

Gold Royalty Corp. (GROY)
Rating: Buy

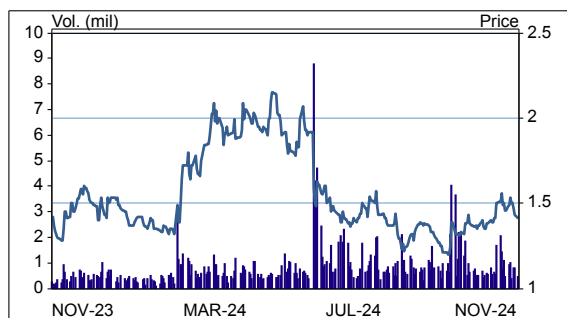
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3Q24 Financial Results; Ongoing Revenue Growth Fueled by Gold Price Strength and New Royalties; Reiterate Buy; PT Lower

Stock Data		11/4/2024		
Price		\$1.41		
Price Target		\$5.50		
52-Week High		\$2.21		
52-Week Low		\$1.17		
Enterprise Value (M)		\$285.2		
Market Cap (M)		\$239		
Shares Outstanding (M)		169.5		
3 Month Avg Volume		998,041		
Short Interest (M)		6.45		
Balance Sheet Metrics				
Cash (M)		\$2.7		
Total Debt (M)		\$48.9		
Total Cash/Share		\$0.02		
<i>Cash (M): Includes short-term investments.</i>				
EPS (\$) Diluted				
Full Year - Sep	2023A	2024E	2025E	
FY	(0.18)	0.00	0.05	
Revenue (M)				
Full Year - Sep	2023A	2024E	2025E	
FY	\$3.0	\$10.1	\$16.8	

EPS accounts for adjustment of year-end filing date.

Revenue accounts for adjustment of year-end filing date.



3Q24 financial results. On November 4, Gold Royalty Corp. (GROY) announced its 3Q24 financial results. During the quarter, the firm recorded \$2.1M in revenue that yielded net income of \$3.4M, or \$0.02 per share. These figures compare to \$0.8M in revenue and a net loss of \$1.8M, or (\$0.01) per share, during 3Q23. In short, the firm's revenue growth is primarily attributable to new royalty income from Côté and Borborema, alongside existing royalties from the Canadian Malartic, Cozamin, and Borden Mines. We also highlight that GROY's net income exceeded its revenue based on a recorded deferred tax recovery of \$5.9M (\$0.5M in 3Q23). In contrast, the firm incurred significantly higher finance costs of \$2.2M (\$0.4M in 3Q23) that were based on interest expenses from its bank loans and convertible debentures. Looking ahead, we expect continued revenue growth in 4Q24 that should be mainly driven by strong gold pricing and further exacerbated as the Vares and Côté Gold Mines are anticipated to reach full capacity by year-end.

Favorable GEO outlook. The company reported strong growth of attributable gold equivalent ounces (GEOs), which reached 1,051 GEOs (+48% YoY). GROY also benefited from strong gold pricing, with revenue per ounce (oz) rising 28% YoY to \$2,475/oz from \$1,927/oz. In our view, the firm remains on track to meet its updated guidance of 6,500 to 7,000 GEOs, which equates to about \$13.0 - \$14.0M in total revenue, land agreement proceeds, and interest. We stress that GROY's royalty generator model has added seven new royalties year to date, for an updated total of 47 since the Ely Gold Royalties acquisition in 2021. Of this total, 32 are for properties under land agreements while six are currently generating proceeds. Finally, we note that the company is incurring minimal maintenance costs of only \$0.1M.

