

## Evolution Mining Limited (EVN)

Non-Energy Minerals

**BUY**

EVN A\$2.685

TARGET PRICE \$3.07

Evolution Mining Limited (EVN) is a gold mining company focusing on mining and exploration operations in Australia. It owns and operates five gold and silver mines in Queensland and Western Australia.

### Company Data

Number of shares	1,833.0M
Market Capitalisation (\$m)	6,195.6
Free float (%)	98.4
12-month high/low	\$4.95/\$2.685
Average Daily Turnover (\$m)	72.13
% S&P/ASX200	0.320%
DDM Ranking	197
% All Ordinaries	0.249%
GICS Industry Group	Precious Metals

Source: FactSet, BPC

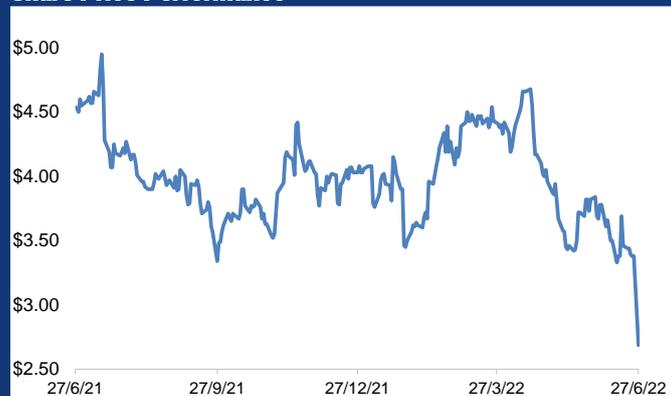
### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	1,864.1	1,685.7	2,060.9	2,217.6
EBITDA (\$M)	914.0	788.3	1,041.0	1,152.3
Reported NPAT (\$M)	345.3	288.1	422.0	500.1
Adjusted NPAT (\$M)	354.3	279.8	416.9	478.8
Reported EPS (c)	20.1	16.4	23.5	27.8
Adjusted EPS (c - FD)	20.7	14.9	23.1	26.3
Adjusted EPS growth (%)	N/A	N/A	43.9	11.1
Adjusted P/E (x)	16.4	14.5	9.4	8.2
Dividend (c/sh)	12.0	5.9	6.5	12.8
Gross yield (%)	3.6	1.7	1.9	3.8
Net yield (%)	3.6	1.7	1.9	3.8
ROIC (%)	11.9	6.7	9.3	11.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

### Share Price Performance



Source: FactSet, Barclay Pearce Capital

## Business Update

On 27<sup>th</sup> of June 2022, Evolution Mining Limited (EVN) announced a business update, with the following highlights:

### Highlights:

- In the June 2022 quarter EVN is expecting production will be 15% higher than the March 2022 quarter at around 170,000oz;
- The transformation at Red Lake is continuing and EVN expect production to increase 15% in the June 2022 quarter;
- Red Lake production is expected to be 160,000oz +/- 5% in FY23 and 200,000oz +/- 5% in FY24;
- Production at Cowal was impacted by further wet weather in May which restricted access to the open pit;
- Mungari production has been impacted by COVID related staff absenteeism, over 30% of the workforce (of approx. 500) have been absent for at least 7 days;
- Ernest Henry is on track to deliver over \$400 million of cash flow for FY22; and
- The balance sheet is strong with around \$900 million of liquidity including \$540 million of cash expected at the end of FY22.

### Guidance:

- FY22 gold production is now expected to be around 640,000oz, below previous guidance in the range of 670,000-725,000oz (ASX announcement 16 Feb 2022);
- Group production for FY23 is guided to increase 12% on the current year to 720,000oz +/- 5%, for FY24 is expected to increase a further 11% to 800,000oz +/- 5%;
- The compares to previous guidance for FY23 and FY24 in the range of 775-830koz and 855-915koz, respectively (ASX announcement 16 Feb 2022);
- FY22 All-in Sustaining Cost (AISC) is expected to be ~A\$1,250/oz (\$875/oz), above the guidance range of A\$1,135 - A\$1,195/oz (US\$795 - US\$835/oz);
- FY23 AISC guidance and FY24 AISC outlook is expected to be A\$1,240/oz +/- 5% (~US\$870/oz); and
- This compares to previous guidance for FY23 and FY24 in the range of A\$895-955/oz and A\$990-1,050/oz, respectively (ASX announcement 16 Feb 2022).

## Earnings changes

EVN FY22 gold production is now expected to be around 640,000oz, which is below previous guidance in the range of 670,000-725,000oz. Furthermore, FY22 AISC is expected to be ~\$1,250/oz, above the guidance range of \$1,135 - \$1,195/oz. Hence, we expect negative earnings revisions of 20% for FY22 and for future periods.

## Valuation

We are updating our price target from \$4.50 to \$3.07 and retaining our BUY recommendation. The price target is underpinned by our valuation.

**Russell Wright**

27 June 2022

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

**Russell Wright**

27 June 2022

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## Valuation Methodology

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Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)