8.6%
Valuation (\$m)	1,338
Valuation per share (cps) (AUD)	1.54

Ramelius Resources Ltd. is a gold producer based in Western Australia. Ramelius has two production hubs at Mt Magnet and Edna May. In FY21 Ramelius produced 271koz of gold from a resource base of 4.1Moz and reserve of 840Koz. Production guidance for FY22 is 260-300koz.



Financial Year End: 30 June

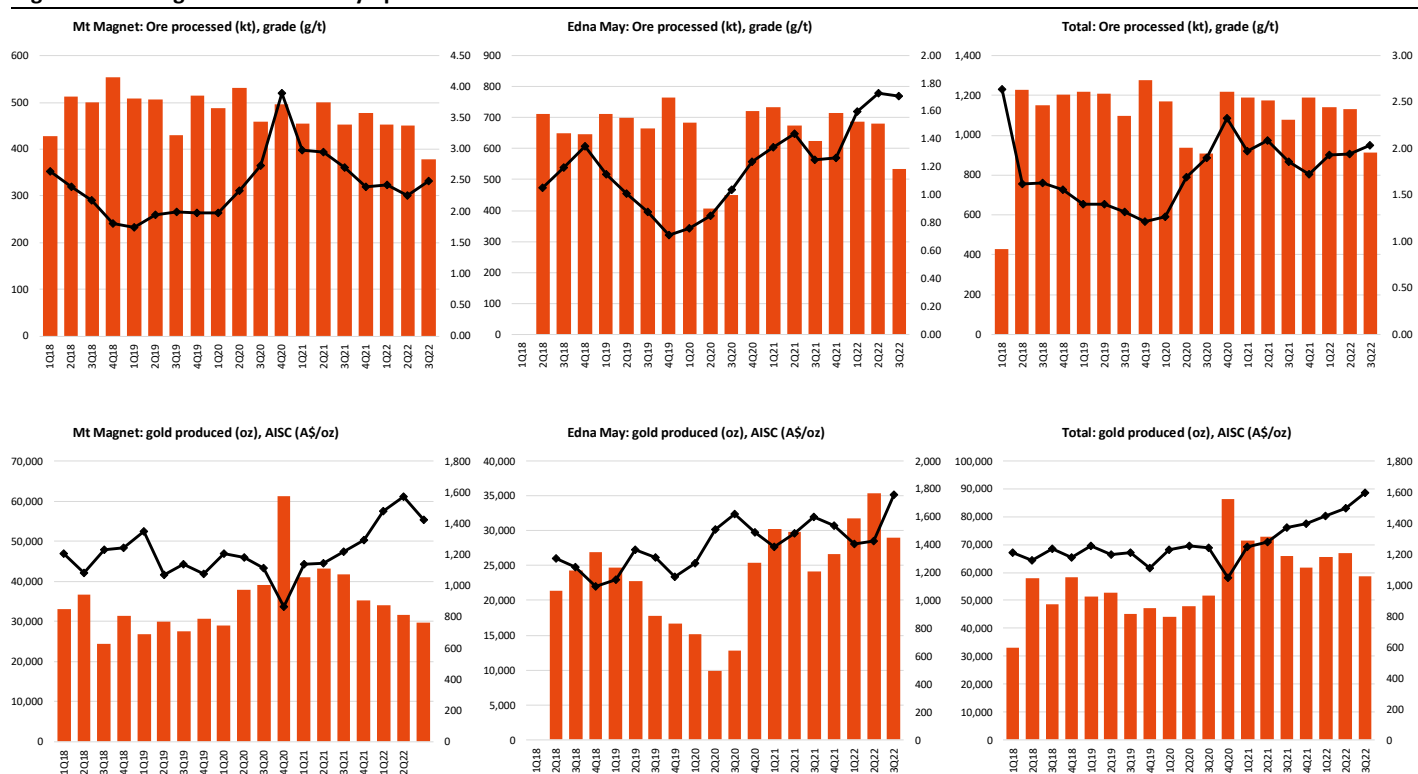
Investment Summary (AUD)	FY20A	FY21A	FY22E	FY23E	FY24E
EPS (Reported) (cps)	15.5	15.7	14.2	17.4	19.2
EPS (Underlying) (cps)	15.5	15.7	14.2	17.4	19.2
EPS (Underlying) Growth (%)	321.1%	1.0%	(9.0%)	22.1%	10.1%
PE (Underlying) (x)	12.8	10.8	10.3	8.4	7.7
EV / EBIT (x)	8.1	7.0	7.7	6.3	5.8
EV / EBITDA (x)	4.8	3.6	3.8	3.6	3.5
DPS (cps) (AUD)	2.0	2.5	4.0	5.0	6.0
Dividend Yield (%)	1.0%	1.5%	2.7%	3.4%	4.1%
Franking (%)	100%	100%	100%	100%	100%
Payout Ratio (%)	12.9%	16.0%	28.1%	28.7%	31.3%
Free Cash Flow Yield (%)	4.5%	8.9%	5.7%	16.6%	12.9%
Profit and Loss (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	461	634	631	691	664
Sales Growth (%)	30.6%	37.7%	(0.5%)	9.4%	(3.9%)
Other Operating Income	1	8	31	2	2
EBITDA	256	340	324	347	358
EBITDA Margin (%)	55.5%	53.7%	51.3%	50.2%	53.9%
Depreciation & Amortisation	(103)	(163)	(163)	(151)	(146)
EBIT	152.5	177.4	160.9	196.1	212.1
EBIT Margin (%)	33.1%	28.0%	25.5%	28.4%	31.9%
Net Interest	(3)	(3)	2	7	12
Pretax Profit	149	175	163	204	224
Tax	(36)	(48)	(44)	(55)	(61)
