

Ramelius Resources (RMS)

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

8 July 2024

FY24 Production Update

Key Information

Current Price (\$ps)	1.96
12m Target Price (\$ps)	2.33
52 Week Range (\$ps)	1.21 - 2.11
Target Price Upside (%)	19.3%
TSR (%)	20.8%
Reporting Currency	AUD
Market Cap (\$m)	1,940
Sector	Materials
Avg Daily Volume (m)	2.0
ASX 200 Weight (%)	0.06%

Fundamentals

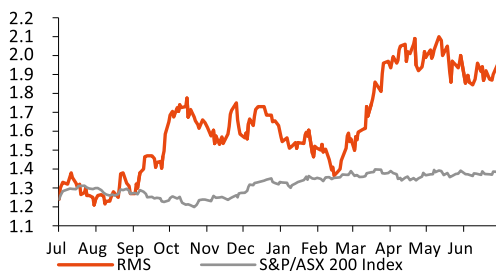
YE 30 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	631	855	867	756
NPAT (\$m)	75	212	212	221
EPS (cps)	6.8	19.9	18.5	19.3
EPS Growth (%)	362.3%	191.3%	(6.7%)	4.4%
DPS (cps) (AUD)	2.0	3.0	3.0	6.0
Franking (%)	100%	100%	100%	100%

Ratios

YE 30 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	18.5	9.9	10.6	10.1
EV/EBITDA (x)	7.4	4.1	4.3	4.6
Div Yield (%)	1.6%	1.5%	1.5%	3.1%
Payout Ratio (%)	29.3%	15.1%	16.2%	31.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(1.6%)	(3.3%)	(1.0%)	47.4%
Absolute (%)	(2.1%)	(3.1%)	(0.6%)	58.5%
Benchmark (%)	(0.5%)	0.2%	0.4%	11.1%



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%

Dorab Postmaster | Analyst

+61 8 9263 5211

Dorab.Postmaster@shawandpartners.com.au

Andrew Hines | Head of Research

+61 3 9268 1178

andrew.hines@shawandpartners.com.au

Peter Kormendy | Senior Research Analyst

+61 3 9268 1099

Peter.Kormendy@shawandpartners.com.au

Event

Ramelius Resources has provided a production update for Q4'FY24

Highlights

- Full year gold production of 293koz (guidance 285koz – 295koz) above our full year estimate of 290koz.
- Quarterly gold production of 82.1koz (guidance 75koz – 85koz).
- FY24 Underlying free cash flow of A\$315.8M, of which A\$263.7M (83%) was generated in H2FY24.
- Given the strong performance, the Company expects the full year AISC to be at the lower end of guidance (A\$1,550 – 1,650/oz) against our estimate of A\$1,600/oz.
 - This positions Ramelius as one of the lowest cost significant (+200Kozpa) producers on the ASX.
 - To put this into perspective Evolution Mining (ASX:EVN, Not Rated) benefit from significant copper by-product credits (~30% of revenue) and has guided to FY24 group AISC of A\$1,410/oz net of by-product credits.
 - Ramelius does not benefit from by-product credits and is able to achieve these industry leading low costs through excellent operational control and the inclusion of high grade ore sources such as Penny.
- The company's cash balance as at 30th June 2024 was A\$446.6M.
 - This balance is post the initial A\$87.7M investment (8.9%) in Spartan Resources.
 - Ramelius have since increased their holding to 17.94% (~A\$90M additional) bringing their current cash balance to ~A\$337M.
- We see the investment into Spartan Resources as potentially reducing any group production gap created by the decreasing output from Edna May.
- Ramelius has recently upsized its revolving corporate facility from A\$100M to A\$175M (currently undrawn), this can be seen as another indication of possible near term corporate action.
- Ramelius are due to release their full quarterly production report later this month.
- Upcoming catalysts include:
 - Continued brownfield exploration (particularly at Penny).
 - PFS release for the Rebecca/Roe project.
 - Edna May cutback review.
 - Cue project commissioning.
 - Potential mergers and/or acquisition (particularly around Spartan Resources and Westgold Resources)
 - Updated group Mineral Resources and Reserves.

