

Ramelius Resources (RMS)

Rating: Buy | Risk: High | Price Target: \$2.73

26 August 2024

FY24 Results

Key Information

Current Price (\$ps)	2.09
12m Target Price (\$ps)	2.73
52 Week Range (\$ps)	1.25 - 2.11
Target Price Upside (%)	30.6%
TSR (%)	32.0%
Reporting Currency	AUD
Market Cap (\$m)	2,072
Sector	Materials
Avg Daily Volume (m)	2.7
ASX 200 Weight (%)	0.06%

Fundamentals

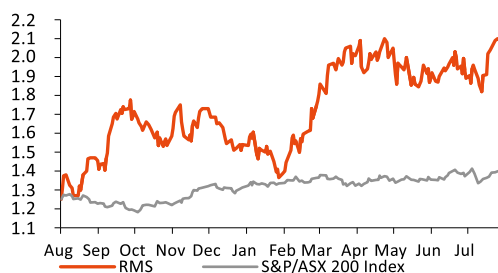
YE 30 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	631	874	1,065	872
NPAT (\$m)	75	225	358	340
EPS (cps)	6.8	21.1	31.4	29.8
EPS Growth (%)	362.3%	209.6%	48.5%	(5.0%)
DPS (cps) (AUD)	2.0	3.0	3.0	9.0
Franking (%)	100%	100%	100%	100%

Ratios

YE 30 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	18.5	9.9	6.7	7.0
EV/EBITDA (x)	7.9	4.2	3.1	3.6
Div Yield (%)	1.6%	1.4%	1.4%	4.3%
Payout Ratio (%)	29.3%	14.2%	9.6%	30.2%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	8.4%	3.7%	1.8%	55.7%
Absolute (%)	9.1%	6.6%	4.5%	67.9%
Benchmark (%)	0.7%	2.9%	2.7%	12.2%



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 released their FY24 Results, delivering a record underlying NPAT of A\$200.3M and announcing a dividend of A5.0cps.

Highlights

- Record gold prices and a falling AISC due to increased contributions from higher grade ore sources such as Penny have resulted in Ramelius generating record profits.
 - Revenue A\$882.6M up 40% YoY.
 - Underlying EBITDA A\$462.2M up 67% YoY.
 - Underlying EBITDA of A\$1,573/oz.
 - Underlying EBITDA margin of 52%.
 - Underlying free cashflow A\$315.8M up 1,053% YoY.
 - Underlying NPAT A\$200.3M up 166% YoY.
 - Mined grade 2.49g/t up 15% YoY.
 - Increased contribution from high grade Penny and improved grades at Eridanus.
 - AISC A\$1,583/oz down 16% YoY, AIC A\$1,895/oz down 18% YoY.
 - This positions Ramelius as one of the lowest cost significant (+200Kozpa) producers on the ASX.
 - Fully franked A5.0cps dividend up 166% YoY.
- 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 18.35%, ~A\$97.5M additional.
- Increased production from Penny and the introduction of Cue along with a decreasing hedge book (FY24 delivered 155koz, FY25E 92koz) positions RMS favourably in FY25 to continue generating sector leading cashflow.
- RMS have provided FY25 guidance of 270koz - 300koz at an AISC of A\$1,500/oz to A\$1,700/oz:
 - Mt Magnet: 230koz - 250koz at an AISC of A\$1,300/oz to A\$1,500/oz.
 - Edna May: 40koz - 50koz at an AISC of A\$2,500/oz to A\$2,700/oz.
 - Shaw and Partners Group Estimate: 285koz at an AISC of A\$1,600/oz.
- Upcoming catalysts include:
 - Continued brownfield exploration (particularly at Penny).
 - PFS release for the Rebecca/Roe project (December Quarter).
 - Cue project commissioning.
 - Potential mergers and/or acquisition (particularly around Spartan 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\$2.73/sh.