Tax Rate (%)	(24.1%)	(27.4%)	(27.0%)	(27.0%)	(27.0%)
NPAT Underlying	113	127	119	149	164
Significant Items	0	0	0	0	0
NPAT Reported	113	127	119	149	164
Cashflow (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	153	177	161	196	212
Payments to Suppliers	(230)	(305)	(307)	(344)	(306)
Receipts from Customers	466	634	631	691	664
Tax Paid	(1)	(25)	(48)	(44)	(55)
Net Interest	1	1	5	10	15
Change in Working Capital	0	0	8	(8)	(4)
Depreciation & Amortisation	0	0	0	0	0
Other	0	0	0	0	0
Operating Cashflow	236	306	289	305	314
Capex	(121)	(152)	(78)	(83)	(139)
Acquisitions and Investments	(49)	(28)	(141)	(14)	(14)
Disposal of Fixed Assets/Investments	1	3	0	0	0
Other	(2)	(7)	0	0	0
Investing Cashflow	(171)	(183)	(219)	(97)	(153)
Free Cashflow	65	123	70	208	161
Equity Raised / Bought Back	0	0	64	0	0
Dividends Paid	(7)	(16)	(21)	(51)	(43)
Change in Debt	26	(16)	(21)	(51)	(43)
Other	(15)	(27)	18	49	40
Financing Cashflow	5	(59)	40	(54)	(45)
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	70	63	110	154	116
Balance Sheet (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	166	229	339	493	609
Accounts Receivable	3	2	2	2	2
Inventory	98	101	100	110	106
Other Current Assets	4	1	1	1	1
PPE	483	507	435	381	388
Total Assets	755	846	885	995	1,113
Accounts Payable	82	58	66	68	60
Long Term Debt	23	0	0	0	0
Total Liabilities	236	175	179	191	189
Ratios	FY20A	FY21A	FY22E	FY23E	FY24E
ROE (%)	28.6%	22.0%	16.6%	17.6%	17.1%

