

Gold Royalty Corp. (GROY)
Rating: Buy

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2Q24 Preliminary Revenue; First Royalty From Côté; Copper Stream Acquired; \$34.5M Equity Offering; Reiterate Buy

Stock Data		7/22/2024
Price		\$1.44
Price Target		\$5.75
52-Week High		\$2.21
52-Week Low		\$1.18
Enterprise Value (M)		\$250.5
Market Cap (M)		\$243
Shares Outstanding (M)		168.9
3 Month Avg Volume		1,203,600
Short Interest (M)		3.31

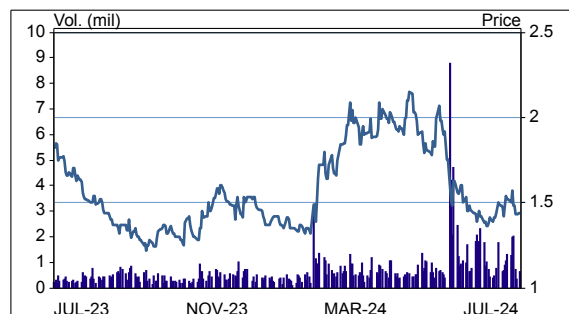
Shares Outstanding (M): Pro forma for recent equity offering.

Balance Sheet Metrics		
Cash (M)		\$2.3
Total Debt (M)		\$9.6
Total Cash/Share		\$0.01

Cash (M): Includes short-term investments.

EPS (\$) Diluted			
Full Year - Sep	2023A	2024E	2025E
FY	(0.18)	(0.01)	0.00

Revenue (M)			
Full Year - Sep	2023A	2024E	2025E
FY	\$3.0	\$12.3	\$16.8

EPS accounts for adjustment of year-end filing date.
Revenue accounts for adjustment of year-end filing date.


2Q24 preliminary revenue. During the quarter, the company recorded total revenue, land agreement proceeds, and interest of \$2.2M, which includes \$1.8M of revenue. This total is based on 947 gold equivalent ounces (GEOs), which represents a 298% increase YoY when compared to 2Q23. Notably, the firm received its first royalty income from the Côté Gold Mine while simultaneously benefiting from existing royalties at the Borborema Project and the Canadian Malartic, Cozamin, and Borden Mines. The company's royalty generator model yielded an additional \$0.4M in proceeds from land agreements during the quarter. Looking ahead, we expect improved revenue growth in 2H24. This growth is mostly driven by continued strength in gold prices, Côté reaching commercial production in 3Q24, and the Vares Silver Project beginning commercial production in 4Q24. We stress that GROY remains on track to meet its updated guidance of 6,500 - 7,000 GEOs, which equates to about \$13.0 - \$14.0M in total revenue, land agreement proceeds, and interest.

Copper stream on Vares Silver Project acquired. On June 4, 2024, GROY announced its acquisition of a copper stream on the Vares Silver Project in Bosnia and Herzegovina, which is operated by a subsidiary of Adriatic Metals PLC (ADTLF; not rated). In short, the firm acquired this stream from OMF Fund III (Cr) Ltd., an entity managed by Orion Mine Finance Management LP, in consideration for \$50.0M. The purchase price was satisfied by the payment of \$45.0M in cash and the issuance of 2.9M common shares of GROY. In addition, the company announced an amended credit agreement with the Bank of Montreal and the National Bank of Canada, which expanded its existing secured revolving credit facility by \$5.0M. Importantly, the facility now includes a \$30.0M secured revolving credit line coupled with an accordion feature that allows for an additional \$5.0M

Recent equity offering. On May 31, 2024, GROY announced the closing of its latest equity offering, which involved the sale of 20.1M units, at a price of \$1.72 per unit, for total proceeds of \$34.5M. Each unit consists of one common share of the company and one common share purchase warrant. We note that each warrant is exercisable to acquire one common share of GROY for 36 months after closing at an exercise price of \$2.25. We stress that the proceeds from this offering ultimately funded the purchase of the aforementioned copper stream on the Vares Silver Project.

