

# Ramelius Resources (RMS)

Rating: Buy | Risk: High | Price Target: \$2.33

22 April 2024

## Ramelius galloping

### Key Information

Current Price (\$ps)	2.09
12m Target Price (\$ps)	2.33
52 Week Range (\$ps)	1.21 - 2.09
Target Price Upside (%)	11.7%
TSR (%)	13.2%
Reporting Currency	AUD
Market Cap (\$m)	2,072
Sector	Materials
Avg Daily Volume (m)	3.7
ASX 200 Weight (%)	0.06%

### Fundamentals

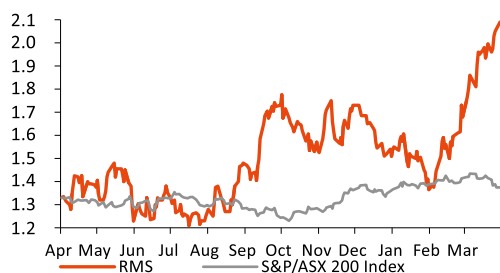
YE 30 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	631	855	867	756
NPAT (\$m)	75	212	212	221
EPS (cps)	6.8	19.9	18.5	19.3
EPS Growth (%)	362.3%	191.3%	(6.7%)	4.4%
DPS (cps) (AUD)	2.0	3.0	3.0	6.0
Franking (%)	100%	100%	100%	100%

### Ratios

YE 30 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	18.5	10.5	11.3	10.8
EV/EBITDA (x)	7.9	4.4	4.6	5.0
Div Yield (%)	1.6%	1.4%	1.4%	2.9%
Payout Ratio (%)	29.3%	15.1%	16.2%	31.0%

### Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	27.0%	48.8%	34.5%	48.8%
Absolute (%)	24.4%	48.2%	35.7%	52.0%
Benchmark (%)	(2.6%)	(0.6%)	1.2%	3.2%



Price performance indexed to 100

Source: FactSet

### Major Shareholders

Van Eck Associates Corp.	10.6%
Macquarie Bank Ltd. (Private Banking)	3.6%
Ruffer LLP	3.6%
The Vanguard Group, Inc.	3.3%
Dimensional Fund Advisors LP	3.0%

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### Event

Ramelius has reported its March 2024 quarterly activities report. 86.9koz of gold production at an All-In-Sustaining-Cost (AISC) of A\$1,344/oz was above implied quarterly guidance resulting in FY24 production and cost guidance being upgraded.

### Highlights

- Ramelius produced 86,928Oz produced at an AISC of A\$1,344/oz In the March 2024 quarter, above implied quarterly guidance (70koz – 77.5koz at A\$1,375/oz – A\$1,475/oz).
- The company finished the quarter with A\$407.1M in cash and bullion after producing a record A\$125.3M of free cash flow.
- The strong operational performance has resulted in FY24 production and cost guidance being upgraded.
  - Production: 285koz – 295koz (previous 265koz – 280koz, +6%)
  - AISC: A\$1,550/oz – A\$1,650/oz (previous A\$1,750/oz – A\$1,850/oz, -11%)
- This is the third production guidance upgrade RMS have released this financial year and positions the company for a record production year.
- In line with upgraded guidance, we have increased our production forecast and reduced our AISC estimates for FY24.

	Previous	Updated	Δ
Prod. (Koz)	272.1	290.0	7%
AISC (A\$/oz)	1,804	1,600	-11%
EBITDA (A\$M)	378	459	22%
NPAT (A\$M)	162	212	31%