Recommendation

We maintain our positive view on gold with Ramelius being one of our preferred exposures, reiterate a BUY recommendation with a price target of A\$2.33/sh.

Ramelius Resources

**Materials
Materials**

FactSet: RMS-AU / Bloomberg: RMS AU

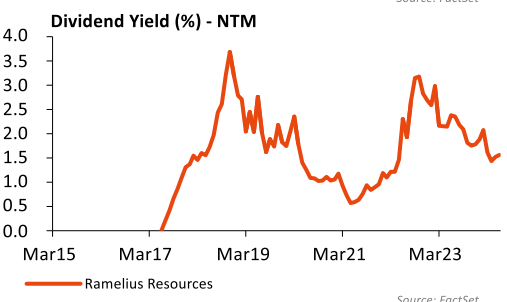
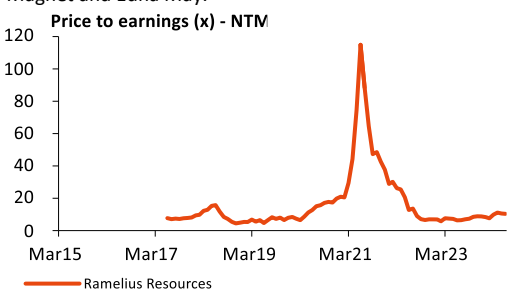
Key Items

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	1.96
Target Price (\$ps)	2.33
52 Week Range (\$ps)	1.21 - 2.11
Shares on Issue (m)	991
Market Cap (\$m)	1,940
Enterprise Value (\$m)	1,900
TSR (%)	20.8%

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	9.9	10.6	10.1
EV / EBIT (x)	75.6	20.6	6.3	6.5	6.4
EV / EBITDA (x)	9.2	7.4	4.1	4.3	4.6
DPS (cps) (AUD)	1.0	2.0	3.0	3.0	6.0
Dividend Yield (%)	1.1%	1.6%	1.5%	1.5%	3.1%
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%	14.7%	12.1%	13.0%
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

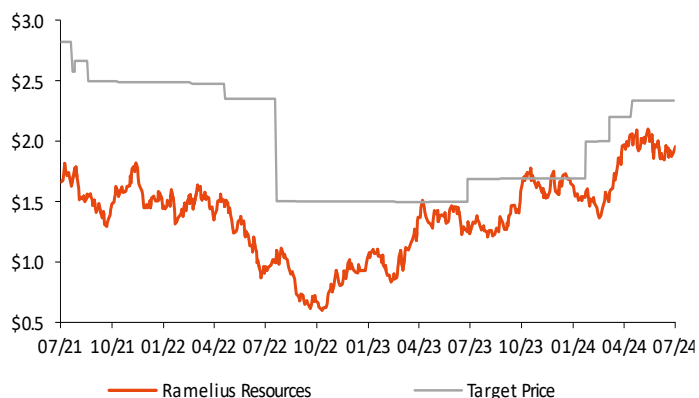
RISK STATEMENT: Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its 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	71	90%
Hold	7	9%
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



Disclaimer

Shaw and Partners Limited ABN 24 003 221 583 (“Shaw”) is a Participant of ASX Limited, Cboe Australia Pty Limited and holder of Australian Financial Services Licence number 236048.

ANALYST CERTIFICATION: The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products. Neither Shaw nor its Research Analysts received any direct financial or non-financial benefits from the company for the production of this document. However, Shaw Research Analysts may receive assistance from the company in preparing their research which can include attending site visits and/or meetings hosted by the company. In some instances the costs of such site visits or meetings may be met in part or in whole by the company if Shaw considers it is reasonable given the specific circumstances relating to the site visit or meeting. As at the date of this report, the Research Analyst does not hold, either directly or through a controlled entity, securities in the Company that is the subject of this report, or where they do hold securities those interests are not material. Shaw restricts Research Analysts from trading in securities outside of the ASX/S&P100 for which they write research. Other Shaw employees may hold interests in the company, but none of those interests are material.

