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Regis Resources Ltd (RRL)

McPhillamys still stacks up

Recommendation
Buy (unchanged)
Price
$2.09
Target (12 months)
$2.60 (unchanged)

GICS Sector

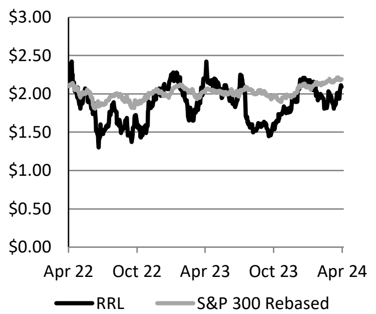
Materials

Expected Return	
Capital growth	**24%**
Dividend yield	**0%**
Total expected return	**24%**
Company Data & Ratios	
Enterprise value	**$1,724m**
Market cap	**$1,579m**
Issued capital	**755.3m**
Free float	**100%**
Avg. daily val. (52wk)	**$9.8m**
12 month price range	**$1.435-$2.46**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.97	2.14	2.16
Absolute (%)	6.1	-2.3	-3.2
Rel market (%)	4.9	-6.5	-11.4

Absolute Price



SOURCE: IRESS

Higher costs coming in McPhillamys DFS

We have reviewed our valuation of RRL's 100%-owned McPhillamys Gold Project (MGP) following the recent update of estimated costs of key elements of the project. This has been provided ahead of the release of the Definitive Feasibility Study (DFS) on the project, expected around end FY24. The last detailed announcement on the MGP was the Preliminary Feasibility Study (PFS) of September 2017 (long out of date), against which we had made our own key cost assumptions. RRL has guided that input cost inflation and scope changes since the PFS have resulted in material capital and operating cost increases, including updated total construction costs of A$845-$900m and life-of-mine (lom) average All-In-Sustaining-Costs (AISC) of A$1,600-$1,800/oz. RRL continues to await final Commonwealth approvals. Modifications arising from this process are likely push a Final Investment Decision (FID) to late FY25, with a potential 2-year construction phase commencing in FY26.

Higher gold price keeps it attractive

RRL's update guides to material cost increases compared with our prior assumptions, which included pre-production CAPEX of A$550m and AISC of A$1,440/oz. Other project parameters are largely unchanged, other than gold processing recoveries lifting from 85% to 88% on a revised process route. All else being equal, these increases would have had a significant impact on project returns and valuation. However, in the context of the spot gold price (A$3,550/oz) and our latest long-term gold price forecast (~A$3,200/oz) the MGP remains an attractive project. In reflecting the longer-dated development timeline (we had been expecting FID around end FY24) and the higher quantum of funding, we increase our risk-adjustment discount for the MGP. The net result is that our valuation is effectively unchanged.

Investment thesis – Buy, TP $2.60/sh (unchanged)

There are no earnings changes in this report. With this update we see an opportunity emerging for RRL to build cash ahead of a potential FID as well as optionality on funding of the MGP. We view the clarification on costs as a positive de-risking event.

Earnings Forecast

Year ending June	2023a	2024e	2025e	2026e
Sales (A$m)	1,134	1,299	1,383	1,334
EBITDA (A$m)	376	424	702	703
NPAT (reported) (A$m)	(24)	61	288	303
NPAT (adjusted) (A$m)	(22)	166	288	303
EPS (adjusted) (¢ps)	(3.0)	22.0	38.2	40.1
EPS growth (%)	-276%	nm	371%	5%
PER (x)	nm	25.8	5.5	5.2
FCF Yield (%)	3%	14%	24%	28%
EV/EBITDA (x)	4.6	4.1	2.5	2.5
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	100%	100%	100%	100%
ROE (%)	-2%	4%	16%	15%

SOURCE: BELL POTTER SECURITIES ESTIMATES

McPhillamys still stacks up

Higher costs coming in McPhillamys DFS

We have reviewed our valuation of RRL's 100%-owned McPhillamys Gold Project (MGP) following its recent update of the estimated costs of key elements of the project. This has been provided ahead of the upcoming release of the Definitive Feasibility Study (DFS) on the project, expected around end FY24. The last detailed announcement on the MGP was the Preliminary Feasibility Study (PFS) of September 2017 (long out of date), against which we had made our own key cost assumptions.

Input cost inflation and scope changes since the PFS have resulted in material capital and operating cost increases, including:

- updated total construction costs of A$845-$900m;
- life-of-mine (lom) average All-In-Sustaining-Costs (AISC) of A$1,600-$1,800/oz; and
- Pre-production costs in a range of A$115m-$155m.

