

# Ramelius Resources (RMS)

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

12 December 2024

## Rebecca-Roe Gold Project PFS

### Key Information

Current Price (\$ps)	2.40
12m Target Price (\$ps)	2.73
52 Week Range (\$ps)	1.37 - 2.48
Target Price Upside (%)	13.6%
TSR (%)	15.7%
Reporting Currency	AUD
Market Cap (\$m)	2,379
Sector	Materials
Avg Daily Volume (m)	2.7
ASX 200 Weight (%)	0.06%

### Fundamentals

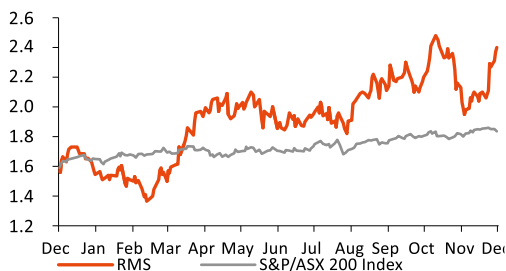
YE 30 Jun (AUD)	FY24A	FY25E	FY26E	FY27E
Sales (\$m)	883	1,057	865	702
NPAT (\$m)	217	346	329	259
EPS (cps)	20.3	30.3	28.8	22.7
EPS Growth (%)	206.4%	49.3%	(5.1%)	(21.2%)
DPS (cps) (AUD)	5.0	5.0	9.0	7.0
Franking (%)	100%	100%	100%	100%

### Ratios

YE 30 Jun	FY24A	FY25E	FY26E	FY27E
P/E (x)	9.5	7.9	8.3	10.6
EV/EBITDA (x)	5.2	3.8	4.3	5.7
Div Yield (%)	2.6%	2.1%	3.8%	2.9%
Payout Ratio (%)	24.6%	16.5%	31.3%	30.9%

### Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	17.0%	7.4%	8.7%	35.4%
Absolute (%)	18.2%	9.1%	12.1%	50.9%
Benchmark (%)	1.2%	1.7%	3.4%	15.5%



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 Resources (RMS) has released the pre-feasibility study (PFS) for its 100% owned Rebecca-Roe Gold Project located 150km east of Kalgoorlie.

### Highlights

- The Rebecca-Roe project is located in a new district for RMS and will be an additional production hub taking the place of Edna May as it moves to care and maintenance.
- Key metrics from the PFS include:
  - Methodology:** Six open pits (three at each site) and one underground at Roe.
  - Mine life:** an initial nine (9) years.
  - Milling Capacity:** 3Mtpa
  - Gold Production:** 130kozpa (four of the first 6 years of production at +145kozpa)
  - All-in sustaining cost (AISC):** A\$2,346/oz
  - All-in cost (AIC):** A\$2,853/oz
  - Maximum drawdown:** A\$366.9M
  - Post tax NPV<sub>5</sub> (at A\$3,500/oz):** A\$332M, **Post tax NPV<sub>5</sub> (at A\$4,000/oz):** A\$610M.
  - IRR (at A\$3,500/oz):** 26%
  - Timeline:** Plant construction in FY27 with first production July 2027.
- Whilst the current economics outline a robust project in its own right, we see upside via integrating stranded higher grade assets that do not have the scale to warrant a standalone operation.
  - The integration of higher grade feed, especially in FY28, FY31 and FY34 where the AISC is forecasted to be A\$2,821/oz, A\$3,259/oz and A\$2,685/oz respectively, could reduce the life of mine AISC to ~A\$2,100/oz.
  - The hub and spoke model we envisage at Rebecca-Roe has been an overwhelming success at Mt Magnet and has elevated the asset to one of Australia's most profitable gold projects.
- RMS has provided FY25 guidance of 270koz - 300koz at an AISC of A\$1,500/oz to A\$1,700/oz. Shaw and Partners Group Estimate is 285koz at an AISC of A\$1,600/oz.
- The company's cash balance as at 30<sup>th</sup> September 2024 was A\$438.6M.
  - This balance is prior to participating in Spartan Resources (ASX:SPR, Not Rated) capital raising that resulted in RMS increasing their holding from 18.3% to 19.9%.
  - As RMS continues to generate free cashflow from operations we expect Rebecca-Roe to be funded via a mixture of cash and an undrawn A\$175M credit facility.
- Upcoming catalysts include:
  - Continued brownfield exploration (particularly at Penny).
  - Mt Magnet mill expansion study (December 2024).
  - Rebecca-Roe DFS and Underground Reserve at Roe (July 2025).
  - Potential mergers and/or acquisition.

### 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

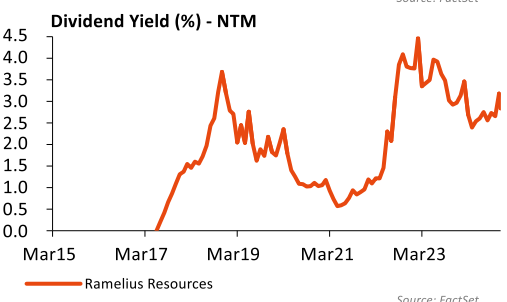
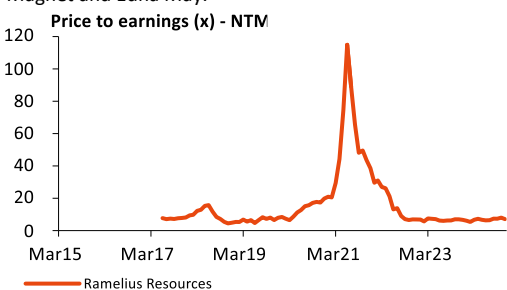
**Key Items**