Figure 1: Quarterly operational performance summary

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Mt Magnet																			
Ore processed (kt)	427	513	501	555	508	507	431	515	487	531	459	497	456	501	452	477	452	450	379
Grade (g/t)	2.64	2.40	2.18	1.80	1.74	1.94	1.99	1.97	1.98	2.33	2.74	3.90	2.98	2.96	2.70	2.40	2.43	2.26	2.49
Gold produced (oz)	33,150	36,635	24,388	31,424	26,773	29,855	27,542	30,670	29,013	37,956	38,981	61,161	41,064	43,055	41,832	35,208	33,958	31,552	29,588
AISC (A\$/oz)	1,209	1,080	1,231	1,243	1,347	1,068	1,139	1,078	1,209	1,182	1,114	867	1,138	1,147	1,219	1,294	1,476	1,569	1,424
Edna May																			
Ore processed (kt)		713	650	647	711	701	666	764	685	406	448	723	734	676	625	714	687	680	533
Grade (g/t)		1.05	1.20	1.35	1.15	1.01	0.88	0.71	0.76	0.85	1.04	1.24	1.34	1.44	1.25	1.27	1.60	1.73	1.71
Gold produced (oz)		21,377	24,283	26,861	24,655	22,768	17,744	16,672	15,151	9,946	12,844	25,356	30,280	29,841	24,197	26,632	31,728	35,367	29,014
AISC (A\$/oz)		1,298	1,237	1,101	1,150	1,361	1,309	1,171	1,268	1,512	1,618	1,488	1,387	1,478	1,597	1,538	1,407	1,428	1,761
Total																			
Ore processed (kt)	427	1,226	1,151	1,202	1,219	1,208	1,097	1,279	1,172	937	907	1,219	1,190	1,176	1,078	1,191	1,139	1,130	911
Grade (g/t)	2.64	1.61	1.63	1.56	1.40	1.40	1.32	1.22	1.27	1.69	1.90	2.32	1.97	2.09	1.86	1.72	1.93	1.94	2.03
Gold produced (oz)	33,150	58,012	48,671	58,285	51,428	52,623	45,286	47,342	44,164	47,902	51,825	86,517	71,344	72,896	66,029	61,840	65,686	66,919	58,602
AISC (A\$/oz)	1,209	1,160	1,234	1,178	1,253	1,195	1,206	1,111	1,229	1,251	1,239	1,049	1,244	1,279	1,370	1,394	1,445	1,493	1,596
Gold sales (oz)	31,961	55,000	63,919	52,165	51,158	56,478	47,420	48,262	39,918	45,774	53,173	89,345	70,299	77,537	65,420	64,194	55,075	77,225	51,423
Achieved gold price (A\$/oz)	1,627	1,648	1,708	1,708	1,669	1,696	1,758	1,791	1,810	1,874	1,937	2,223	2,323	2,301	2,242	2,254	2,317	2,357	2,405
Revenue (A\$m)	52	91	109	89	85	96	83	86	72	86	103	199	163	178	147	145	128	182	124
All in costs (A\$m)	39	64	79	61	64	67	57	54	49	57	66	94	87	99	90	89	80	115	82
Approx. cash flow (A\$m)	13	27	30	28	21	28	26	33	23	29	37	105	76	79	57	55	48	67	42

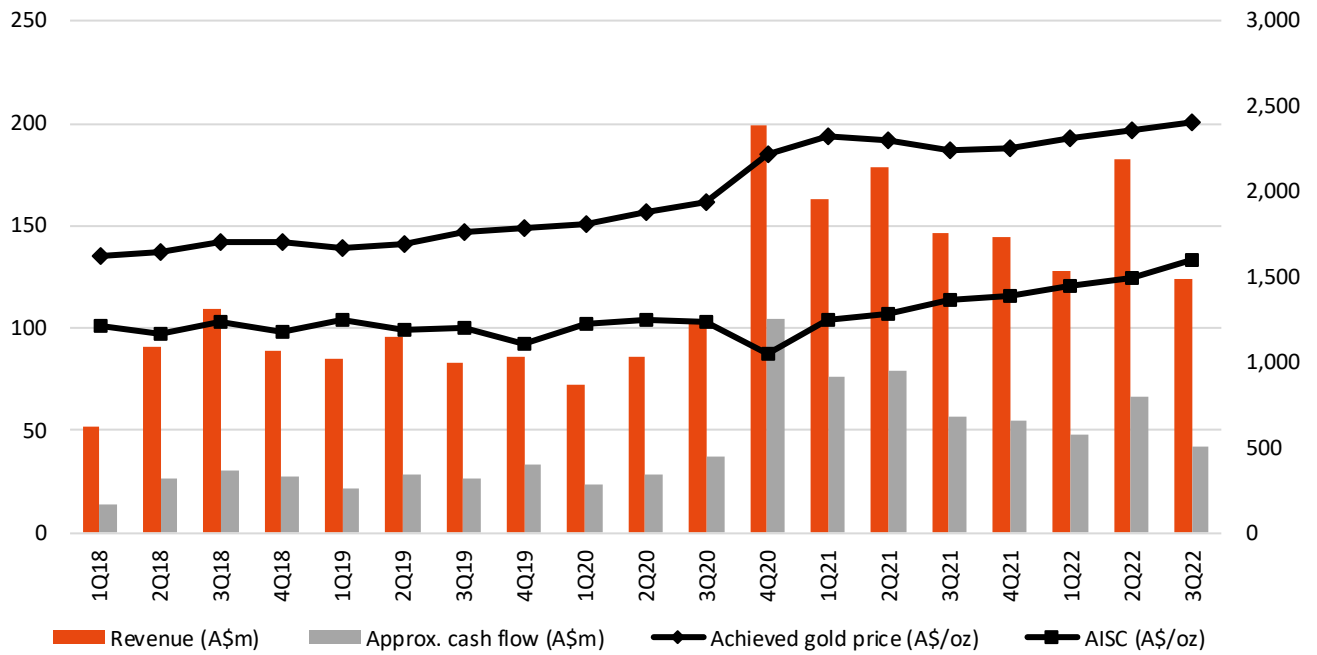
Source: Company reports, Shaw and Partners analysis

