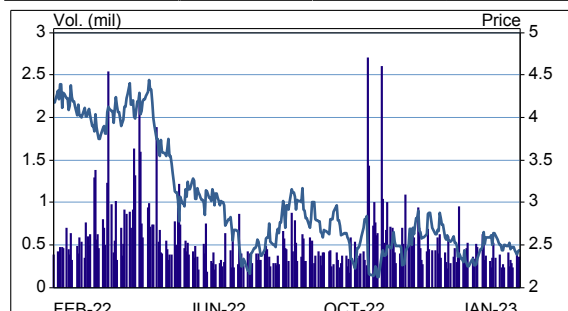


Gold Royalty Corp. (GROY)
Rating: Buy

Heiko F. Ihle, CFA
212-356-0510
hihle@hcwresearch.com

Marcus Giannini
212-916-3978
mgiannini@hcwresearch.com
Canadian Malartic Provides Potential Near- and Long-Term Growth; Highlighting FY2022 Results; Reiterate Buy; PT Higher

Stock Data		02/02/2023	
Price		\$2.41	
Exchange		NYSE American	
Price Target		\$9.00	
52-Week High		\$4.54	
52-Week Low		\$2.11	
Enterprise Value (M)		\$333	
Market Cap (M)		\$347	
Shares Outstanding (M)		143.9	
3 Month Avg Volume		445,506	
Short Interest (M)		0.22	
Balance Sheet Metrics			
Cash (M)		\$14.2	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.10	
Cash (M): Includes short-term investments.			
EPS (\$) Diluted			
Full Year - Sep	2021A	2022A	2023E
FY	(0.45)	(0.14)	(0.05)
Revenue (M)			
Full Year - Sep	2021A	2022A	2023E
FY	\$0.2	\$3.9	\$7.3



Cornerstone royalty asset with extensive growth potential on the horizon. Even though Gold Royalty Corp. (GRC) holds more than 200 interests on various properties across the globe, we emphasize the firm's exposure to the Canadian Malartic property in Québec, Canada. In our view, this asset should become one of the primary drivers for royalty-based revenue growth in the near-term as GRC maintains four royalties across portions of the project. Importantly, these interests include a 3.0% net smelter return (NSR) royalty on portions of the Canadian Malartic open pit, which is estimated to account for about one-third of production in 2022. Additionally, we note that GRC has a 3.0% NSR on the underground Odyssey project, which is slated to produce about 545,400 ounces of gold per annum from 2029 – 2039. In turn, we believe that GRC remains well positioned to benefit from the transition of open pit operations to underground mining at site, which should provide a reliable revenue stream, not only in the short-term, but the long-term as well. We also emphasize that 29% (\$1.1M) of the firm's 2022 royalty and option income came from Canadian Malartic.

Highlighting FY2022 results. On December 27, GRC announced its FY2022 financial results that stood out given record royalty and option income of \$3.9M, up from \$0.2M in FY2021. The company realized a comprehensive loss for the year of \$17.5M, or (\$0.14) per share, compared to a loss of \$14.6M, or (\$0.45) per share in FY2021. We reiterate that Canadian Malartic drove the YoY increase in revenue, as the asset generated no royalty income in FY2021. Additionally, the firm saw \$1.0M in benefits from its Borden interest (nil in FY2021) as royalty and option income for the site grew to \$0.8M (\$0.1M in FY2021) and \$1.1M (\$0.1M in FY2021) from Jeritt Canyon and other assets, respectively.

Largely irrelevant operating loss. Despite the substantial YoY growth in GRC's top-line, the firm realized a \$21.5M operating loss (\$12.6M in FY2021), driven by various expense increases, including a \$3.8M royalty impairment (nil in FY2021). This impairment was related to the suspension of operations at the Rawhide mine due to working capital constraints. Importantly, we do not concern ourselves with GROY's recent and near-term earnings all that much as we expect profitability for the firm to improve quite meaningfully as the company continues to grow over time.

We reiterate our Buy rating on GROY while increasing our PT to \$9.00 from \$8.00. Our higher PT is the result of moving our model forward to account for the new fiscal year and now reflects GROY's FY2022 results. 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 based on 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, and stress that this rate may ultimately prove to be somewhat conservative. 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 \$211.5M for assets received in the Ely transaction with no DCF values. We then add \$14.2M 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 \$1.43B and our rounded price target of \$9.00 per share.