RRL continues to await final Commonwealth Government approvals, but modifications and scope changes arising from this process require changes to the original planning approval permit. Applications to changes of the approval conditions are estimated to take seven to ten months and likely push a Final Investment Decision (FID) to late FY25, with a potential 2-year construction phase from FY26.

Higher gold price keeps it attractive

RRL's update guides to material cost increases compared with our prior assumptions, which included pre-production CAPEX of A$550m and AISC of A$1,440/oz. Other project parameters are largely unchanged, other than gold processing recoveries lifting from 85% to 88% on a revised process route.

All else being equal, these increases would have had a significant impact on project returns and valuation. However, in the context of the spot gold price (A$3,550/oz) and our latest long-term gold price forecast (~A$3,200/oz and up from A$2,500/oz when we last evaluated the project) the MGP remains an attractive development proposition that continues to generate strong EBITDA margins of +40% on our base-case assumptions, which now include AISC of A$1,680/oz and CAPEX of A$900m.

Despite the clarity on costs in our view being a de-risking event, we have increased our risk-adjustment discount for the MGP from 25% to 35%. This reflects the longer-dated development timeline (we had been expecting FID around end FY24) and the higher funding hurdle required. The net result is that our project valuation is effectively unchanged at ~A$380m.

Optionality

We see optionality for RRL in the MGP, in terms of timing and funding of development and indeed whether it goes ahead at all. RRL is currently entering a phase of cash generation with the closure of its hedge book and the reduction of CAPEX at both Duketon and Tropicana. There is an opportunity for RRL to demonstrate its cash generation capability and strengthen its balance sheet while it considers the funding of McPhillamys, which may include a partial sell-down and introducing a partner. We note commentary in the announcement around prudent capital allocation and interpret this to refer to both organic and inorganic opportunities that could be realised with a ~A$900m investment.

Changes to our forecasts

We make no material changes to our forecasts and valuation with this update, as shown below:

Table 1 – Changes to our earnings estimates

	Previous			New			Change		
Year ending 30 June	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**
Prices & currency									
Gold (US$/oz)	2,023	2,263	2,300	2,023	2,263	2,300	0%	0%	0%
US$/A$	0.66	0.70	0.70	0.66	0.70	0.70	0%	0%	0%
Gold (A$/oz)	3,082	3,232	3,286	3,082	3,232	3,286	0%	0%	0%
Production & costs									
Gold produced (koz)	429	428	406	429	428	406	0%	0%	0%
AISC (A$/oz)	2,030	1,827	1,762	2,030	1,827	1,762	0%	0%	0%
Earnings & valuation									
Revenue (A$m)	1,299	1,383	1,334	1,299	1,383	1,334	0%	0%	0%
EBITDA (A$m)	424	702	703	424	702	703	0%	0%	0%
EBIT (A$m)	72	418	420	72	418	420	0%	0%	0%
NPAT (underlying) (A$m)	166	288	303	166	288	303	0%	0%	0%
NPAT (reported) (A$m)	61	288	303	61	288	303	0%	0%	0%
EPS (reported) (cps)	8.1	38.2	40.1	8.1	38.2	40.1	0%	0%	0%
Free Cash Flow (A$m)	220	384	435	220	384	435	0%	0%	0%
PER (x)	25.8	5.5	5.2	25.8	5.5	5.2	-	-	-
EPS growth (%)	nm	371%	5%	nm	371%	5%	nm	0%	0%
DPS (reported) (cps)	-	-	-	-	-	-	na	na	na
Yield (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV ($/sh)	2.34	2.60	2.86	2.34	2.60	2.86	0%	0%	0%
Price Target ($/sh)		2.60			2.60			0%	

SOURCE: BELL POTTER SECURITIES ESTIMATES

There are no earnings changes in this report. Our NPV-based valuation is unchanged at $2.60/sh.