We reiterate our Buy rating on GROY as we slightly decrease our PT to \$5.50 from \$5.75. Our decreased PT is primarily driven by the company's increased debt total amid its slight dilution in our model. We continue to maintain our 7.0% discount rate on São Jorge, Borborema, and Jerritt Canyon. In addition, we value GROY's stream on the Canadian Malartic asset at a reasonably low 6.5% discount rate given its favorable location. We stress that this rate may even prove to be somewhat conservative when looking at the extensive potential of the site. We value the Côté Gold Mine at a 6.5% discount rate. We assign an in-situ valuation to the company's other royalty assets of \$208.3M based on their respective attributable gold ounces. Notably, we maintain our value of the Vares stream at \$70.0M, well above its purchase price of \$50.0M. We also maintain our valuation of \$232.3M for various assets received in the Ely transaction that do not have modeled DCF values. We add \$2.7M in cash and short-term investments before subtracting \$48.9M in debt. Lastly, we apply our P/NAV multiple of 1.1x, which provides our \$1.09B valuation for the company that yields our updated and rounded PT of \$5.50.

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Near-term catalysts. We stress that GROY acquired a copper stream on the Vares Silver Project in Bosnia and Herzegovina for a total value of \$50.0M in 2Q24. In addition, we reiterate that the Vares Project is still expected to reach full capacity in 4Q24. This should further enhance GROY's revenue and overall financial performance. We anticipate management to prioritize paying down its existing secured revolving credit facility with the support of its convertible debenture. Lastly, we anticipate further M&A activity for new royalty opportunities as the firm seeks to capitalize on additional prospects.

