

Gold Royalty Corp. (GROY)
Rating: Buy

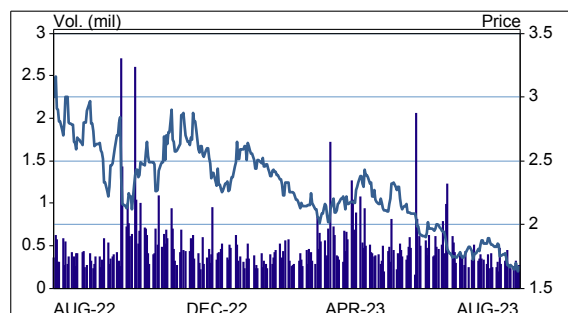
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**2Q23 Financial Results; Agreement to Acquire
a 1.0% NSR on the Cozamin Mine; Reiterate Buy**

Stock Data		08/11/2023	
Price		\$1.66	
Exchange		NYSE American	
Price Target		\$8.75	
52-Week High		\$3.18	
52-Week Low		\$1.61	
Enterprise Value (M)		\$244	
Market Cap (M)		\$240	
Shares Outstanding (M)		144.5	
3 Month Avg Volume		443,493	
Short Interest (M)		1.03	
Balance Sheet Metrics			
Cash (M)		\$5.8	
Total Debt (M)		\$9.9	
Total Cash/Share		\$0.04	
Cash (M): Includes short-term investments.			
EPS (\$) Diluted			
Full Year - Sep	2021A	2022A	2023E
FY	(0.45)	(0.10)	(0.04)
Revenue (M)			
Full Year - Sep	2021A	2022A	2023E
FY	\$0.2	\$4.0	\$5.0

EPS accounts for adjustment of year-end filing date.

Revenue accounts for adjustment of year-end filing date.



On August 10, Gold Royalty Corp. (GROY) announced its 2Q23 financial results. During the quarter, the company recorded revenue of \$0.5M and a net loss of \$2.5M, or (\$0.02) per share. These figures compare to 2Q22 revenue of \$1.9M and a net loss of \$3.4M, or (\$0.03) per share, respectively. In our view, however, the growth stage of the firm make its financial results largely irrelevant thus far, and we instead focus on current catalysts and future growth potential. We nonetheless highlight that one of the primary drivers for the YoY drop in sales was the firm's royalty at Canadian Malartic, which yielded revenue of just \$58,000, compared with \$0.7M in 2Q22. Additionally, sales related to Borden fell to \$0.2M in 2Q23, from \$0.8M in 2Q22, as 2Q22 included a one-time recovery of revenue from past periods. Overall, we note that the firm's gross profit narrowed to \$0.3M, from \$0.9M in 2Q22, as revenues dropped. GROY also incurred an operating loss of \$2.0M (\$2.5M loss in 2Q22). Lastly, while 2Q23 revenue came in lower than expected, we emphasize that GROY has maintained its full-year sales guidance of \$5.5 – 6.5M and stress that the aforementioned shortfall at Canadian Malartic is expected to be recovered in 2H23.

Agreement to acquire existing net smelter return (NSR) royalty on Cozamin. On July 31, 2023, GROY entered into an agreement to purchase a 1.0% NSR on the Cozamin copper-silver mine in Zacatecas, Mexico, for a total cash consideration of \$7.5M. Notably, Cozamin is an established mine that has been in operation since 2006 and the asset is therefore expected to begin generating cash flow immediately. In turn, GROY expects this interest to provide a half year of revenue in 2023, while management anticipates a full year of royalty revenue in 2024. We also highlight that the royalty generated in excess of \$1.0M over the last year and we expect GROY to benefit from similar revenue figures going forward.

We reiterate our Buy rating on GROY and our PT of \$8.75. 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 somewhat more outdated technical report. We also utilize unchanged 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 even prove to be somewhat conservative depending on future development successes. We then ascribe an *in situ* valuation for the company's other royalty assets, based on attributable gold ounces, for a total of \$208.3M. We further add an at-cost value of \$212.2M for assets received in the Ely transaction with no DCF values. We then include \$5.8M in cash and short-term investments, and subtract debt, before applying our 1.5x P/NAV multiple, given current market premiums for royalty companies. This yields our overall valuation of \$1.42B and our rounded price target of \$8.75.