Upcoming catalysts

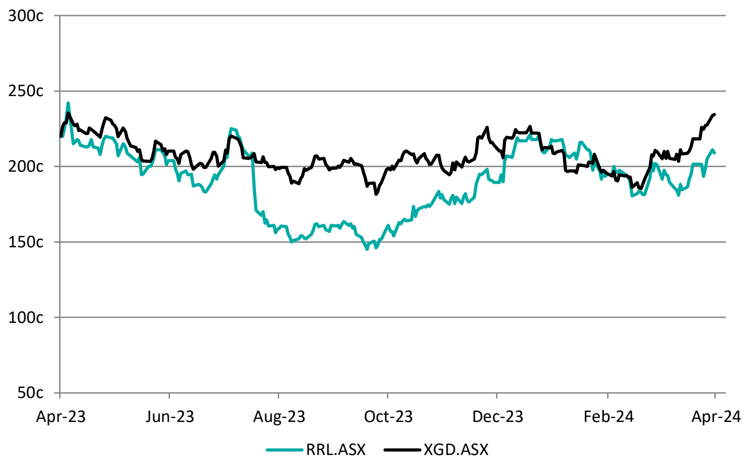
Upcoming catalysts for RRL include:

- The ongoing ramp-up of higher-grade production ore from the Rosemont and Garden Well South underground mines, which will make an important contribution to meeting FY24 production and cost targets;
- The ongoing ramp-up of open-pit ore production ore from the Havana open-pit at Tropicana and any further medium term production guidance on total material movements and production;
- The release of the March 2024 quarter report, expected in late April 2024;
- Following the receipt of key State approvals for McPhillamys, we anticipate the Federal Section 10 approval in coming months and the release of an updated DFS for the project by mid-2024, followed by guidance on the timing of a Final Investment Decision;
- Exploration updates across the portfolio, with the Garden Well Main exploration decline a key focus. Garden Well Main represents a potentially significant addition to the underground production capacity at the Duketon Operations;
- Any updates on the legal proceedings related to the claims made by South 32 Ltd (S32,not rated) for the payment of royalties from the Tropicana Gold Mine;
- The cessation of open-pit mining at the Duketon North operations, in the June quarter 2024; and
- Results from a Pre-Feasibility Study on the potential Havana underground mine at Tropicana, which has a target date of the June quarter 2024.

Share price performance vs ASX Gold Index

Relative performance chart below:

Figure 1 - RRL relative share price performance vs XGD



SOURCE: BLOOMBERG AND BELL POTTER SECURITIES ESTIMATES

Regis Resources Ltd (RRL)

Company description

RRL is an established multi-mine gold producer with all its operating mines located in Western Australia. The Duketon Gold Project (located in the Laverton region 350km north, north-east of Kalgoorlie in WA) is RRL's flagship project and comprises the Duketon North Operations (DNO) and the Duketon South Operations (DSO) which produce a combined ~300kozpa. In May 2021 RRL completed the acquisition of a 30% interest in the Tropicana Gold Mine for cash consideration of A$889m. It is currently producing at a rate of 135-150kozpa with an expected mine life beyond 2030. RRL also owns the McPhillamys Gold Project, a prospective, large, open pit gold development project located in NSW, about 35km from Orange and Bathurst. It has received its key permits and a final feasibility study and final investment decision is expected in late FY25.

Investment thesis – Buy, TP $2.60/sh (unchanged)

There are no earnings changes in this report. With this update we see an opportunity emerging for RRL to build cash ahead of a potential FID as well as optionality on funding of the MGP. We view the clarification on costs as a positive de-risking event.

RRL is one of the largest ASX gold producers with an attractive all-Australian asset portfolio. RRL offers unhedged exposure to the gold price and strong free cash flow growth over FY24 and FY25. These attributes also make RRL an appealing corporate target in the current M&A environment. Our NPV-based valuation is unchanged at $2.60/sh and we retain our Buy recommendation.

Valuation methodology

Our valuation for RRL is based upon the 12-month forward NPV of our forecast free cash flows from the Duketon Gold Project and its 30% interest in the Tropicana Gold Mine, net of corporate administration costs and RRL's net cash position. This is included in a sum-of-the-parts valuation for the company which includes an NPV-based, risk adjusted valuation for the McPhillamys Gold Project and a notional estimate for the value of the exploration potential of the balance of the Duketon tenements and RRL's exploration portfolio.

Table 2 – RRL sum-of-the-parts valuation

Sum-of-the-parts (+12 month Target Price)	$m	$/sh
Duketon (unrisked NPV_{10})	819.9	1.09
Tropicana (30%, unrisked NPV_{10})	888.7	1.18
McPhillamys (risk adjusted NPV_{10})	385.0	0.51
Other exploration	65.0	0.09
Corporate overheads	(37.5)	(0.05)
Subtotal	**2,121.2**	**2.81**
Net cash (debt)	(145.0)	(0.19)
Total (undiluted)	**1,976.2**	**2.62**
Add options in the money (m)		3.5
Add cash	-	-
Total (diluted)	**1,976.2**	**2.60**

SOURCE: BELL POTTER ESTIMATES

With our latest update, we calculate an NPV-based valuation and Target Price of $2.60/sh. With a total shareholder return of 24% from the last closing share price to our valuation, we retain our Buy recommendation.