Figure 2: Mt Magnet and Edna May operational trends



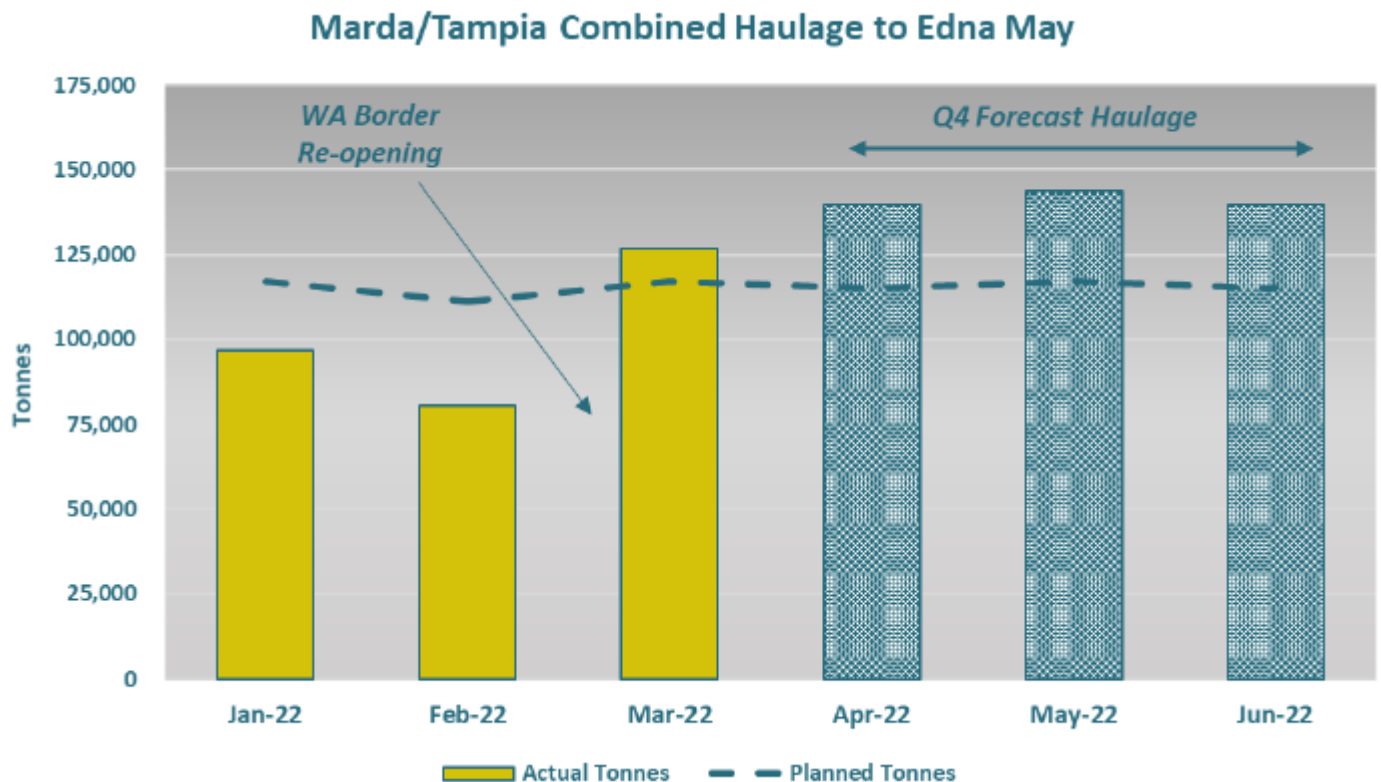
Source: Company reports, Shaw and Partners analysis