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											
		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Annual gold production (000's oz)		414	443	443	361	520	542	542	542	542	
Gold price		\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	
Total UG Revenue (\$000's)		\$ 82,151	\$ 138,330	\$ 138,330	\$ 334,963	\$ 988,309	\$ 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		\$ 2,465	\$ 4,150	\$ 4,150	\$ 10,049	\$ 29,649	\$ 30,885	\$ 30,885	\$ 30,885	\$ 30,885	
Discount rate	6.5%										
PV of Cash Flow		\$ 2,465	\$ 3,967	\$ 3,864	\$ 9,183	\$ 26,704	\$ 27,489	\$ 27,215	\$ 26,980	\$ 26,774	
Total Royalty NAV		\$ 337,788	\$ 1.69								
Côté Gold											
		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Annual Gold Production (000's oz)		265,126	438,967	520,809	520,809	509,649	156,243	156,243	197,449	188,865	
Gold Price		\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	
Total Revenue		\$ -	\$ -	\$ -	\$ -	\$ 81,269	\$ 104,977	\$ 104,977	\$ 104,977	\$ 104,977	
		\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	
Royalty Revenue	0.75%	\$ 4,176	\$ 6,914	\$ 8,203	\$ 8,203	\$ 8,027	\$ 2,461	\$ 2,461	\$ 3,110	\$ 2,975	
Discount Rate	6.50%										
PV of Cash Flow		\$ 4,176	\$ 6,492	\$ 7,232	\$ 6,791	\$ 6,240	\$ 1,796	\$ 1,686	\$ 2,001	\$ 1,797	
Total Royalty NAV		\$ 44,179	0.22								
São Jorge											
		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Annual gold production (000's oz)		-	-	-	-	78,733	104,977	104,977	104,977	104,977	
Gold price		\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	
Total Revenue		\$ -	\$ -	\$ -	\$ -	\$ 165,338	\$ 220,451	\$ 220,451	\$ 220,451	\$ 220,451	
		\$ -	\$ -	\$ -	\$ -	\$ 165,338	\$ 220,451	\$ 220,451	\$ 220,451	\$ 220,451	
Royalty Revenue	1.0% NSR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,653	\$ 2,205	\$ 2,205	\$ 2,205	\$ 2,205	
Discount rate	7.0%										
PV of Cash Flow		\$ -	\$ -	\$ -	\$ -	\$ 1,261	\$ 1,572	\$ 1,469	\$ 1,373	\$ 1,283	
Total Royalty NAV		\$ 13,687	0.07								
Borborema Gold Project											
		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Annual gold production (000's oz)		-	56,774	83,558	108,740	81,269	81,269	70,967	53,226	53,226	
Gold price		\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	
Royalty Revenue		\$ 1,900	\$ 2,385	\$ 3,509	\$ 4,567	\$ 3,413	\$ 3,413	\$ 2,981	\$ 2,235	\$ 2,235	
		\$ 1,900	\$ 2,385	\$ 3,509	\$ 4,567	\$ 3,413	\$ 3,413	\$ 2,981	\$ 2,235	\$ 2,235	
Royalty Revenue + Gold-Linked Loan	2.00% NSR 1.00% NSR post 750koz	\$ 2,824	\$ 3,309	\$ 4,433	\$ 5,491	\$ 4,337	\$ 4,337	\$ 3,905	\$ 3,159	\$ 3,159	
Discount rate	7.0%										
PV of Cash Flow		\$ 2,824	\$ 3,092	\$ 3,872	\$ 4,482	\$ 3,309	\$ 3,092	\$ 2,602	\$ 1,968	\$ 1,839	
Total Royalty NAV		\$ 31,465	0.16								
Jerritt Canyon											
		2024E	2025E	2026E	2027E	2028E					
Annual gold production (000's oz)		-	64	180	180	180					
Gold price		\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100					
Total Revenue		\$ -	\$ 133,828	\$ 377,868	\$ 377,868	\$ 377,868					
		\$ -	\$ 133,828	\$ 377,868	\$ 377,868	\$ 377,868					
Royalty Revenue	0.50% NSR	\$ -	\$ 669	\$ 1,889	\$ 1,889	\$ 1,889					
	\$0.30 per ton	\$ -	\$ 128	\$ 360	\$ 360	\$ 360					
Total Royalty Revenue		\$ -	\$ 797	\$ 2,249	\$ 2,249	\$ 2,249					
Discount rate	7.0%										
PV of Cash Flow		\$ -	\$ 745	\$ 1,965	\$ 1,836	\$ 1,716					
Total Royalty NAV		\$ 6,261	0.03								
Total Royalty Revenue		\$ 9,464	\$ 15,169	\$ 19,035	\$ 25,992	\$ 45,916	\$ 39,887	\$ 39,455	\$ 39,358	\$ 39,223	
Total PV of Cash Flow		\$ 9,464	\$ 14,295	\$ 16,933	\$ 22,292	\$ 39,230	\$ 33,950	\$ 32,972	\$ 32,322	\$ 31,693	
Current value of cash flow		\$ 433,380	\$ 2.17	per diluted share							
Plus cash & equivalents and ST investments		\$ 2,713	\$ 0.01	as of 09/30/24							
Value for assets not included in DCF		\$ 208,316	\$ 1.04	per diluted share. Based on \$450/M&I oz and \$225/inferred oz.							
Value for non-core assets from Ely Acquisition (at cost)		\$ 232,250	\$ 1.16	per diluted share; utilizes a \$5.00 per GROY share issuance price							
Value for copper stream from Vares Silver Project		\$ 70,000	\$ 0.35	per diluted share							
Value for Granite Creek		\$ 89,189	\$ 0.45	per diluted share							
Less debt		\$ (48,932)	\$ (0.25)	per diluted share; as of 09/30/24							
Total current value / NAV per share		\$ 986,916	\$ 4.95	per diluted share							
Target P/NAV Multiple		1.10	x								
Firm value after P/NAV Multiple		\$ 1,085,607	\$ 5.44	per diluted share							
Shares outstanding ('000s)		169,314	as of 09/30/24								
Options and Warrants ('000s)		30,154	as of 09/30/24								
Fully diluted shares ('000s)		199,468									
Value per share		\$ 5.44	74.1%								
Rounded (\$0.25) price target		\$ 5.50	74.4%								
GROY share price		\$ 1.41	as of 11/04/2024								
Source: H.C. Wainwright & Co. estimates.											

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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	565	88.01%	126	22.30%
Neutral	71	11.06%	5	7.04%
Sell	0	0.00%	0	0.00%
Under Review	6	0.93%	2	33.33%

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