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	2.40
Target Price (\$ps)	2.73
52 Week Range (\$ps)	1.37 - 2.48
Shares on Issue (m)	991
Market Cap (\$m)	2,379
Enterprise Value (\$m)	2,339
TSR (%)	15.7%

**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)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS (Reported) (cps)	6.6	20.3	30.3	28.8	22.7
EPS (Underlying) (cps)	6.6	20.3	30.3	28.8	22.7
EPS (Underlying) Growth (%)	349.0%	206.4%	49.3%	(5.1%)	(21.2%)
PE (Underlying) (x)	19.0	9.5	7.9	8.3	10.6
EV / EBIT (x)	25.4	8.7	4.9	5.3	7.0
EV / EBITDA (x)	9.1	5.2	3.8	4.3	5.7
DPS (cps) (AUD)	2.0	5.0	5.0	9.0	7.0
Dividend Yield (%)	1.6%	2.6%	2.1%	3.8%	2.9%
Franking (%)	100%	100%	100%	100%	100%
Payout Ratio (%)	30.2%	24.6%	16.5%	31.3%	30.9%
Free Cash Flow Yield (%)	12.0%	10.4%	15.3%	13.0%	6.8%
Profit and Loss (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	631	883	1,057	865	702
Sales Growth (%)	4.5%	39.8%	19.7%	(18.1%)	(18.8%)
Other Operating Income	2	2	2	2	2
EBITDA	256	451	621	540	409
EBITDA Margin (%)	40.6%	51.0%	58.7%	62.4%	58.2%
Depreciation & Amortisation	(164)	(181)	(145)	(99)	(75)
EBIT	92.2	269.1	475.7	440.7	333.8
EBIT Margin (%)	14.6%	30.5%	45.0%	50.9%	47.5%
Net Interest	(2)	8	19	29	36
Pretax Profit	90	277	495	470	370
Tax	(29)	(60)	(148)	(141)	(111)
Tax Rate (%)	(31.8%)	(21.8%)	(30.0%)	(30.0%)	(30.0%)
NPAT Underlying	75	217	346	329	259
Significant Items	(14)	0	0	0	0
NPAT Reported	62	217	346	329	259
Cashflow (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
EBIT	92	269	476	441	334
Payments to Suppliers	(379)	(430)	(436)	(325)	(294)
Receipts from Customers	631	884	1,057	865	702
Tax Paid	6	(6)	(60)	(148)	(141)
Net Interest	3	11	11	21	28
Change in Working Capital	0	(4)	(38)	19	29
Depreciation & Amortisation	0	0	0	0	0
Other	0	0	0	0	0
Operating Cashflow	261	455	534	432	326
Capex	(168)	(85)	(76)	(35)	(100)
Acquisitions and Investments	53	(126)	(39)	(39)	(39)
Disposal of Fixed Assets/Investments	(4)	(29)	0	0	0
Other	(2)	(3)	0	0	0
Investing Cashflow	(121)	(243)	(115)	(74)	(139)
Free Cashflow	141	212	419	358	187
Equity Raised / Bought Back	0	0	0	0	0
Dividends Paid	(7)	(17)	(57)	(91)	(91)
Change in Debt	(7)	(17)	(57)	(91)	(91)
Other	(23)	(4)	65	99	99
Financing Cashflow	(37)	(39)	(49)	(84)	(84)
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	103	173	370	274	103
Balance Sheet (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	251	424	794	1,069	1,172
Accounts Receivable	3	4	5	4	3
Inventory	137	114	230	188	153
Other Current Assets	11	5	5	5	5
PPE	686	835	805	780	844
Total Assets	1,172	1,594	2,050	2,257	2,388
Accounts Payable	70	66	82	59	52
Long Term Debt	0	0	0	0	0
Total Liabilities	224	195	299	268	232
Ratios	FY23A	FY24A	FY25E	FY26E	FY27E
ROE (%)	9.1%	19.1%	23.0%	18.3%	12.9%

### 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 into 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 several 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

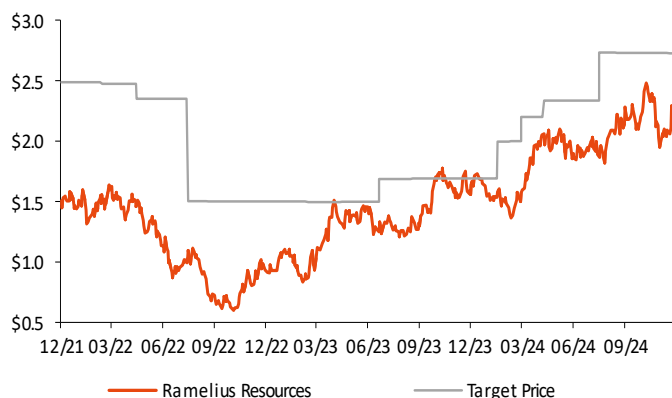
**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and 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	74	93%
Hold	6	8%
Sell	0	0%

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

Date	Closing Price (\$)	Target Price (\$)	Rating
29-Nov-24	2.10	2.73	Buy
29-Oct-24	2.32	2.73	Buy
26-Aug-24	2.06	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



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