Figure 3: Revenue, cash flow, achieved price & AISC



Source: Company reports, Shaw and Partners analysis

Figure 4: Improvement in truck haulage post WA border re-opening



Source: Ramelius ASX release, 27 Apr 22

Figure 5: Mt Magnet financial summary

Mt Magnet (A\$m)	2018	2019	2020	2021	2022f	2023f	2024f	2025f	2026f	2027f	2028f
Ore processed (kt)	1,996	1,961	1,973	1,886	1,700	2,000	2,000	2,050	2,000	2,000	1,750
Grade (g/t)	2.23	1.91	2.73	2.76	2.30	2.60	2.90	2.87	2.20	1.93	1.21
Gold production (koz)	135.3	114.8	167.5	161.5	121.2	161.2	179.6	182.1	136.4	119.7	65.6
Gold sales (koz)	135.5	120.0	163.7	165.0	121.2	161.2	179.6	182.1	136.4	119.7	65.6
Revenue	227	207	324	377	291	400	437	432	331	296	166
Expenses	116	130	158	137	133	172	166	186	147	129	71
EBITDA	110	77	167	240	158	228	272	245	184	168	95
D&A	61	68	71	85	85	81	90	82	55	48	13
EBIT	44	15	134	151	73	147	182	163	129	120	82
Net Operating Assets	66	60	88	44	4	-30	-74	-135	-174	-205	-211
Capex	4	31	49	34	39	39	39	14	9	10	5
EBITDA Margin (%)	49%	37%	51%	64%	54%	57%	62%	57%	56%	57%	57%
EBIT / Assets (%)	67%	24%	153%	346%	1625%	-487%	-245%	-121%	-74%	-58%	-39%
Gold (US\$/oz)	1,298	1,289	1,568	1,816	1,846	1,881	1,825	1,777	1,817	1,858	1,900
AUD/USD	0.77	0.71	0.67	0.75	0.73	0.75	0.75	0.75	0.75	0.75	0.75
C1 cash cost (A\$/oz)	871	911	723	805	1,000	1,000	850	950	1,000	1,000	1,000
AISC (A\$/oz)	1,188	1,151	1,058	1,198	1,405	1,256	1,033	1,133	1,221	1,159	1,230
Revenue (A\$/oz)	1,672	1,727	1,981	2,286	2,404	2,484	2,433	2,370	2,423	2,478	2,534
Expenses (A\$/oz)	859	1,084	964	829	1,100	1,070	921	1,023	1,074	1,076	1,077
EBITDA (A\$/oz)	813	643	1,017	1,457	1,304	1,414	1,512	1,347	1,349	1,402	1,456
D&A (A\$/oz)	452	566	431	516	702	500	500	450	400	400	200
EBIT (A\$/oz)	325	121	821	916	602	914	1,012	897	949	1,002	1,256
Nominal Tax @ 30%	0	0	0	-45	-22	-44	-55	-49	-39	-36	-25
Cash Flow	106	46	118	161	97	145	178	182	136	122	66

Source: Company reports, Shaw and Partners analysis

Figure 6: Edna May financial summary

Edna May (A\$m)	2018	2019	2020	2021	2022f	2023f	2024f	2025f	2026f	2027f	2028f
Ore processed (kt)	2,010	2,842	2,262	2,749	2,030	1,980	1,780	1,930	1,750	1,750	1,350
Grade (g/t)	1.20	0.93	0.99	1.33	2.32	1.96	1.74	1.75	1.82	1.69	1.70
Gold production (koz)	72.6	80.5	65.4	109.7	141.3	116.9	93.2	101.5	95.6	88.7	69.0
Gold sales (koz)	67.5	83.3	64.5	112.4	141.3	116.9	93.2	101.5	95.6	88.7	69.0
Revenue	115	146	136	257	340	290	227	241	232	220	175
Expenses	93	80	85	145	184	152	121	135	129	120	107
EBITDA	22	65	52	112	156	138	105	106	102	100	67
D&A	19	13	33	78	78	70	56	61	57	53	41
EBIT	16	29	37	39	78	68	50	45	45	46	26
Net Operating Assets	38	26	41	4	-28	-48	3	13	-22	-59	-93
Capex	1	2	38	34	39	44	100	64	15	10	5
EBITDA Margin (%)	19%	45%	38%	44%	46%	48%	46%	44%	44%	45%	39%
EBIT / Assets (%)	42%	110%	90%	1071%	-276%	-143%	1507%	338%	-202%	-79%	-28%
Gold (US\$/oz)	1,298	1,289	1,568	1,816	1,846	1,881	1,825	1,777	1,817	1,858	1,900
AUD/USD	0.77	0.71	0.67	0.75	0.73	0.75	0.75	0.75	0.75	0.75	0.75
C1 cash cost (A\$/oz)	1,286	1,130	1,084	1,196	1,250	1,250	1,250	1,275	1,300	1,300	1,500
AISC (A\$/oz)	1,205	1,251	1,469	1,499	1,583	1,643	1,741	1,740	1,801	1,848	2,204
Revenue (A\$/oz)	1,704	1,748	2,113	2,286	2,404	2,484	2,433	2,370	2,423	2,478	2,534
Expenses (A\$/oz)	1,377	962	1,311	1,287	1,300	1,301	1,302	1,328	1,354	1,355	1,556
EBITDA (A\$/oz)	327	786	801	999	1,104	1,183	1,131	1,042	1,069	1,123	977
D&A (A\$/oz)	288	161	505	693	551	600	600	600	600	600	600
EBIT (A\$/oz)	232	349	570	350	553	583	531	442	469	523	377
Nominal Tax @ 30%	0	0	0	-12	-23	-20	-15	-13	-13	-14	-8
Cash Flow	21	63	14	67	94	74	-9	28	74	76	55

