

RESOLUTE MINING LIMITED (ASX: RSG)

Equity Analysis (02 March 2023)



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Introduction

Resolute Mining Limited:

Resolute Mining Limited (ASX: RSG) is an Australia-based gold miner. It is engaged in exploring, developing, and operating gold mines in Australia and Africa. The company's portfolio includes Syama Gold Mine and Mako Gold Mine.

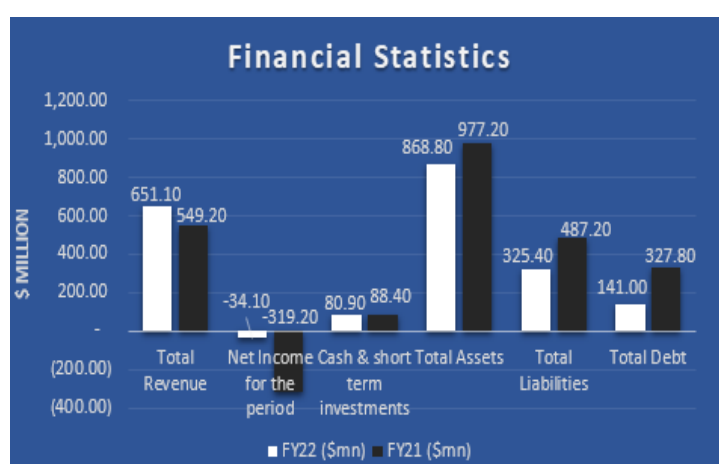
Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	0.270	
52-Week Low-High (AU\$)	0.160-0.361	
Market Capitalization (AU\$)	553.54 million	
Outstanding Shares	2.13 billion	
PE (TTM)	-	
EPS (AU\$) (TTM)	-0.041	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	31 Aug'18/12 Oct'18	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	0.55	0.82
EV/EBITDA (LTM)/(FY-1)	2.56	4.13
Price/Book Value (LTM)/(FY-1)	0.69	0.57

Shareholder Pattern (Mn)

Top 3	Current	31 Dec'22	30 Sep'22
IPConcept (Luxemburg) S.A.	168.43	168.43	79.86
Van Eck Associates Corporation	112.84	112.84	40.39
Dimensional Fund Advisors, L.P.	106.59	104.24	44.77

Operating Performance

In FY22 (period ended 31 December 2022), total revenue was US\$651.10 million against US\$549.20 million in FY21. In FY22, the company's net loss was US\$34.10 million against the net loss of US\$319.20 million in FY21. At the end of FY22, the company had cash & short term investments of US\$80.90 million compared with US\$88.40 million at the end of FY21. The company had US\$141.00 million in total debt at the end of FY22 compared to US\$327.80 million at the end of FY21.



Source: Company reports, Chart Prepared by Kapitaless Research

Ratio Analysis	Industry Median	2022	2021	2020	2019	2018
Gross Margin	46.8%	14.4%	8.5%	17.3%	9.2%	-
EBITDA Margin	34.0%	21.4%	19.7%	37.1%	11.4%	-
Operating Margin	22.1%	1.0%	-56.6%	3.0%	-5.9%	-
Pretax Margin	19.9%	-2.2%	-59.7%	-1.1%	-12.9%	-
Net Margin	14.0%	-5.3%	-66.9%	-6.0%	-16.7%	-
Asset Turnover	0.61	0.71	0.46	0.43	0.42	-
ROE	17.0%	-6.6%	-48.2%	-3.5%	-11.6%	-
Quick Ratio	1.10	0.50	0.78	1.28	0.51	0.73
Current Ratio	1.69	1.02	1.40	1.94	0.79	1.57
Cash Cycle (Days)	35.5	136.90	175.20	156.20	161.50	-
Assets/Equity	1.75	1.60	1.99	1.71	2.24	1.58
Debt/Equity	0.19	0.26	0.67	0.43	0.76	0.29
ROIC	-	-4.8%	-36.7%	-3.5%	-9.8%	-

Source: Refinitiv, Analysis by Kapitaless Research

Recent Updates

- On 19 January 2023, Resolute Mining Limited announced that it has reported a 58% increase in gold ounces at the Syama North project in Mali. Syama North's resource stood at 34 million tonnes at 2.9 grams per tonne of gold for 3.18 million ounces. Resolute Mining will disclose estimates of its mineral resource and ore reserve for end-2022 in February. The 'wide zone' of gold mineralisation primarily discovered and reported in August 2022 was substantiated and increased by drilling in late 2022 with excellent intersections seen in QVRD603, QVRD604, QVRD609 and QVRD610.
- On 14 November 2022, the company announced the completion of the book build for the institutional placement and the institutional component of the 1-for-1.11 accelerated non-renounceable entitlement offer. The company saw significant demand during the bookbuild for the Placement, Institutional Shortfall Bookbuild and the Institutional Entitlement Offer. Following this strong demand, Resolute increased underwritten component of the Equity Raising from AU\$140 million to AU\$164 million.

Outlook

Resolute remains focused on further improvements to the production profile in 2023, and together with continuing productivity enhancements and ongoing cost control efforts, which would help in offsetting some of the industry-wide inflationary pressures. At its Syama Gold Mine, Mali, the company is expecting its 2023 Sulphide production to be 160,000oz at an AISC of AU\$1,400/oz and 2023 Oxide production to be 73,000oz at an AISC of AU\$1,365/oz. The exploration forecast remains in line with CY22 totaling AU\$16 million with most of the expenditure allocated to Mali and the continued exploration at Syama North.

