

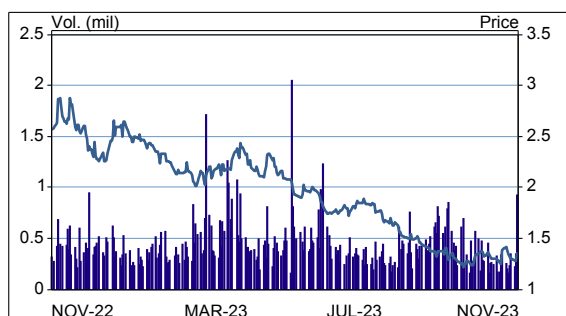
Gold Royalty Corp. (GROY)
Rating: Buy

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3Q23 Financial Results; Total Revenue and Land Agreement Proceeds See Substantial YoY Growth; Reit. Buy; PT Lower

Stock Data		11/14/2023		
Price		\$1.35		
Price Target		\$5.50		
52-Week High		\$3.00		
52-Week Low		\$1.18		
Enterprise Value (M)		\$209		
Market Cap (M)		\$196		
Shares Outstanding (M)		145.0		
3 Month Avg Volume		408,090		
Short Interest (M)		0.97		
Balance Sheet Metrics				
Cash (M)		\$3.8		
Total Debt (M)		\$17.5		
Total Cash/Share		\$0.03		
<i>Cash (M): Includes short-term investments.</i>				
EPS (\$) Diluted				
Full Year - Sep	2021A	2022A	2023E	
FY	(0.45)	(0.10)	(0.06)	
Revenue (M)				
Full Year - Sep	2021A	2022A	2023E	
FY	\$0.2	\$4.0	\$3.9	

EPS accounts for adjustment of year-end filing date.

Revenue accounts for adjustment of year-end filing date.



On November 14, Gold Royalty Corp. (GROY) announced its 3Q23 financial results. Although revenue and earnings during the quarter are largely irrelevant, we nonetheless note that the firm recorded \$0.8M in revenue that ultimately resulted in a net loss of \$1.8M, or (\$0.01) per share. These figures compare to \$0.9M in revenue, and a net loss of \$4.7M, or (\$0.03) per share, during 3Q22. While revenue remained relatively subdued over both periods, the narrower net loss during 3Q23 was a result of a reduction in various expenses YoY. These items included management and directors' fees of \$0.4M in 3Q23 (\$1.0M in 3Q22), as well as a drop in investor communications and marketing expenses to \$0.1M in 3Q23 (\$0.5M in 3Q22). Lastly, we highlight that GROY recorded a \$0.1M loss related to a change in the fair value of its short-term investments during the quarter, which fell from a \$1.4M loss in 3Q22.

Highlighting total revenue and agreement proceed metrics. While the firm's (mostly irrelevant) revenue remained slightly down YoY, we emphasize that GROY's total revenue and land agreement proceeds increased to \$1.4M, up from \$0.9M in 3Q22. We note that the previously discussed revenue figure of \$0.8M excludes the land agreement proceeds, which are credited against mineral properties, while also excluding the pre-acquisition royalty revenue credited against the Cozamin purchase price. In turn, the firm has guided toward total revenue and land agreement proceeds of \$5.5 – 6.5M for 2023, which is based on production guidance published by various operators.

We reiterate our Buy rating while lowering our PT to \$5.50 from \$8.75. Our reduced PT is primarily a result of an adjustment to our NAV multiple from 1.5x to 1.0x. This effect is exacerbated by GROY's increased debt as of quarter-end 3Q23. 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 \$3.8M in cash and short-term investments before subtracting debt. Finally, we apply our revised 1.0x P/NAV multiple that reflects current market premiums for royalty companies. This yields our overall valuation of \$913.3M and our rounded price target of \$5.50.

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Near-term catalysts. In addition to the total revenue guidance discussed earlier in this report, we also emphasize that GROY expects to incur about \$7.0 – 8.0M in recurring cash operating expenses during 2023. Additionally, the firm believes it remains well-positioned to begin generating positive net operating cash flow in 2024, while various projects (such as Côté and Odyssey) are presently anticipated to ramp-up production.

