

Gold Royalty Corp. (GROY)
Rating: Buy

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Agreement With Nevada Gold Mines to Acquire Several Royalties; Highlighting Granite Creek in Nevada; Reiterate Buy

Stock Data		09/02/2022		
Price		\$2.68		
Exchange		NYSE American		
Price Target		\$8.00		
52-Week High		\$5.65		
52-Week Low		\$2.15		
Enterprise Value (M)		\$343		
Market Cap (M)		\$361		
Shares Outstanding (M)		134.5		
3 Month Avg Volume		397,633		
Short Interest (M)		1.36		
Balance Sheet Metrics				
Cash (M)		\$17.1		
Total Debt (M)		\$0.0		
Total Cash/Share		\$0.13		
<i>Cash (M): Includes short-term investments.</i>				
EPS (\$) Diluted				
Full Year - Sep	2021A	2022E	2023E	
FY	(0.45)	(0.11)	(0.01)	
Revenue (M)				
Full Year - Sep	2021A	2022E	2023E	
FY	\$0.2	\$4.6	\$9.6	



Agreement to acquire several Nevada-based royalties. On September 1, Gold Royalty Corp. (GROY) announced that it had entered into an agreement with Nevada Gold Mines, a joint venture between Barrick (GOLD; not rated) and Newmont (NEM; not rated), to acquire a collection of royalties. As per the agreement, GROY is anticipated to receive a 10.0% net profits interest (NPI) royalty on the producing Granite Creek mine, a 2.0% net smelter return royalty (NSR) on the Bald Mountain Mine (payable after 10M ounces (oz) of gold have been produced from the site) and a 1.25% NSR on the Bald Mountain Joint Venture Zone, in return for total share consideration of \$27.5M. GROY expects to issue about 9.4M shares for the purchase of these royalty interests. We highlight the near-term cash flow potential at Granite Creek and that the project recently commenced underground production. In contrast, we expect Bald Mountain to provide strong exploration upside going forward as we view the site exhibiting extensive long-term potential.

Highlighting the Granite Creek project and NPI terms. The Granite Creek project is located in Nevada, situated among the intersection of the Getchell and Battle Mountain trends. The mine consists of a high-grade open pit component in addition to an underground resource. We stress that the first shipment of ore from the project has already been made, while operations are expected to ramp up to 450 tons per day (tpd) by year-end, followed by 1,000 tpd in 2H23. In our view, GROY remains well exposed to the project's strong production potential as its 10% NPI covers the entire property and becomes payable after the first 120,000oz of gold is produced. In reaching this threshold, we emphasize that 7,000oz have already been produced from the site.

We reiterate our Buy rating on shares of Gold Royalty and our PT of \$8.00. As usual, it is our intention to include the aforementioned acquisition into our model upon closing of the deal. Until then, we maintain our prior valuation of the firm's assets. We continue to assign a 7.0% discount rate on the São Jorge project, which compares to a slightly more conservative 8.0% discount rate for Yellowknife due to its lack of recent development and more outdated technical report. We also utilize 7.0% discount rates for Marigold, Rawhide, Jerritt Canyon, and Isabella Pearl. At present, we value the Canadian Malartic assets at a 6.5% discount rate given their geographically favorable location. We then ascribe an in situ valuation for the company's other royalty assets, based on attributable gold ounces, for a total of \$200.2M. We further add an at-cost value of \$205.3M for assets received in the Ely transaction with no DCF values. We then add \$17.1M in cash and short-term investments, amid no debt, before applying an unchanged 1.6x P/NAV multiple given current market premiums for royalty companies. This yields our overall valuation of \$1.23B and our rounded price target of \$8.00 per share.

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Near-term catalysts. We once again remain focused on near-term royalty contributions from a variety of assets. Beyond the aforementioned transaction, we emphasize that GROY's exposure to the Odyssey project should begin to provide royalty revenue in the near-term. We also highlight that GROY maintains a 3.0% NSR on Odyssey, while mine operations at Odyssey South are expected to begin as soon as 1Q23. Looking ahead, GROY appears to stay aggressive on the acquisition front. We ultimately believe the types of assets being targeted should begin to yield revenue in a relatively short timeframe. Going forward, we continue to support the growth strategy undertaken by the management team and anticipate additional acquisitions in the future.

Risks. 1) Commodity prices; 2) lack of operational control; 3) financing risk.