Risks

The company has exposure to the following risks-

- Operational risks
- Environmental risk
- Compliance risk
- Financial risks

Valuation

Relative Valuation Based on EV/EBITDA Multiple	
Resolute Mining Limited	RSG.AX
EBITDA (FY23E US\$m)	167.02
EV/EBITDA Multiple (NTM) (Peer Mean) (approx)	2.91
Implied EV (US\$ mn)	486.67
Cash (US\$ mn)	80.90
Debt (US\$ mn)	141.00
Minority Interest (US\$ mn)	-71.90
Implied Market Cap (US\$ mn)	498.47
Shares Outstanding (million)	2,130.00
Target Share Price (AU\$)	0.346
Current Market Price (AU\$) (02 March 2023)	0.270
Rating	Speculative Buy

Source: Refinitiv, Analysis by Kapitales Research

*1US\$=1.48AU\$

Technical Analysis



Source: Refinitiv, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Resolute Mining Limited	RSG	Materials	0.270	02 March 2023	Speculative Buy	0.320	0.360	0.225

The stock of materials company RSG settled at AU\$0.270 on 02 March 2023 after a surge of 3.8% from the previous day's closing. It is currently trading between its 52-week price levels.

The stock is trading above the significant exponential moving averages of 20, 50, and 200 days on a daily time frame, indicating short-term bullishness.

The stock trading between the central pivot (AU\$0.240) and pivot resistance R1 (AU\$0.320), holding a bullish momentum on a daily timeframe chart.

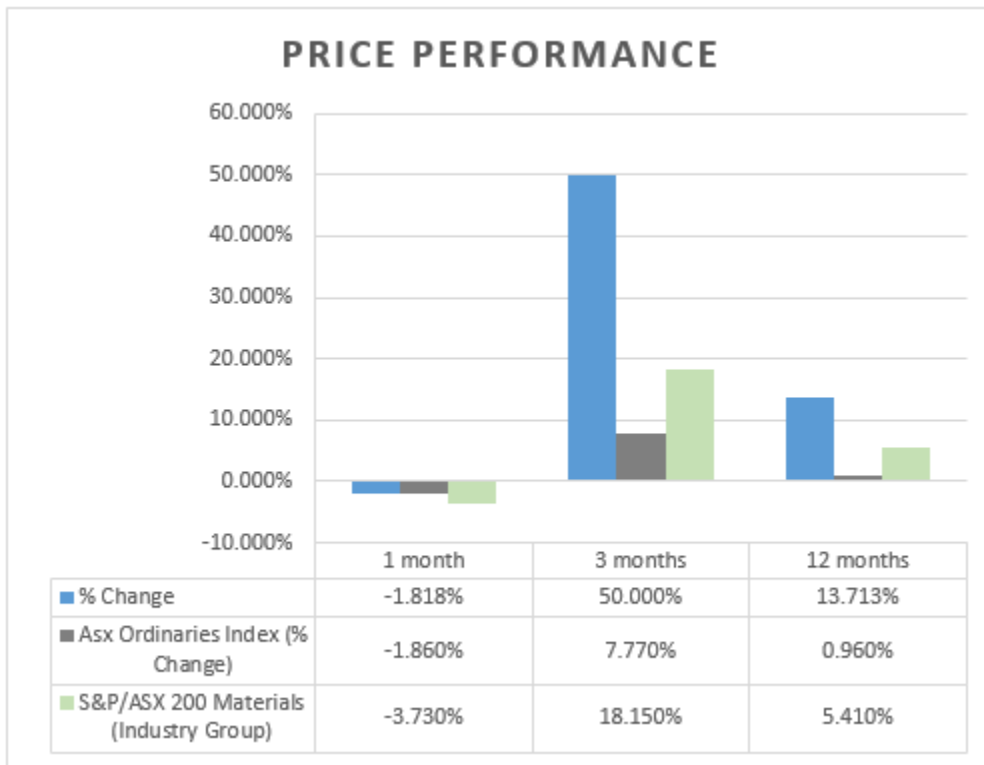
RSI (14 days) is at 60, holding a bullish momentum near the breakout zone in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.320 (pivot resistance R1) and AU\$0.360 (previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.225 (previous swing resistance) to protect their investments in case of an unfavorable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.

Price Performance



Source: Refinitiv, Chart Prepared by Kapitaless Research

Investment Summary

As per relative valuation, RSG's target share price should be approx. AU\$0.346 compared to its current share price of AU\$0.270, thus indicating the undervalued position of the stock. Compared to the previous corresponding period, the company has reduced its net loss and total debt in FY22.

It has shown robust growth in its total revenue in FY22. Its Debt-to-Equity ratio for FY22 stood at 0.26x, lower than the FY21 of 0.67x, depicting that the company has increased its solvency position than previous corresponding period.

Looking at the shareholder's pattern, RSG's three largest shareholders have increased their stake in the company in the previous quarter. Thus, it shows their confidence in the company. The company's stock has outperformed the ASX ordinary and sector indices in one month, one quarter and one year timeframe.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.270 as of 02 March 2023 (after-market hours).

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Disclosure: The information mentioned above has been sourced from the company reports and a third party database, i.e. Refinitiv. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

Kapitales Research, Level 13, Suite 1A, 465 Victoria Ave, Chatswood, NSW 2067, Australia | 1800 005 780 | info@kapitales.com.au