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		
				Mine life extends to 2039 but not shown.			Note: UG Commercial production begins in 2029					
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)	\$ 82,351	\$ 144,155	\$ 144,155	\$ 144,155	\$ 144,155	\$ 453,723	\$ 682,398	\$ 1,029,489	\$ 1,029,489	\$ 1,029,489		
Royalty Revenue	3% NSR attributable to UG production with a 3% NSR applicable to a portion of open-pit production	\$ 1,685	\$ 4,325	\$ 4,325	\$ 4,325	\$ 13,612	\$ 20,472	\$ 30,885	\$ 30,885	\$ 30,885		
Discount rate	6.5%											
PV of Cash Flow		\$ 1,685	\$ 4,134	\$ 4,027	\$ 3,952	\$ 12,260	\$ 18,221	\$ 27,215	\$ 26,980	\$ 26,774	\$ 26,591	
Total Royalty NAV	\$ 334,084	\$ 2.05										
Côté Gold												
	2023E	2024E	2025E	2026E	2027E	2028E						
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		\$ -	\$ 5,334	\$ 6,255	\$ 7,422	\$ 7,422	\$ 7,262					
Royalty Revenue	0.75%	\$ -	\$ 5,334	\$ 6,255	\$ 7,422	\$ 7,422	\$ 7,262					
Discount Rate	6.50%											
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	15% NPI	\$ 1,355	\$ 3,949	\$ 3,949	\$ 3,949							
Discount rate	7.0%	1	2	3	4							
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	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	\$ 14,480	\$ 0.09										
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	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900						
Gold Revenue	\$ -	\$ -	\$ 281,580	\$ 441,821	\$ 341,786	\$ 124,118						
Royalty Revenue	0.75% NSR	\$ -	\$ 2,112	\$ 3,314	\$ 2,563	\$ 931						
Discount rate	7.0%	1	2	3	4	5	6					
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	0.50% NSR	\$ 230	\$ -	\$ 605	\$ 1,709	\$ 1,709	\$ 1,709					
Discount rate	50.30 per ton	\$ 51	\$ -	\$ 128	\$ 360	\$ 360	\$ 360					
Total Royalty Revenue	7.0%	\$ 281	\$ -	\$ 733	\$ 2,069	\$ 2,069	\$ 2,069					
Discount rate												
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	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	\$ 10,211	\$ 0.06										
Total Royalty Revenue	\$ 4,828	\$ 15,993	\$ 20,469	\$ 25,322	\$ 29,910	\$ 34,653	\$ 35,284	\$ 34,723	\$ 34,242	\$ 34,242		
Total PV of Cash Flow	\$ 4,653	\$ 14,803	\$ 17,837	\$ 20,688	\$ 24,330	\$ 28,019	\$ 29,779	\$ 29,061	\$ 28,470	\$ 28,170		
Current value of cash flow	\$ 436,296	\$ 2.68	per diluted share									
Plus cash & equivalents and ST investments	\$ 3,845	\$ 0.02	as of 9/30/23									
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	\$ (17,468)	\$ (0.11)	per diluted share; as of 9/30/23									
Total current value / NAV per share	\$ 913,258	\$ 5.60	per diluted share									
Target P/NAV Multiple	1.0	x										
Firm value after P/NAV Multiple	\$ 913,258	\$ 5.60	per diluted share									
Shares outstanding ('000s)	144,970	as of 8/10/23	1.3663 CAD/USD exchange ratio as of 11/15/23									
Options and Warrants ('000s)	18,116	as of 8/10/23										
Fully diluted shares ('000s)	163,086											
Value per share	\$ 5.60	75.9%										
Rounded (CS0.25) price target	\$ 5.50	75.5%										
GROY share price	\$ 1.35	as of 11/15/23										
Source: H.C. Wainwright & Co. estimates.												

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			Count	Percent
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Under Review	9	1.43%	3	33.33%

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