- Gold sales for the quarter were 84.5koz at an average price of A\$3,014/oz resulting in A\$254.7M of revenue. Gold sales comprised committed forward sales of 30koz at A\$2,702/oz and spot sales of 54.5koz at an average price of A\$3,187/oz.
- During the quarter RMS released an updated 10 year mine plan for Mt Magnet that highlighted production levels at the processing hub to remain above 220kozpa for FY25 and FY26. Upside to this plan exists through:
  - Extensions at Penny (Resource definition drilling at Penny is planned to recommence once development has reached lower levels of the mine. Surface exploration drilling is also planned north of the deposit to test for structures related to the Penny North and West veins),
  - Additional material from Cue (the current plan sources 303koz of gold from Cue from a Resource of 910koz); and
  - Eridanus cutback (~400koz).
- The future of Edna May is less certain with ore sources nearing exhaustion and the mill relying on stockpiles that are due to be completed by calendar year end. The Edna May stage 3 cutback review is due mid-year, favourable results may extend the operation however a production gap is likely due to the requirement of 18 months of pre-strip.
- Upcoming share price catalysts include; brownfield exploration (particularly at Penny), PFS release for the Rebecca/Roe project (due mid-year) and any potential acquisitions.

### Recommendation

We maintain our positive view on gold and upgrade our price target for Ramelius from A\$2.20 to A\$2.33 following upgraded cost and production guidance.

## Ramelius Resources

### Materials Materials

FactSet: RMS-AU / Bloomberg: RMS AU

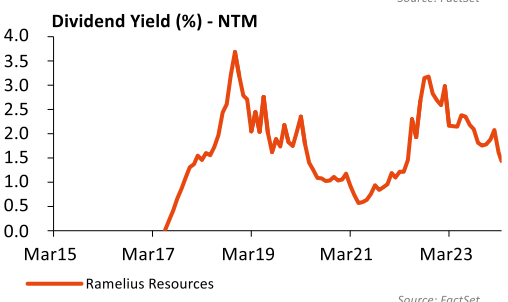
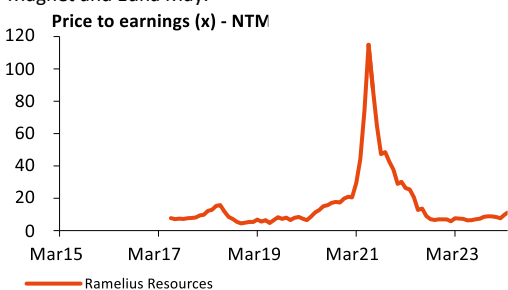
#### Key Items

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	2.09
Target Price (\$ps)	2.33
52 Week Range (\$ps)	1.21 - 2.09
Shares on Issue (m)	991
Market Cap (\$m)	2,072
Enterprise Value (\$m)	2,032
TSR (%)	13.2%

#### Valuation NPV

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%

Ramelius Resources Ltd. is a mid-tier gold producer based in Western Australia. Ramelius has two production hubs at Mt Magnet and Edna May.



