Ramelius Resources Limited (RMLRF) Q4 2024 Earnings Call Transcript

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Body

Ramelius ***Resources*** Limited (RMLRF)

Q4 2024 Results Conference Call

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Company Participants

Mark Zeptner - Managing Director

Darren Millman - CFO

Conference Call Participants

Paul Kaner - Ord Minnett

Presentation

Operator

Thank you for standing by, and welcome to the ***Ramelius*** ***Resources*** Full Year Financial Teleconference. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. [Operator Instructions].

I would now like to hand the conference over to Mr. Mark Zeptner, Managing Director. Please go ahead.

Mark Zeptner

Thank you, Sigar. Good morning, everyone. Thank you for taking the time to dial in this morning to our FY '24 results call. Alongside me is Chief Financial Officer, Darren Millman, who will drill down into the financials after I've covered off on the highlights. This morning, we have uploaded to the ASX platform, along with our website a number of documents, including our FY '24 financial results summary and the presentation, which we'll be largely speaking to you this morning, and also our audited statutory financial report.

As mentioned initially discussed the high-level FY '24 results, then Darren will dive into a bit more detail, and then we'll talk about the FY '25 outlook and also the dividend that we announced this morning. Once we have done that, there will also be an opportunity for listeners to ask questions. So, in terms of the presentation, if we only hopefully got that handy, we jump to Slide 3, with our mining and production highlights.

Although we mined less ore tonnes in FY '24 compared to the previous year, the contained gold mined, which is what counts, was up on the prior year due to a higher mine grade. The primary driver of the lower tonnes was the completion of mining activities across the Edna May hub, most notably at Tampia, where mining activities were completed last year.

Increased ore from Eridanus and the introduction of Symes offset the stocking tonnes in part. The improved mine grade was driven by 2 factors: increased tonnages and grade from Penny, which reported a mine grade just over 12 grams per tonne for the year, and also a strong performance from Eridanus, which saw open pit tonnages at Mt Magnet increased 50%, but at a 60% higher grade than the prior year. If we move on to our processing activities, tonnes milled were up on the prior year, mainly as a result of additional haulage capacity across the Edna May hub.

Pleasingly, this increase in tonnes milled for the group was achieved despite the interruptions to the CV01 conveyor repairs carried out in November, December last year at Mt Magnet. This increased throughput, combined with improved milled grade resulted in a 22% increase in gold production to the record number of 293,000 ounces, which was at the upper end of our upgraded production guidance for FY '24.

On cost sales and sustaining costs as reported in the June quarterly was $15.83 an ounce, which is one of the best within our industry and something we'***re*** pretty proud of here at ***Ramelius***. It is also most pleasing that we'***re*** able to deliver these results with a declining TRIFR or total recordable injury frequency rate across the year and also achieved a 12-month LTI-free milestone in May 2024.

Before I hand over to Darren, I'd just like to note this is the second year in a row where I've been able to comment that the annual results on just about every metric are an improvement on the prior year. And importantly, these results have not only been driven by the A dollar gold price, but also our low-cost base, which I believe distinguish us from our peers, and we do anticipate that the positive results will continue into FY '25. Over to you, Darren.

Darren Millman

Thanks, Mark. For those following on the presentation, I'll initially speaking to Slide 4. Before moving on to the discussion of earnings, I'd like to highlight that I will be talking to our underlying earnings. When we refer to underlying earnings, we are essentially backing out the large nonrecurring items in an attempt to communicate what we believe is the most reflective results from our operations for the year and appropriate comparative to the prior year. The main difference between our underlying earnings and our statutory net profit after tax earnings for the current year relates to acquired tax losses.

In our underlying earnings, we removed the tax benefit of $23.9 million associated with the recognition of tax losses that was acquired as part of the Musgrave and Brake acquisitions made in FY '23 and early FY '24, respectively. Of this, $14.6 million remains on our balance sheet for utilization on future periods. Indeed, since FY '19, ***Ramelius*** has acquired tax losses over the years to the tune of $24.5 million. This is a true realized savings in cash tax payment savings.

Lastly, before moving on to the financials, we have for reference, provided a few appendices in this presentation, which reconciles the underlying earnings and cash flow for the statutory reports for the financial statements.