Near-term developments. We emphasize that the Côté project, upon which the company maintains a 0.75% NSR, is nearing completion. In our view, this is one of several assets that should yield near-term growth for GROY. In turn, the operator of the asset presently expects gold production from the site to commence in 1Q24. When looking at additional royalty generation, we stress that GROY successfully created two new royalties for a total of 37 royalties generated since its acquisition of Ely Gold in 2021. Further, we note that the company maintains 31 properties for land agreements, as well as seven properties under lease, which are expected to ultimately provide \$3.2M in land agreement proceeds during 2023 if all options are exercised. We believe that these figures are getting increasingly more impressive as GROY has spent just \$81,000 on mineral interest maintenance during 1H23.

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	542	542	542	542	
Gold price		\$ 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)		\$ 82,251	\$ 144,155	\$ 144,155	\$ 144,155	\$ 453,723	\$ 682,398	\$ 1,029,489	\$ 1,029,489	\$ 1,029,489	\$ 1,029,489	
3% NSR attributable to UG production with a 3% NSR applicable to a portion of open-pit production												
Royalty Revenue		\$ 2,468	\$ 4,325	\$ 4,325	\$ 4,325	\$ 13,612	\$ 20,472	\$ 30,885	\$ 30,885	\$ 30,885	\$ 30,885	
Discount rate		6.5%										
PV of Cash Flow		\$ 2,468	\$ 4,134	\$ 4,027	\$ 3,952	\$ 12,260	\$ 18,221	\$ 27,215	\$ 26,980	\$ 26,774	\$ 26,591	
Total Royalty NAV		\$ 334,867	\$ 2.05									
Côté Gold		2023E	2024E	2025E	2026E	2027E	2028E	Note: UG Commercial production begins in 2029				
Annual Gold Production (000's oz)		-	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		\$ -	\$ 5,334	\$ 6,255	\$ 7,422	\$ 7,422	\$ 7,262					
Discount Rate		0.75%										
PV of Cash Flow		\$ -	\$ 5,008	\$ 5,515	\$ 6,144	\$ 5,769	\$ 5,301					
Total Royalty NAV		\$ 51,240	0.31									
Rawhide		2023E	2024E	2025E	2026E							
Annual gold production (000's oz)		8	21	21	21							
Gold price		\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900							
Gold Revenue		\$ 16,031	\$ 40,078	\$ 40,078	\$ 40,078							
Annual silver production (oz)		56	141	141	141							
Silver price		\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00							
Silver Revenue		\$ 1,406	\$ 3,516	\$ 3,516	\$ 3,516							
Total Revenue		\$ 17,438	\$ 43,594	\$ 43,594	\$ 43,594							
Total Cash Costs		\$ (5,906)	\$ (14,766)	\$ (14,766)	\$ (14,766)							
CapEx		\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)							
Net Operating Profit		\$ 9,031	\$ 26,328	\$ 26,328	\$ 26,328							
Royalty Revenue		\$ 1,355	\$ 3,949	\$ 3,949	\$ 3,949							
Discount rate		15% NPI										
PV of Cash Flow		\$ 1,355	\$ 3,691	\$ 3,449	\$ 3,224							
Total Royalty NAV		\$ 11,719	\$ 0.07									
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	
Gold price		\$ 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		\$ 5942	\$ 11,995	\$ 11,995	\$ 11,995	\$ 11,995	\$ 11,995	\$ 11,995	\$ 11,995	\$ 11,995	\$ 11,995	
Discount rate		1.0% NSR										
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		\$ 14,480	\$ 0.09									
Marigold (GROY's portion of the property)		2023E	2024E	2025E	2026E	2027E	2028E	Note: production extends to 2033.				