Gold Royalty Corp. (GROY)												
All figures expressed in USD unless otherwise noted												
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Canadian Malartic												
Annual gold production (000's oz)	463	547	579	446	446	424	359	461	461	461	461	
Gold price	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	
Total UG Revenue (\$000's)	\$ -	\$ 75,757	\$ 132,774	\$ 132,774	\$ 132,774	\$ 417,903	\$ 628,524	\$ 806,346	\$ 806,346	\$ 806,346	\$ 806,346	
Royalty Revenue												
Discount rate	7.0%											
PV of Cash Flow	\$ 600	\$ 2,173	\$ 3,709	\$ 3,640	\$ 3,588	\$ 11,159	\$ 16,615	\$ 21,132	\$ 20,971	\$ 20,828	\$ 20,699	
Total Royalty NAV	\$ 267,204	\$ 1.73	per diluted share									
Côte Gold												
Annual Gold Production (000's oz)	\$ -	77,263	374,295	438,967	520,809	520,809	509,649					
Gold Price	\$ -	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900					
Total Revenue												
Royalty Revenue	0.75%											
Discount Rate	6.50%											
PV of Cash Flow	\$ -	\$ 952	\$ 4,331	\$ 4,770	\$ 5,313	\$ 4,989	\$ 4,584					
Total Royalty NAV	\$ 24,940	\$ 0.16	per diluted share									
Rawhide												
Annual gold production (000's oz)	21	21	21	21	21							
Gold price	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900							
Gold Revenue	\$ 36,914	\$ 36,914	\$ 36,914	\$ 36,914	\$ 36,914							
Annual silver production (oz)	141	141	141	141	141							
Silver price	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00							
Silver Revenue	\$ 3,516	\$ 3,516	\$ 3,516	\$ 3,516	\$ 3,516							
Total Revenue	\$ 40,430	\$ 40,430	\$ 40,430	\$ 40,430	\$ 40,430							
Total Cash Costs	\$ (14,766)	\$ (14,766)	\$ (14,766)	\$ (14,766)	\$ (14,766)							
CapEx	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)							
Net Operating Profit	\$ 23,164	\$ 23,164	\$ 23,164	\$ 23,164	\$ 23,164							
Royalty Revenue	15% NPI	\$ 3,475	\$ 3,475	\$ 3,475	\$ 3,475	\$ 3,475						
Discount rate	7.0%	0	1	2	3	4						
PV of Cash Flow	\$ 3,475	\$ 3,247	\$ 3,035	\$ 2,836	\$ 2,651							
Total Royalty NAV	\$ 15,244	\$ 0.10	per diluted share									
São Jorge												
Annual gold production (000's oz)	-	49,572	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977	
Gold price	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	
Total Revenue	\$ -	\$ 94,187	\$ 199,456	\$ 199,456	\$ 199,456	\$ 199,456	\$ 199,456	\$ 199,456	\$ 199,456	\$ 199,456	\$ 199,456	
Royalty Revenue	1.0% NSR	\$ -	\$ 942	\$ 1,995	\$ 1,995	\$ 1,995	\$ 1,995	\$ 1,995	\$ 1,995	\$ 1,995	\$ 1,995	
Discount rate	7.0%											
PV of Cash Flow	\$ -	\$ 823	\$ 1,628	\$ 1,522	\$ 1,422	\$ 1,329	\$ 1,242	\$ 1,161	\$ 1,085	\$ 1,014	\$ 948	
Total Royalty NAV	\$ 12,870	\$ 0.08	per diluted share									
Marigold (GROY's portion of the property)												
Annual gold production (000's oz)	-	-	-	148	233	180	65					
Gold price	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900					
Gold Revenue	\$ -	\$ -	\$ -	\$ 259,350	\$ 406,941	\$ 314,803	\$ 114,319					
Royalty Revenue	0.75% NSR	\$ -	\$ -	\$ 1,945	\$ 3,052	\$ 2,361	\$ 857					
Discount rate	7.0%	0	1	2	3	4	5					
PV of Cash Flow	\$ -	\$ -	\$ -	\$ 1,588	\$ 2,328	\$ 1,683	\$ 571					
Total Royalty NAV	\$ 6,171	\$ 0.04	per diluted share									
Jerritt Canyon												
Annual gold production (000's oz)	112	135	150	165	180	180	180					
Gold price	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900					
Total Revenue	\$ 195,962	\$ 236,727	\$ 262,408	\$ 288,649	\$ 314,890	\$ 314,890	\$ 314,890					
Royalty Revenue	0.50% NSR	\$ 980	\$ 1,184	\$ 1,312	\$ 1,443	\$ 1,574	\$ 1,574	\$ 1,574				
Discount rate	50.30 per ton	\$ 243	\$ 285	\$ 300	\$ 330	\$ 360	\$ 360	\$ 360				
Total Royalty Revenue	\$ 1,223	\$ 1,469	\$ 1,612	\$ 1,773	\$ 1,934	\$ 1,934	\$ 1,934					
Discount rate	7.0%											
PV of Cash Flow	\$ 1,223	\$ 1,373	\$ 1,408	\$ 1,447	\$ 1,476	\$ 1,379	\$ 1,289					
Total Royalty NAV	\$ 9,595	\$ 0.06	per diluted share									
Yellowknife												
Annual gold production (000's oz)	-	-	-	40,798	101,250	101,250	101,250	126,563	97,031	71,719	71,719	
Gold price	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	
Total Revenue	\$ -	\$ -	\$ -	\$ 77,517	\$ 192,375	\$ 192,375	\$ 192,375	\$ 240,469	\$ 184,359	\$ 136,266	\$ 136,266	
Royalty Revenue	1.0% NSR	\$ -	\$ -	\$ 775	\$ 1,924	\$ 1,924	\$ 1,924	\$ 2,405	\$ 1,844	\$ 1,363	\$ 1,363	
Discount rate	8.0%											
PV of Cash Flow	\$ -	\$ -	\$ -	\$ 615	\$ 1,414	\$ 1,309	\$ 1,212	\$ 1,403	\$ 996	\$ 682	\$ 631	
Total Royalty NAV	\$ 8,549	\$ 0.06	per diluted share									
Total Royalty Revenue	\$ 6,066	\$ 9,738	\$ 16,368	\$ 20,033	\$ 23,524	\$ 27,912	\$ 32,255	\$ 28,590	\$ 28,029	\$ 27,548	\$ 27,548	
Total PV of Cash Flow	\$ 6,066	\$ 9,096	\$ 14,452	\$ 16,684	\$ 18,441	\$ 22,081	\$ 25,514	\$ 23,696	\$ 23,052	\$ 22,523	\$ 22,278	
Current value of cash flow	\$ 346,770	\$ 2.25										
Plus cash & equivalents	\$ 17,097	\$ 0.11	as of 6/30/22									
Value for assets not included in DCF	\$ 200,169	\$ 1.30	per diluted share. Based on \$450/M&I oz and \$200/inferred oz.									
Value for non-core assets from Ely Acquisition (at cost)	\$ 205,304	\$ 1.33	per diluted share; utilizes a \$5.00 per GROY share issuance price									
Less debt	\$ -	\$ -										
Total current value / NAV per share	\$ 769,340	\$ 4.98	per diluted share; as of 6/30/22									
Target P/NAV Multiple	1.6	x										
Firm value after P/NAV Multiple	\$ 1,230,944	\$ 7.97	per diluted share									
Shares outstanding ('000s)	134,519	as of 8/15/22										
Options and Warrants ('000s)	19,914	as of 8/15/22										
Fully diluted shares ('000s)	154,433	as of 8/15/22										
Value per share	\$ 7.97	66.4%										
Rounded (C\$0.25) price target	\$ 8.00	66.5%										
GROY share price	\$ 2.68	as of 9/2/22										
Source: H.C. Wainwright & Co. estimates.												