I trust you'll find this useful. As a reminder for FY '24, the company achieved record production, record earnings, record cash flow and a record dividend with the backdrop, happy to discuss the numbers in a little bit more detail. We achieved a top line revenue of $882.6 million, which was 40% up from the prior year with gold sales of 293,966 ounces at a realized price of 2,995 per ounce, a 16% increase on the prior year.

The increased revenue was not only due to higher gold price, which added $119 million, but also increased gold production, which added $131 million when compared to FY '23. EBITDA of $462.2 million was up 67% on the prior year and represents a margin of 52%, a $1,573 per ounce sold.

On both metrics, we continue to be at the top of our peer group. Net profit after tax of $200.3 million was up 166% on prior year, with earnings being driven by improved grades, with lower cost of production per ounce and a strong currency of AU gold price. Statutory earnings per share of $19.5 were up 181% on the prior year. Further analysis on EBITDA can be found on Slide 6, which shows the positive trend from H1 to H2 with the EBITDA margin increasing 40% in H1 to 60% in H2.

In addition to this, the earnings profile for Mt Magnet and Edna May can be seen with Mt Magnet being the clear driver in earnings recording EBITDA margin of 79% in H2.

Looking at Mt Magnet in isolation on Slide 7 shows EBITDA margin for FY '24 of 2,121 per ounce. This earning capacity of Mt Magnet bodes well for the future with the production center poised of further growth in FY '25.

This will be driven by increased production from Penny, the introduction of Q and the exciting upside potential from Eridanus to be open pit or underground. Indeed, we see FY '25 as another very strong year of cash build and earnings. It's worth highlighting in FY '25, we are guiding to a 50% increase in production at the Mt Magnet hub.

Moving to cash. We believe it is important -- one of the most important financial measures of our business, and Slide 8 and 9, you will see our key cash metrics. Our operating cash flow for the year was $445 million or 1,515 per ounce. Investing cash flow totaled $242.7 million, which includes investments into our existing business for plant equipment, mine development and exploration of $123.1 million, our acquisition of Musgrave and our strategic investment in Spartan.

The free cash flow being the net of operating and investing cash flow was $212.1 million after returning $17.3 million to shareholders via our FY '23 dividend and lease payments, total cash inflow for the year was $173.3 million.

Our low-cost production, coupled with our strong Australian gold price resulted in ***Ramelius*** returning $315.8 million in underlying free cash flow for FY '24. Once again, one of the best returns amongst our peers. The resulting cash and gold at the end of the year was $446.6 million. Turning now to Slide 10 and our cash balance sheet, which we consider to be one of our key strengths. Our cash and gold bullion on hand are complemented with a further 65,000 ounces of gold contained in current stockpiles and within circuit, which we will monetize in the coming 12 months, leaving ***Ramelius*** with excellent liquidity.

In addition to this, in July, we executed a new finance facility for $175 million, which is an upsized replacement of our previous $100 million facility. Facility was undrawn at the reporting date remains as of the same to this day. As we mentioned in the past, we'***re*** in the process of progressively reducing our hedge book, which at 30 June 2024, sat at 155,000 ounces at an average price of $3,081 per ounce. The only new hedging put in place recently was that we put hedges of 41,500 ounces at Edna May production out to January 2025, ensuring that the cost will not be sold below 3,400 per ounce, locking in meaningful cash flow from the remaining Edna May stockpiles. With that, I'll hand it back to Mark.

Mark Zeptner

Thanks, Darren. So, if we can jump to Slide 11 to 13 now touching on our portfolio and guidance for FY '25. On gold production, you will see we expect a higher margin that Magnet operation to make up a higher proportion of gold production with Edna May to be placed in care and maintenance once the existing stockpiles across that hub are processed. Overall, group production for FY '25 is expected to be comparable to FY '24. Our all-in sustaining cost is also expected to be largely in line with FY '24, but with a higher gold price, which we have assumed at $3,500 per ounce as per the chart on Slide 12, plus our existing hedge book, will see us deliver some 92,000 ounces at $29.45 per ounce in FY '25.

We'll see a further increase in cash margins. Production and the result in lower all-in sustaining cost is expected to be weighted to H2 of FY '25. And finally, on our guidance for FY '25, I'd like to make 2 points, which we have made before. Whilst Edna May does have a higher all-in sustaining cost, there is approximately $500 an ounce of this -- that relates to noncash drawdowns of existing stockpiles. And secondly, we are expecting a notable reduction in our growth capital spend in FY '25, particularly in the second half.