Resource sector risks

Risks to Regis Resources include, but are not limited to:

- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks due to the inherent hazards of the operating environment and the human resource intensity of the activities undertaken.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Regis Resources Ltd
as at 9 April 2024

Recommendation	Buy
Price	$2.09
Target (12 months)	$2.60

Table 3 - Financial summary

PROFIT AND LOSS						
Year ending June	**Unit**	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**
Revenue	$m	1,015.7	1,133.7	1,299.0	1,382.6	1,333.8
Expense	$m	(679.6)	(758.2)	(874.5)	(681.0)	(630.5)
EBITDA	**$m**	**336.1**	**375.5**	**424.5**	**701.5**	**703.3**
Depreciation	$m	(294.6)	(385.0)	(352.8)	(283.8)	(283.8)
EBIT	$m	41.5	(9.5)	71.7	417.7	419.5
Net interest expense	$m	0.2	-	(16.9)	(13.4)	4.7
Unrealised gains (Impairments)	$m	(11.1)	(1.9)	(7.0)	-	-
Other	$m	(11.2)	(22.2)	(5.0)	(4.0)	(4.0)
PBT	**$m**	**19.4**	**(33.6)**	**42.8**	**400.4**	**420.2**
Tax expense	$m	5.7	(9.3)	(18.5)	112.1	117.7
NPAT (reported)	**$m**	**13.8**	**(24.3)**	**61.3**	**288.3**	**302.5**
NPAT (underlying)	$m	24.9	(22.4)	165.9	288.3	302.5

CASH FLOW						
Year ending June	**Unit**	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**
OPERATING CASHFLOW						
Receipts	$m	1,015.7	1,133.7	1,297.6	1,384.2	1,333.8
Payments	$m	(659.0)	(736.3)	(741.0)	(710.6)	(631.8)
Tax	$m	(2.4)	67.1	(20.9)	(112.1)	(117.7)
Net interest	$m	(7.3)	(9.6)	(16.3)	(13.4)	4.7
Other	$m	-	-	(2.0)	(4.0)	(4.0)
Operating cash flow	$m	**347.0**	**454.9**	**517.5**	**544.2**	**585.1**
INVESTING CASHFLOW						
Property, plant and equipment	$m	(144.8)	(212.4)	(117.7)	(51.6)	(48.0)
Mine development	$m	(120.9)	(114.9)	(109.0)	(34.4)	(32.0)
Exploration & evaluation	$m	(56.2)	(69.3)	(70.4)	(37.8)	(34.0)
Other	$m	-	(15.2)	0.1	(36.4)	(36.4)
Investing cash flow	$m	**(321.9)**	**(411.8)**	**(297.1)**	**(160.2)**	**(150.4)**
Free Cash Flow	$m	**25.1**	**43.1**	**220.4**	**384.0**	**434.7**
FINANCING CASHFLOW						
Share issues/(buy-backs)	$m	-	-	-	-	-
Debt proceeds	$m	-	2.5	-	-	-
Debt repayments	$m	-	-	-	(296.7)	-
Dividends	$m	(21.6)	(15.1)	-	-	-
Other	$m	(38.8)	(33.0)	(115.3)	-	-
Financing cash flow	$m	**(60.3)**	**(45.6)**	**(115.3)**	**(296.7)**	**-**
Change in cash	$m	(35.3)	(2.5)	105.1	87.2	434.7

BALANCE SHEET						
Year ending June	**Unit**	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**
ASSETS						
Cash & short term investments	$m	207.4	204.9	310.0	397.3	831.9
Accounts receivable	$m	13.1	13.9	15.0	13.3	13.3
Property, plant & equipment	$m	324.4	304.0	284.8	222.9	157.4
Mine development expenditure	$m	736.1	852.4	700.8	621.7	540.2
Exploration & evaluation	$m	509.1	554.8	589.6	607.1	620.7
Other	$m	539.2	442.7	554.3	554.3	554.3
Total assets	$m	**2,329.3**	**2,372.6**	**2,454.6**	**2,416.6**	**2,717.9**
LIABILITIES						
Accounts payable	$m	151.3	117.0	157.6	128.1	126.8
Income tax payable	$m	-	-	-	-	-
Borrowings	$m	295.9	298.7	296.7	-	-
Other	$m	304.8	417.0	397.8	397.8	397.8
Total liabilities	$m	**752.0**	**832.8**	**852.2**	**525.9**	**524.6**
SHAREHOLDER'S EQUITY						
Share capital	$m	1,096.6	1,096.6	1,097.0	1,097.0	1,097.0
Reserves	$m	36.0	37.9	38.8	38.8	38.8
Retained earnings	$m	444.8	405.3	466.6	754.9	1,057.4
Total equity	$m	**1,577.3**	**1,539.8**	**1,602.4**	**1,890.7**	**2,193.2**
Weighted average shares	m	754.6	754.8	755.1	755.1	755.1

