ShawandPartners
Financial Services

Ramelius Resources (RMS)

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

13 May 2024

Eridanus shining brightly

Key Information

Current Price ($ps)	2.00
12m Target Price ($ps)	2.33
52 Week Range ($ps)	1.21 - 2.09
Target Price Upside (%)	16.7%
TSR (%)	18.2%
Reporting Currency	AUD
Market Cap ($m)	1,983
Sector	Materials
Avg Daily Volume (m)	2.8
ASX 200 Weight (%)	0.06%

Fundamentals

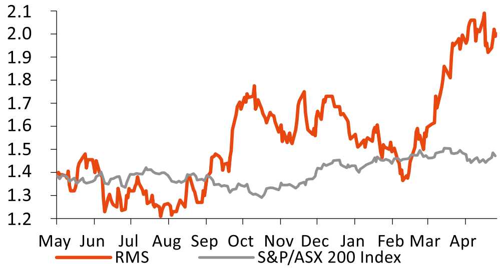
YE 30 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales ($m)	631	855	867	756
NPAT ($m)	75	212	212	221
EPS (cps)	6.8	19.9	18.5	19.3
EPS Growth (%)	362.3%	191.3%	(6.7%)	4.4%
DPS (cps) (AUD)	2.0	3.0	3.0	6.0
Franking (%)	100%	100%	100%	100%

Ratios

YE 30 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	18.5	10.1	10.8	10.3
EV/EBITDA (x)	7.6	4.2	4.4	4.7
Div Yield (%)	1.6%	1.5%	1.5%	3.0%
Payout Ratio (%)	29.3%	15.1%	16.2%	31.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	4.7%	29.4%	31.1%	35.5%
Absolute (%)	3.4%	28.2%	32.5%	42.3%
Benchmark (%)	(1.3%)	(1.2%)	1.4%	6.8%



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%

Event

Ramelius Resources has updated the Mineral Resource Estimate for the Eridanus mining area within the Mt Magnet Gold operation.

Highlights

- The Eridanus Mineral Resource estimate has increased (compared to June 2023) to 21Mt at 1.7g/t for 1.2Moz ounces.
    - 64% increase in ounces and 38% increase in grade.
    - +75% of Resource in Measured and Indicated categories.
- The estimate now includes the adjacent Lone Pine and Theakston deposits as well as incorporating recent drilling and mining information.
- The updated mineral resource includes high grade-zones defined from exploration drilling including:
    - 14m at 6.26g/t from 113m
    - 20m at 14.51g/t from 65m
    - 10m at 6.4g/t from 9m
    - 15m at 4.90g/t from 30m
    - 7m at 9.26g/t from 141m
- The high grade near surface intercepts opens up the potential to substitute lower grade material that is currently in the Mt Magnet 10 year plan resulting in additional production.
- The Eridanus deposit was discovered in late 2017 with mining commencing in 2019, the continued growth in resource is a testament to the richness of the area.
- A 10km drill program is planned to commence in June 2024, designed to infill and extend mineral resources of the current open pit. The program will aim to inform analysis of extending the current open pit as well as a potential underground mine.
- The company finished the Mar'24 quarter with A$407.1M in cash and bullion.
- FY24 production and cost guidance are:
    - Production: 285koz – 295koz
    - AISC: A$1,550/oz – A$1,650/oz
- Upcoming share price catalysts include:
    - Continued brownfield exploration (particularly at Penny).
    - PFS release for the Rebecca/Roe project (due mid-year).
    - Edna May cutback review.
    - Potential acquisitions.

Recommendation

We maintain our positive view on gold and maintain a BUY recommendation with a price target of A$2.33/sh.

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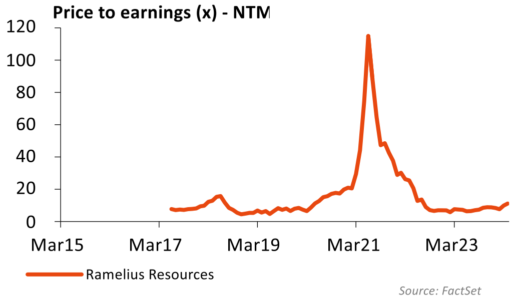
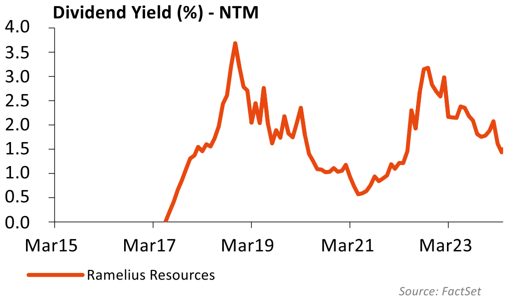
Ramelius Resources
Materials
Materials
FactSet: RMS-AU / Bloomberg: RMS AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price ($ps)	2.00
Target Price ($ps)	2.33
52 Week Range ($ps)	1.21 - 2.09
Shares on Issue (m)	991
Market Cap ($m)	1,983
Enterprise Value ($m)	1,943
TSR (%)	18.2%

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**	**10.1**	**10.8**	**10.3**
EV / EBIT (x)	**77.2**	**21.1**	**6.5**	**6.7**	**6.5**
EV / EBITDA (x)	**9.4**	**7.6**	**4.2**	**4.4**	**4.7**
DPS (cps) (AUD)	1.0	2.0	3.0	3.0	6.0
Dividend Yield (%)	1.1%	1.6%	1.5%	1.5%	3.0%
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%	14.3%	11.8%	12.8%

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

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

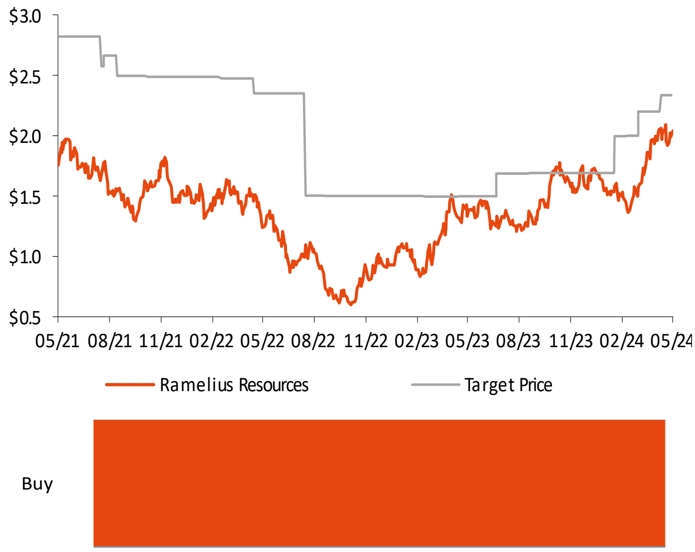
RISK STATEMENT: Where a company is designated as 'High' risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its 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	69	91%
Hold	6	8%
Sell	1	1%

History of Investment Rating and Target Price - Ramelius Resources

Date	Closing Price ($)	Target Price ($)	Rating
22-Apr-24	2.06	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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