With the development of leveraging off in the first half, leveraging off our existing Magnet plant, infrastructure, such as airstrips and camps, realizing true regional synergies there. We like to think we have a good reputation in the market for doing what we say and delivering on our promises. We see no reason for this not to continue into FY '25 and also look forward to presenting a revised Mt Magnet mine plan in the new year once we have the optimal design for Eridanus open pit or underground. Turning to Slide 14. Perhaps the highlight, our declared dividend for FY '24.

We'***re*** proud of our track record on dividends. And today, we are not only declaring our sixth consecutive dividend about 150% increase in the prior year to $0.05 per share fully franked. This represents a payout ratio of 27% of free cash flow. In approving the final dividend, the Board gave consideration to the additional strategic investment in Spartan, internal growth opportunities at Eridanus, and potential mill expansions at Mt Magnet as well as potential capital commitment requirements for Rebecca Roe. The dividend represents a yield of 2.6% based on 30 June share price and a total shareholder return over the last 5 years of 21% per annum.

Our dividend reinvestment plan has now been in place for a couple of years now with last year's participation at 22%. It is pleasing to see an increasing number of shareholders opting to take up the opportunity to use their dividends to purchase additional ***Ramelius*** shares. That opportunity will again be available with the price of shares to be calculated at a 2% discount to the 10-day VWAP from the date of election. Last year's dividend payment amounted to $22.3 million in cash and reinvestment this year. The return will be up to $57.2 million, which will be paid in October.

Last slide, moving on to Slide 15, where we'***re*** looking at our focus areas, I'll skip to the final 2 areas being exploration opportunities and near-term catalysts. We have budgeted to invest another $40 million to $50 million in exploration this year, with opportunities at Mt Magnet, Penny and Rebecca Roe areas shaping us having high potential to deliver additional ***resource*** ounces and further bolstering reserves. There are a number of near-term catalysts that we see, including the progression of drilling at Eridanus and Galaxy, which will culminate more likely in an upgraded Mt Magnet mine plan.

In addition to this, we look forward to providing updated mineral ***resource*** inventory for Roe, and ultimately, the publication of the associated PFS for the combined Rebecca Roe project. That concludes the presentation.

I'll now hand back to the operator, Sigar, you can open the line for questions, please.

Question-and-Answer Session

Operator

[Operator Instructions]. Your first question comes from Paul Kaner from Ord Minnett.

Paul Kaner

Couple here, if I may. So firstly, on tax, thanks for giving that income tax guidance for FY '25. But how should we think about cash tax paid for FY '24?

Darren Millman

Yes. Thanks, Paul. As I noted in the numbers there, we had that advantage in 2024, in 2025 -- or 2025 and beyond, we serve approximately $25 million available. In 2025, we'***re*** probably expecting around $15 million to have a similar tax cash benefit is our expectations for 2025.

Paul Kaner

Yes, that's great. And then maybe one for you, Mark. Just on capital returns. I think your payout was about 27% of free cash flow and your policy allows for up to 30%. I guess, any thoughts on changing this policy?

Or are you sort of happy capping at 30% and then, I guess, using the remainder of the free cash flow on sort of organic and inorganic opportunities?

Mark Zeptner

Yes. We obviously had a lengthy discussion at Board level. To summarize, we'***re*** happy with our policy. We didn't quite go all the way to 30%. But we like -- we have got a number of internal projects coming up.

And we felt that we struck a balance between returns to shareholders and providing cash for those projects.

Operator

[Operator Instructions]. There are no further questions at this time. I'll now hand back to Mr. Zeptner for closing remarks.

Mark Zeptner

Thank you, Sigar. I can't remember the last time we only had one question, but we must have covered everything. So, to wrap up, just 3 points, a record year for earnings and cash generation in FY '24 for ***Ramelius***, a similarly strong outlook for FY '25 and beyond. And a $0.05 fly-free dividend announced today being the sixth consecutive year of dividend payments, a 150% increase on the prior year with over $130 million potentially returned to shareholders. Thank you all for listening in today. Enjoy the rest of your day. Thank you.

Operator

Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.

Load-Date: August 26, 2024