Annual gold production (000's oz)		-	-	148	233	180	65					
Gold price		\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900					
Gold Revenue		\$ -	\$ -	\$ 281,580	\$ 441,821	\$ 341,786	\$ 124,118					
Royalty Revenue		\$ -	\$ -	\$ 2,112	\$ 3,314	\$ 2,563	\$ 931					
Discount rate		0.75% NSR										
PV of Cash Flow		\$ -	\$ -	\$ 1,845	\$ 2,705	\$ 1,956	\$ 664					
Total Royalty NAV		\$ 7,169	\$ 0.04									
Jerritt Canyon		2023E	2024E	2025E	2026E	2027E	2028E					
Annual gold production (000's oz)		24	-	64	180	180	180					
Gold price		\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900					
Total Revenue		\$ 45,993	\$ -	\$ 121,083	\$ 341,881	\$ 341,881	\$ 341,881					
Royalty Revenue		\$ 230	\$ -	\$ 605	\$ 1,709	\$ 1,709	\$ 1,709					
Discount rate		0.50% NSR										
PV of Cash Flow		\$ 281	\$ -	\$ 733	\$ 2,069	\$ 2,069	\$ 2,069					
Total Royalty Revenue		\$ 51	\$ -	\$ 128	\$ 360	\$ 360	\$ 360					
Discount rate		\$0.30 per ton										
PV of Cash Flow		\$ 263	\$ -	\$ 598	\$ 1,579	\$ 1,475	\$ 1,379					
Total Royalty NAV		\$ 5,665	\$ 0.03									
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	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	
Total Revenue		\$ -	\$ -	\$ 77,517	\$ 192,375	\$ 192,375	\$ 192,375	\$ 240,469	\$ 184,359	\$ 136,266	\$ 136,266	
Royalty Revenue		\$ -	\$ -	\$ 775	\$ 1,924	\$ 1,924	\$ 1,924	\$ 2,405	\$ 1,844	\$ 1,363	\$ 1,363	
Discount rate		1.0% NSR										
PV of Cash Flow		\$ -	\$ -	\$ 615	\$ 1,414	\$ 1,309	\$ 1,212	\$ 1,403	\$ 996	\$ 682	\$ 631	
Total Royalty NAV		\$ 10,211	\$ 0.06									
Total Royalty Revenue		\$ 5,611	\$ 15,993	\$ 20,469	\$ 25,322	\$ 29,910	\$ 34,653	\$ 35,284	\$ 34,723	\$ 34,242	\$ 34,242	
Total PV of Cash Flow		\$ 5,436	\$ 14,803	\$ 17,837	\$ 20,688	\$ 24,330	\$ 28,019	\$ 29,779	\$ 29,061	\$ 28,470	\$ 28,170	
Current value of cash flow		\$ 437,079	\$ 2.68	per diluted share								
Plus cash & equivalents and ST investments		\$ 5,779	\$ 0.04	as of 6/30/23								
Value for assets not included in DCF		\$ 208,316	\$ 1.28	per diluted share. Based on \$450/M&I oz and \$225/inferred oz.								
Value for non-core assets from Ely Acquisition (at cost)		\$ 212,229	\$ 1.30	per diluted share; utilizes a \$5.00 per GROY share issuance price								
Value for Granite Creek		\$ 70,039	\$ 0.43	per diluted share								
Less debt		\$ 9,931	\$ 0.06	per diluted share; as of 6/30/23								
Total current value / NAV per share		\$ 943,374	\$ 5.78	per diluted share								
Target P/NAV Multiple		1.5 x										
Firm value after P/NAV Multiple		\$ 1,415,061	\$ 8.68	per diluted share								
Shares outstanding ('000s)		144,970	as of 8/10/23									
Options and Warrants ('000s)		18,116	as of 8/10/23									
Fully diluted shares ('000s)		163,086										
Value per share		\$ 8.68	80.9%									
Rounded (C\$0.25) price target		\$ 8.75	81.0%									
GROY share price		\$ 1.66	as of 8/11/23									
Source: H.C. Wainwright & Co. estimates.												

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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	559	88.73%	143	25.58%
Neutral	63	10.00%	13	20.63%
Sell	0	0.00%	0	0.00%
Under Review	8	1.27%	2	25.00%

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