Ramelius Resources

**Materials
Materials**

FactSet: RMS-AU / Bloomberg: RMS AU

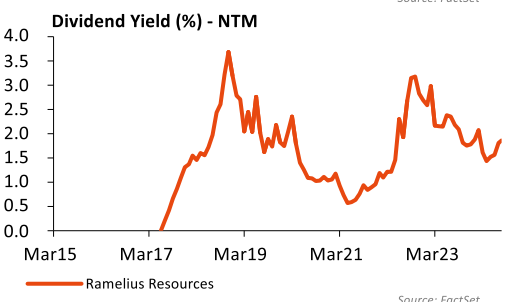
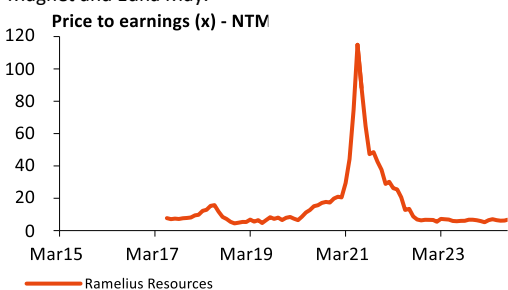
Key Items

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	2.09
Target Price (\$ps)	2.73
52 Week Range (\$ps)	1.25 - 2.11
Shares on Issue (m)	991
Market Cap (\$m)	2,072
Enterprise Value (\$m)	2,032
TSR (%)	32.0%

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	21.1	31.4	29.8
EPS (Underlying) (cps)	1.5	6.8	21.1	31.4	29.8
EPS (Underlying) Growth (%)	(90.6%)	362.3%	209.6%	48.5%	(5.0%)
PE (Underlying) (x)	59.0	18.5	9.9	6.7	7.0
EV / EBIT (x)	80.8	22.0	6.4	4.1	4.4
EV / EBITDA (x)	9.8	7.9	4.2	3.1	3.6
DPS (cps) (AUD)	1.0	2.0	3.0	3.0	9.0
Dividend Yield (%)	1.1%	1.6%	1.4%	1.4%	4.3%
Franking (%)	100%	100%	100%	100%	100%
Payout Ratio (%)	67.8%	29.3%	14.2%	9.6%	30.2%
Free Cash Flow Yield (%)	(4.6%)	12.4%	14.4%	18.0%	16.7%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	604	631	874	1,065	872
Sales Growth (%)	(4.8%)	4.5%	38.5%	21.8%	(18.1%)
Other Operating Income	31	2	2	2	2
EBITDA	208	256	478	645	564
EBITDA Margin (%)	34.4%	40.6%	54.7%	60.6%	64.6%
Depreciation & Amortisation	(182)	(164)	(159)	(145)	(99)
EBIT	25.2	92.2	318.9	500.6	464.5
EBIT Margin (%)	4.2%	14.6%	36.5%	47.0%	53.2%
Net Interest	(3)	(2)	3	11	21
Pretax Profit	23	90	322	511	485
Tax	(10)	(29)	(96)	(153)	(146)
Tax Rate (%)	(44.9%)	(31.8%)	(30.0%)	(30.0%)	(30.0%)
NPAT Underlying	73	75	225	358	340
Significant Items	(61)	(14)	0	0	0
NPAT Reported	12	62	225	358	340
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	25	92	319	501	465
Payments to Suppliers	(395)	(379)	(396)	(420)	(309)
Receipts from Customers	604	631	874	1,065	872
Tax Paid	(51)	6	(29)	(96)	(153)
Net Interest	1	3	7	15	25
Change in Working Capital	0	0	(46)	(37)	19
Depreciation & Amortisation	0	0	0	0	0
Other	0	0	0	0	0
Operating Cashflow	159	261	410	526	455
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	321	429	398
Equity Raised / Bought Back	0	0	0	0	0
Dividends Paid	(20)	(7)	(21)	(34)	(68)
Change in Debt	(20)	(7)	(21)	(34)	(68)
Other	(7)	(23)	17	30	64
Financing Cashflow	(47)	(37)	(25)	(38)	(72)
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	(81)	103	295	391	326
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	148	251	546	937	1,263
Accounts Receivable	7	3	4	5	4
Inventory	134	137	190	231	190
Other Current Assets	4	11	11	11	11
PPE	588	686	616	568	526
Total Assets	952	1,172	1,451	1,837	2,077
Accounts Payable	82	70	77	82	59
Long Term Debt	0	0	0	0	0
Total Liabilities	227	224	299	361	330
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	10.8%	9.1%	21.6%	27.4%	21.2%

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.

Core drivers and catalyst

- 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	81	92%
Hold	6	7%
Sell	1	1%

History of Investment Rating and Target Price - Ramelius Resources

Date	Closing Price (\$)	Target Price (\$)	Rating
26-Aug-24	2.09	2.73	Buy
29-Jul-24	1.91	2.73	Buy
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



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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