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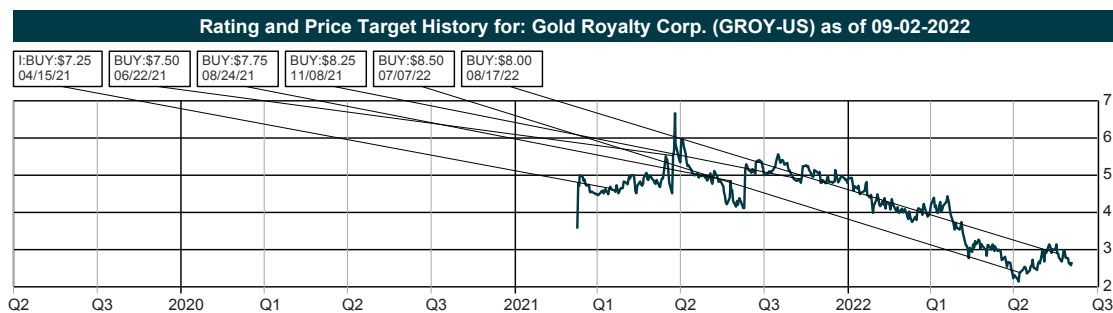
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	568	87.65%	133	23.42%
Neutral	63	9.72%	10	15.87%
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Under Review	16	2.47%	1	6.25%

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