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We reiterate our Buy rating on GROY and our PT of \$5.75. We have made a number of adjustments to our model to account for the firm's recent acquisition and aforementioned equity raise. In addition, we have raised our P/NAV multiple to 1.1x from 1.0x to account for recent transaction multiples (which were once again affirmed in GROY's recent deal). Our overall PT remains unchanged. We continue to maintain our 7.0% discount rate on São Jorge, Borborema, and Jerritt Canyon. In addition, we once again 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 ultimately even prove to be somewhat conservative based on 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. Importantly, we add our new at-cost value of \$50.0M for the Vares Silver Project copper stream. We maintain our valuation of \$232.3M for assets received in the Ely transaction for which we currently do not yet model DCF values. We then add \$2.3M in cash and short-term investments before subtracting debt. Lastly, we apply our revised P/NAV multiple of 1.1x, which provides our \$1.1B valuation for the company, and yields our rounded PT of \$5.75.

Near-term catalysts. Following its aforementioned copper stream acquisition, GROY now expects to produce between 6,500 - 7,000 GEOs during the year. We stress that this translates to total revenue of about \$13.0M - \$14.0M including land agreement proceeds and interest when utilizing a below-market gold price of \$2,000 per ounce. Notably, the midpoint of management's present revenue forecast equates to a 27% increase when compared to the firm's previous estimates and 160% growth when compared to last year. Looking ahead, we are excited to monitor the ramp-up toward commercial production at the Vares Silver Project, especially given the meaningful transaction price that the asset commanded. In addition, we expect Côté to reach commercial production in 3Q24. Over the longer-term, we anticipate additional M&A for new royalty opportunities as the company continues to grow. Lastly, although GROY recently amended its credit agreement, we nonetheless expect management to prioritize paying down its existing secured revolving credit facility with the support of its strategic convertible debenture financing.

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

Gold Royalty Corp. (GROY)										
<i>All figures expressed in USD unless otherwise noted</i>										
Canadian Malartic										
		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
				<i>Mine life extends to 2039 but not shown.</i>			<i>Note: UG Commercial production begins in 2028</i>			
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
		<i>3% NSR attributable to UG production with a 3% NSR applicable to a portion of open-pit production</i>								
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	\$ 1.72							
Côté Gold										
		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
				<i>Mine life extends to 2039 but not shown.</i>						
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		\$ -	\$ -	\$ -	\$ -	\$ 165,338	\$ 220,451	\$ 220,451	\$ 220,451	\$ 220,451
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
				<i>Note; production extends to 2033.</i>						
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
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
				<i>Note; production extends to 2036.</i>						
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
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				
Royalty Revenue	0.50% NSR \$0.30 per ton	\$ -	\$ 669	\$ 1,889	\$ 1,889	\$ 1,889				
Total Royalty Revenue		\$ -	\$ 128	\$ 360	\$ 360	\$ 360				
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	\$ 2.20	<i>per diluted share</i>						
Plus cash & equivalents and ST investments		\$ 2,252	\$ 0.01	<i>as of 03/31/24</i>						
Value for assets not included in DCF		\$ 208,316	\$ 1.06	<i>per diluted share. Based on \$450/M&I oz and \$225/Inferred oz.</i>						
Value for non-core assets from Ely Acquisition (at cost)		\$ 232,250	\$ 1.18	<i>per diluted share; utilizes a \$5.00 per GROY share issuance price</i>						
Value for copper stream from Vares Silver Project		\$ 50,000	\$ 0.25	<i>per diluted share; at cost</i>						
Value for Granite Creek		\$ 89,189	\$ 0.45	<i>per diluted share</i>						
Less debt		\$ (9,642)	\$ (0.05)	<i>per diluted share; as of 03/31/24</i>						
Total current value / NAV per share		\$ 1,005,745	\$ 5.11	<i>per diluted share</i>						
Target P/NAV Multiple		1.10	x							
Firm value after P/NAV Multiple		\$ 1,106,319	\$ 5.63	<i>per diluted share</i>						
Shares outstanding ('000s)		168,853	<i>as of June 4, 2024, pro forma for recent equity offering</i>							
Options and Warrants ('000s)		27,825	<i>as of June 4, 2024, pro forma for recent equity offering</i>							
Fully diluted shares ('000s)		196,678								
Value per share		\$ 5.63	74.4%							
Rounded (\$0.25) price target		\$ 5.75	75.0%							
GROY share price		\$ 1.44	<i>as of 07/22/2024</i>							
<i>Source: H.C. Wainwright & Co. estimates.</i>										

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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	555	87.96%	133	23.96%
Neutral	69	10.94%	4	5.80%
Sell	1	0.16%	0	0.00%
Under Review	6	0.95%	1	16.67%

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