## Financial Year End: 30 June

Investment Summary (AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (Reported) (cps)	1.5	6.8	19.9	18.5	19.3
EPS (Underlying) (cps)	1.5	6.8	19.9	18.5	19.3
EPS (Underlying) Growth (%)	(90.6%)	362.3%	191.3%	(6.7%)	4.4%
PE (Underlying) (x)	59.0	18.5	10.5	11.3	10.8
EV / EBIT (x)	80.8	22.0	6.8	7.0	6.8
EV / EBITDA (x)	9.8	7.9	4.4	4.6	5.0
DPS (cps) (AUD)	1.0	2.0	3.0	3.0	6.0
Dividend Yield (%)	1.1%	1.6%	1.4%	1.4%	2.9%
Franking (%)	100%	100%	100%	100%	100%
Payout Ratio (%)	67.8%	29.3%	15.1%	16.2%	31.0%
Free Cash Flow Yield (%)	(4.6%)	12.4%	13.7%	11.3%	12.2%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	604	631	855	867	756
Sales Growth (%)	(4.8%)	4.5%	35.5%	1.4%	(12.9%)
Other Operating Income	31	2	2	2	2
EBITDA	208	256	459	440	410
EBITDA Margin (%)	34.4%	40.6%	53.7%	50.7%	54.3%
Depreciation & Amortisation	(182)	(164)	(159)	(148)	(111)
EBIT	25.2	92.2	299.9	292.0	299.0
EBIT Margin (%)	4.2%	14.6%	35.1%	33.7%	39.6%
Net Interest	(3)	(2)	3	10	16
Pretax Profit	23	90	303	302	315
Tax	(10)	(29)	(91)	(91)	(95)
Tax Rate (%)	(44.9%)	(31.8%)	(30.0%)	(30.0%)	(30.0%)
NPAT Underlying	73	75	212	212	221
Significant Items	(61)	(14)	0	0	0
NPAT Reported	12	62	212	212	221
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	25	92	300	292	299
Payments to Suppliers	(395)	(379)	(396)	(428)	(345)
Receipts from Customers	604	631	855	867	756
Tax Paid	(51)	6	(29)	(91)	(91)
Net Interest	1	3	7	14	20
Change in Working Capital	0	0	(42)	4	7
Depreciation & Amortisation	0	0	0	0	0
Other	0	0	0	0	0
Operating Cashflow	159	261	395	367	348
Capex	(118)	(168)	(68)	(76)	(35)
Acquisitions and Investments	(99)	53	(21)	(21)	(21)
Disposal of Fixed Assets/Investments	30	(4)	0	0	0
Other	(6)	(2)	0	0	0
Investing Cashflow	(193)	(121)	(89)	(97)	(56)
Free Cashflow	(33)	141	306	270	291
Equity Raised / Bought Back	0	0	0	0	0
Dividends Paid	(20)	(7)	(21)	(34)	(57)
Change in Debt	(20)	(7)	(21)	(34)	(57)
Other	(7)	(23)	17	30	53
Financing Cashflow	(47)	(37)	(25)	(38)	(61)
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	(81)	103	281	231	230
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	148	251	532	763	993
Accounts Receivable	7	3	4	4	3
Inventory	134	137	186	188	164
Other Current Assets	4	11	11	11	11
PPE	588	686	616	565	510
Total Assets	952	1,172	1,432	1,616	1,766
Accounts Payable	82	70	77	84	67
Long Term Debt	0	0	0	0	0
Total Liabilities	227	224	293	300	287
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	10.8%	9.1%	20.5%	17.3%	15.9%

### 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.
- Costs are elevated in the mining industry in WA. This is factored into company guidance and our forecasts, but costs may remain higher for longer than expected.

### Core drivers and catalyst

- If the gold price remains close to A\$3,000/oz then Ramelius is likely to make record margins in FY24. The previous record was in 4Q20 when the gold price was A\$2,223/oz and AISC was \$1,049/oz for a margin of A\$1,174/oz.
- Increased high grade ore from the Penny and Cue operations has increased production and lowered the company's AISC
- 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 processing hub to the portfolio.

## Rating Classification

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

## Risk Rating

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

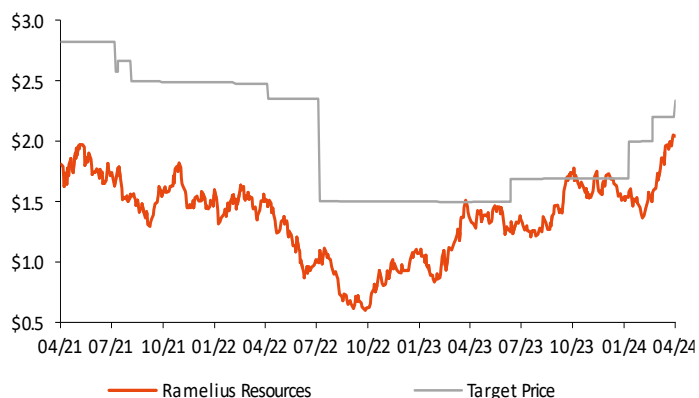
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### Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	65	90%
Hold	6	8%
Sell	1	1%

### History of Investment Rating and Target Price - Ramelius Resources

Date	Closing Price (\$)	Target Price (\$)	Rating
22-Apr-24	2.04	2.33	Buy
12-Mar-24	1.57	2.20	Buy
20-Feb-24	1.44	2.00	Buy
30-Jan-24	1.58	2.00	Buy
28-Aug-23	1.25	1.69	Buy
3-Jul-23	1.25	1.69	Buy
27-Apr-23	1.34	1.50	Buy
21-Feb-23	0.87	1.50	Buy
29-Aug-22	0.86	1.50	Buy
28-Jul-22	1.10	1.50	Buy
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



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