Near-term catalysts. As discussed in prior notes, Canadian Malartic is expected to begin transitioning to an underground operation. As a result, initial production from the Odyssey South ramp is anticipated in 1Q23, while shaft sinking activities should begin during the same quarter as well. Importantly, we presently expect ongoing production increases at Jerritt Canyon through a variety of initiatives, including the processing of surface stockpiles. When considering earlier-stage assets, we highlight that the Fenelon Gold project is expected to see an updated Mineral Resource Estimate in 1Q23, followed by an updated Preliminary Economic Assessment in 2Q23. In conclusion, it is our view that GRC provides a series of low-cost benefits to its shareholders through its royalty-based business model. This model entails a variety of exploration, development, and production-stage assets without the risks of cost inflation that an operator would face.

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

Gold Royalty Corp. (GROY)													
All figures expressed in USD unless otherwise noted													
Canadian Malartic	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E			
Annual gold production (000's oz)	547	579	446	446	424	359	Note: UG Commercial production begins in 2029						
Gold price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	
Total UG Revenue (\$000's)	\$ 75,757	\$ 132,774	\$ 132,774	\$ 132,774	\$ 417,903	\$ 628,524	\$ 948,213	\$ 948,213	\$ 948,213	\$ 948,213	\$ 948,213	\$ 948,213	
3% NSR attributable to UG production with a 3% NSR applicable to a portion of open-pit production													
Royalty Revenue	\$ 2,273	\$ 3,983	\$ 3,983	\$ 3,983	\$ 12,537	\$ 18,856	\$ 28,446	\$ 28,446	\$ 28,446	\$ 28,446	\$ 28,446	\$ 28,446	
Discount rate	7.0%												
PV of Cash Flow	\$ 2,273	\$ 3,808	\$ 3,709	\$ 3,640	\$ 11,292	\$ 16,783	\$ 25,067	\$ 24,850	\$ 24,660	\$ 24,492	\$ 24,492	\$ 24,492	
Total Royalty NAV	\$ 308,430	\$ 1.92											
Côté Gold	2023E	2024E	2025E	2026E	2027E	2028E							
Annual Gold Production (000's oz)	77,263	374,295	438,967	520,809	520,809	509,649							
Gold Price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750							
Total Revenue	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750							
Royalty Revenue	\$ 1,014	\$ 4,913	\$ 5,761	\$ 6,836	\$ 6,836	\$ 6,689							
Discount Rate	0.75%												
PV of Cash Flow	\$ 1,014	\$ 4,613	\$ 5,080	\$ 5,659	\$ 5,313	\$ 4,882							
Total Royalty NAV	\$ 48,209	0.30											
Rawhide	2023E	2024E	2025E	2026E									
Annual gold production (000's oz)	8	21	21	21									
Gold price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750									
Gold Revenue	\$ 14,766	\$ 36,914	\$ 36,914	\$ 36,914									
Annual silver production (oz)	56	141	141	141									
Silver price	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00									
Silver Revenue	\$ 1,069	\$ 2,672	\$ 2,672	\$ 2,672									
Total Revenue	\$ 15,834	\$ 39,586	\$ 39,586	\$ 39,586									
Total Cash Costs	\$ (5,906)	\$ (14,766)	\$ (14,766)	\$ (14,766)									
CapEx	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)									
Net Operating Profit	\$ 7,428	\$ 22,320	\$ 22,320	\$ 22,320									
Royalty Revenue	\$ 11,114	\$ 33,348	\$ 33,348	\$ 33,348									
Discount rate	15% NPI												
PV of Cash Flow	\$ 1,114	\$ 3,129	\$ 2,924	\$ 2,733									
Total Royalty NAV	\$ 9,901	\$ 0.06											
São Jorge	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E			
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	104,977	104,977	
Gold price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	
Total Revenue	\$ 86,752	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	\$ 183,709	
