

15 March 2022

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## Regis Resources Limited

### Materials

### BUY

**RRL A\$2.13**
**TARGET PRICE A\$2.83**

Regis Resources Ltd. is a mineral exploration and production company, which engages in the exploration, evaluation and development of gold projects. The firm operates its business through Duketon North Operations and Duketon South Operations segments.

#### Company Data

Number of shares	754.8M
Market Capitalisation	\$1,607.7
Free float (%)	98.3
12-month high/low	\$3.10/\$1.68
Average Daily Turnover (\$m)	10.67
% S&P/ASX200	0.076%
DDM Ranking	45
% All Ordinaries	0.066%
GICS Industry Group	Oil & gas E&P

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	819.2	1,005.8	1,139.2	1,211.1
EBITDA (\$M)	403.4	424.3	499.5	503.3
Reported NPAT (\$M)	146.2	126.6	195.6	207.2
Adjusted NPAT (\$M)	146.2	124.4	170.1	165.7
Reported EPS (¢)	26.4	14.6	23.8	24.3
Adjusted EPS (¢ - FD)	26.3	16.5	22.5	22.4
Adjusted EPS growth (%)	-30.3	-37.4	36.6	-0.6
Adjusted P/E (x)	8.1	12.9	9.5	9.5
Dividend (¢/sh)	7.0	6.3	6.9	6.8
Gross yield (%)	4.7	4.2	4.6	4.6
Net yield (%)	3.3	3.0	3.2	3.2
ROIC (%)	9.1	7.1	9.4	9.2

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

## FY22 Half Year Results

On 22<sup>nd</sup> of February 2022, Regis Resources Limited (RRL) announced its 1H FY22 Financial Report with the following highlights:

#### Highlights:

- EBITDA of \$196M with a strong EBITDA margin of 40%;
- Underlying net profit after tax of \$44M, with a statutory net profit after tax of \$26M;
- Revenue of \$489M from 216,651oz of gold sold at an average price of \$2,256/oz;
- Cash flows from operating activities of \$136M;
- Cash and bullion of \$180M after the payment of \$22M in fully franked dividends;
- Prudent capital management resulted in no interim dividend declared for the Half Year FY22;
- Gold production of 210,270oz for H1 FY22 at an AISC of \$1,527/oz;
- Production guidance for FY22 of 420-475 koz at an AISC of \$1,425-\$1,500/oz;
- Net debt position of \$120M as at 31 December 2021;
- Cash and bullion of \$180M as at 31 December 2021 after payment of \$22M in dividends, \$31M in income tax, \$33M on exploration expenditure and the McPhillamys Gold Project and \$152M in capital expenditure for future production in pre-strip costs, deferred waste costs, capitalised underground costs and property, plant and equipment (including Right of Use assets);
- The company received a \$23M tax refund in February and is expecting a further ~\$12M tax refund in H2 FY22;
- Hedging reduced by 50koz over the half to 270koz as at 31 December 2021;

#### Outlook:

- A reduction in AISC from H1 FY22 of \$1,527/oz is anticipated as performance and efficiencies at Duketon and Tropicana continues to improve;
- A significant lift in production in H2 2022 is planned; and
- This improvement will be due to increased mill feed grade at Moolart Well, increased mill feed grade and throughput at Garden Well, and increased underground mine grade at Rosemont;
- FY22 Production guidance 42-475Koz; and
- FY22 AISC \$1.425-1,500/oz.

MD, Mr Jim Beyer commented: "Regis Resources delivered its first full half year with the inclusion of its 30% interest in Tropicana. The strong EBITDA of \$196M and EBITDA margin of 40% are reflective of this transformational change. Tropicana is delivering on our expectations in the early part of Regis ownership and we look forward to the growth ahead as the operation transitions back to its historical run rate of 450-500koz per year (100%)."

## Earnings changes

RRL has reported NPAT of \$44M for 1HY2022. This is lower than the market expectations of \$53.5M. However, FY22 production guidance has been restated and this incorporates a significant lift in the second half. Hence, we don't expect any significant earnings revisions for FY22 and future periods.

## Valuation

We are updating our 12-month target price from \$3.18 to \$2.83 and retaining our BUY recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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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.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	39.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.7%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	38.3%	( 0.0% of stocks with recommendations are Barclay Pearce clients)