DISCLAIMER: This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs (“Personal Circumstances”). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your Personal Circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client adviser. This report is provided to you on the condition that it not be copied, either in whole or in part, distributed to or disclosed to any other person. If you are not the intended recipient, you should destroy the report and advise Shaw that you have done so. This report is published by Shaw in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. The research report is current as at the date of publication until it is replaced, updated or withdrawn. Although the report is based on information obtained from sources believed to be reliable, Shaw does not make any representation or warranty that it is accurate, complete or up to date and Shaw accepts no obligation to correct or update the information or opinions in it. If you rely on this report, you do so at your own risk. Any projections are indicative estimates only and may not be realised in the future. Such projections are contingent on matters outside the control of Shaw (including but not limited to market volatility, economic conditions and company-specific fundamentals) and therefore may not be realised in the future. Past performance is not a reliable indicator of future performance. Except to the extent that liability under any law cannot be excluded, Shaw disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence.

Depending on the timing and size of your investment, your portfolio composition may differ to the model. Performance figures are derived from the inception date of the model and its investment transactions from that date, therefore the performance for your portfolio may be different. If you have any questions in connection with differences between your portfolio and the model, you should speak with your adviser.

IMPORTANT INFORMATION TO CONSIDER: It is important that before making a decision to invest in a Shaw Managed Accounts, a managed fund, an exchange traded fund, an individual hybrid security or listed debt instrument that you read the relevant Product Disclosure Statement (“PDS”). The PDS will contain information relevant to the specific product, including the returns, features, benefits and risks. The PDS can be found at: www.shawandpartners.com.au/media/1348/shawmanagedaccounts_pds.pdf.

RISKS ASSOCIATED WITH HYBRID SECURITIES: Hybrid securities and listed debt instruments differ from investments in equities and cash products in a number of important respects. The liquidity risk associated with an investment in hybrid securities and listed debt instruments will generally be greater than that associated with equities. The credit risk associated with hybrid securities and listed debt instruments is higher than that of a cash product or term deposit. Some hybrid securities may be perpetual in nature, meaning that they can only be redeemed or exchanged for cash or equity at the issuer's option. Hybrids may also contain terms which automatically trigger the deferral of an interest payment or cause the issuer to repay the hybrid earlier or later than anticipated. ASIC has published information to assist consumers in understanding the risks and benefits associated with an investment in hybrid securities or listed debt instruments. This information can be found under the heading ‘Complex Investments’ at www.moneysmart.gov.au/investing.

DISCLOSURE: Shaw will charge commission in relation to client transactions in financial products and Shaw client advisers will receive a share of that commission. Shaw, its authorised representatives, its associates and their respective officers and employees may have earned previously or may in the future earn fees and commission from dealing in the Company's financial products.

Sydney Head Office	Melbourne	Brisbane	Adelaide	Canberra	Perth	Noosa
Level 7, Chifley Tower	Level 36	Level 28	Level 25	Level 9	Level 47	Suite 11a Q Place
2 Chifley Square	120 Collins Street	111 Eagle Street	91 King William Street	5 Constitution Avenue	108 St Georges Terrace	2 Quamby Place
Sydney NSW 2000	Melbourne VIC 3000	Brisbane QLD 4000	Adelaide SA 5000	Canberra ACT 2601	Perth WA 6000	Noosa Heads QLD 4567
Telephone: +61 2 9238 1238	Telephone: +61 3 9268 1000	Telephone: +61 7 3036 2500	Telephone: +61 8 7109 6000	Telephone: +61 2 6113 5300	Telephone: +61 8 9263 5200	Telephone: +61 7 3036 2570
Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 198 003	Toll Free: 1800 271 201