Royalty Revenue	\$ 868	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	\$ 1,837	
Discount rate	1.0% NSR												
PV of Cash Flow	\$ 758	\$ 1,500	\$ 1,402	\$ 1,310	\$ 1,224	\$ 1,144	\$ 1,069	\$ 999	\$ 934	\$ 873	\$ 873	\$ 873	
Total Royalty NAV	\$ 12,870	\$ 0.08											
Marigold (GROY's portion of the property)	2023E	2024E	2025E	2026E	2027E	2028E							
Annual gold production (000's oz)	-	-	148	233	180	65							
Gold price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750							
Gold Revenue	\$ -	\$ -	\$ 259,350	\$ 406,941	\$ 314,803	\$ 114,319							
Royalty Revenue	\$ -	\$ -	\$ 1,945	\$ 3,052	\$ 2,361	\$ 857							
Discount rate	0.75% NSR												
PV of Cash Flow	\$ -	\$ -	\$ 1,699	\$ 2,491	\$ 1,801	\$ 611							
Total Royalty NAV	\$ 6,603	\$ 0.04											
Jerritt Canyon	2023E	2024E	2025E	2026E	2027E	2028E							
Annual gold production (000's oz)	135	150	165	180	180	180							
Gold price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750							
Total Revenue	\$ 236,727	\$ 262,408	\$ 288,649	\$ 314,890	\$ 314,890	\$ 314,890							
Royalty Revenue	\$ 1,184	\$ 1,312	\$ 1,443	\$ 1,574	\$ 1,574	\$ 1,574							
Total Royalty Revenue	\$ 285	\$ 300	\$ 330	\$ 360	\$ 360	\$ 360							
Discount rate	0.50% NSR												
PV of Cash Flow	\$ 1,469	\$ 1,612	\$ 1,773	\$ 1,934	\$ 1,934	\$ 1,934							
Total Royalty NAV	\$ 1,373	\$ 1,408	\$ 1,447	\$ 1,476	\$ 1,379	\$ 1,289							
Yellowknife	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E			
Annual gold production (000's oz)	-	-	40,798	101,250	101,250	101,250	Note: production extends to FY38 but is not visible						
Gold price	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	
Total Revenue	\$ -	\$ -	\$ 71,397	\$ 177,188	\$ 177,188	\$ 177,188	\$ 221,484	\$ 169,805	\$ 125,508	\$ 125,508	\$ 125,508	\$ 125,508	
Royalty Revenue	\$ -	\$ -	\$ 714	\$ 1,772	\$ 1,772	\$ 1,772	\$ 2,215	\$ 1,698	\$ 1,255	\$ 1,255	\$ 1,255	\$ 1,255	
Discount rate	1.0% NSR												
PV of Cash Flow	\$ -	\$ -	\$ 567	\$ 1,302	\$ 1,206	\$ 1,117	\$ 1,292	\$ 917	\$ 628	\$ 581	\$ 581	\$ 581	
Total Royalty NAV	\$ 9,404	\$ 0.06											
Total Royalty Revenue	\$ 7,303	\$ 16,084	\$ 19,688	\$ 23,088	\$ 27,603	\$ 31,946	\$ 32,498	\$ 31,982	\$ 31,539	\$ 31,539	\$ 31,539	\$ 31,539	
Total PV of Cash Flow	\$ 7,060	\$ 14,799	\$ 17,093	\$ 18,860	\$ 22,448	\$ 25,826	\$ 27,428	\$ 26,767	\$ 26,222	\$ 25,946	\$ 25,946	\$ 25,946	
Current value of cash flow	\$ 405,968	\$ 2.53											
Plus cash & equivalents and ST investments	\$ 14,247	\$ 0.09	as of 9/30/22										
Value for assets not included in DCF	\$ 200,169	\$ 1.25	per diluted share. Based on \$450/M&I oz and \$200/inferred oz.										
Value for non-core assets from Ely Acquisition (at cost)	\$ 211,456	\$ 1.32	per diluted share; utilizes a \$5.00 per GROY share issuance price										
Value for Granite Creek	\$ 60,053	\$ 0.37	per diluted share										
Less debt	\$ -	\$ -	per diluted share; as of 9/30/22										
Total current value / NAV per share	\$ 891,893	\$ 5.56	per diluted share										
Target P/NAV Multiple	1.6	x											
Firm value after P/NAV Multiple	\$ 1,427,029	\$ 8.90	per diluted share										
Shares outstanding ('000s)	143,900	as of 12/27/22											
Options and Warrants ('000s)	16,380	as of 9/30/22											
Fully diluted shares ('000s)	160,280												
Value per share	\$ 8.90	72.9%											
Rounded (C\$0.25) price target	\$ 9.00	73.2%											
GROY share price	\$ 2.41	as of 11/22/22											
Source: H.C. Wainwright & Co. estimates.													

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			Count	Percent
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Neutral	71	10.61%	11	15.49%
Sell	0	0.00%	0	0.00%
Under Review	18	2.69%	4	22.22%

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