Source: Company reports, Shaw and Partners analysis

Key risks

- The gold price is volatile and driven as much by geopolitical events as fundamental supply and demand. As such, the price of gold is relatively difficult to forecast, and the actual price may differ substantially from our forecasts.
- A number of Ramelius' resources are not yet producing and there is a risk that Ramelius is unable to bring the operations in to production. The projects may cost more than expected to build and may not operate as expected.
- Ramelius Resources is acquisitive, and this brings risks that future acquisitions may not be as value creating as past acquisitions. The company has shown that it is able to make value-enhancing acquisitions, but all acquisitions come with due diligence risk.
- Cost pressures are increasing in the mining industry in WA. This is factored into company guidance and our forecasts, but costs may increase faster than expected.

Core drivers and catalyst

- In FY21 Ramelius produced 271koz of gold from two processing hubs at Mt Magnet and Edna May in Western Australia at an all-in sustaining cost of A\$1,317/oz. Production is expected to be ~265koz in FY22.
- Ramelius published its first five year mine plan in June 2019 which outlined how it would achieve >200koz of gold production out to 2025. The plan was updated in June 2020 to incorporate the acquisition of Spectrum Metals. A new mine plan released in August. 2021 has extended the mine plan out to 2030
- Ramelius has made a number of astute acquisitions in the past five years and we expect the company to remain acquisitive. The company has openly stated that it would like to add another 100koz processing hub to the portfolio.
- We expect to see the US\$ gold price remain supported at US\$1,900 - 2,000/oz in CY22 due to inflationary pressures. Gold also has safe-haven status in periods of geo-political uncertainty and instability.

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

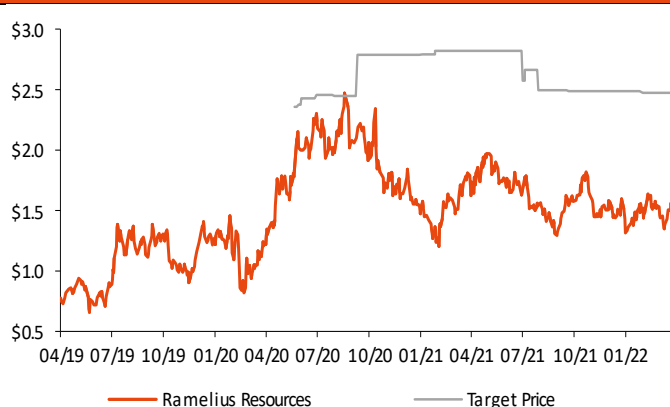
RISK STATEMENT: Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	100	84%
Hold	17	14%
Sell	2	2%

History of Investment Rating and Target Price - Ramelius Resources

Date	Closing Price (\$)	Target Price (\$)	Rating
27-Apr-22	1.47	2.35	Buy
23-Feb-22	1.49	2.47	Buy
18-Oct-21	1.59	2.49	Buy
26-Aug-21	1.53	2.49	Buy
2-Aug-21	1.78	2.66	Buy
29-Jul-21	1.65	2.57	Buy
23-Feb-21	1.37	2.82	Buy
28-Jan-21	1.48	2.79	Buy
8-Oct-20	2.11	2.79	Buy
24-Aug-20	2.02	2.45	Buy
27-Jul-20	2.30	2.46	Buy
30-Jun-20	1.99	2.43	Buy
25-Jun-20	2.02	2.38	Buy
18-Jun-20	1.78	2.36	Buy



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