CAPITAL STRUCTURE			
Shares on issue	m		755.3
Total shares on issue	**m**		**755.3**
Share price	**$/sh**		**2.090**
Market capitalisation	$m		1,578.7
Net cash	$m		-145.0
Enterprise value (undiluted)	**$m**		**1,723.7**
Options outstanding (m)	m	(wtd avg ex. price $0.00 per share)	3.5
Options (in the money)	m		3.5
Issued shares (diluted for options)	m		758.9
Market capitalisation (diluted)	m		1,586.0
Net cash + options	$m		-145.0
Enterprise value (diluted)	**$m**		**1,731.0**

MAJOR SHAREHOLDERS		
Shareholder	**%**	**m**
Van Eck (GDX &GDXJ)	10.5%	79.6
Australian Retirement Trust	5.1%	38.8
IP Concept	5.0%	37.9
Vanguard	5.0%	37.8

FINANCIAL RATIOS						
Year ending June	**Unit**	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**
VALUATION						
NPAT	$m	13.8	(24.3)	61.3	288.3	302.5
Reported EPS	c/sh	1.8	(3.2)	8.1	38.2	40.1
Adjusted EPS	c/sh	3.3	(3.0)	22.0	38.2	40.1
EPS growth	%	-93%	-276%	nm	371%	5%
PER	x	114.4x	nm	25.8x	5.5x	5.2x
DPS	c/sh	2.0	-	-	-	-
Franking	%	100%	100%	100%	100%	100%
Yield	%	1%	0%	0%	0%	0%
FCF/share	c/sh	3.3	5.7	29.2	50.9	57.6
P/FCFPS	x	62.9x	36.6x	7.2x	4.1x	3.6x
EV/EBITDA	x	5.1x	4.6x	4.1x	2.5x	2.5x
EBITDA margin	%	33%	33%	33%	51%	53%
EBIT margin	%	4%	nm	6%	30%	31%
Return on assets	%	1%	-1%	3%	12%	12%
Return on equity	%	1%	-2%	4%	16%	15%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	89	393	(495)	(848)	(1,208)
ND / E	%	6%	25%	-31%	-45%	-55%
ND / (ND + E)	%	5%	20%	-45%	-81%	-123%
EBITDA / Interest	x	-1371.9x	nm	nm	nm	-150.1x

ORE RESERVES AND MINERAL RESOURCES			
Duketon	**Mt**	**g/t Au**	**(koz)**
Mineral Resource	65.0	1.2	2,460
Ore Reserve	26.0	1.1	950
Tropicana 30% basis	**Mt**	**g/t Au**	**(koz)**
Mineral Resource	32.2	1.8	1,895
Ore Reserve	11.0	1.8	631
McPhillamys + Discovery Ridge	**Mt**	**g/t Au**	**(koz)**
Mineral Resource	80.2	1.0	2,684
Ore Reserve	60.8	1.0	2,023
Total	**Mt**	**g/t Au**	**(koz)**
Mineral Resources	177.4	1.2	7,039
Ore Reserves	97.8	1.1	3,604

ASSUMPTIONS - Prices						
Year ending June (avg)	**Unit**	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**
Gold	US$/oz	$1,841	$1,842	$2,023	$2,263	$2,300
Gold	A$/oz	$2,533	$2,738	$3,082	$3,232	$3,286
AUD:USD	A$/US$	0.73	0.67	0.66	0.70	0.70

ASSUMPTIONS - Production & costs						
Year ending June	**Unit**	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**
Duketon						
Gold produced	koz	315.5	327.3	282.4	282.7	260.4
All-in-Sustaining-Costs (AISC)	A$/oz	$1,709	$2,014	$2,068	$1,877	$1,859
Tropicana						
Gold produced - 100%	koz	405.9	437.0	488.5	485.1	485.1
Gold produced - RRL 30%	koz	121.8	131.1	146.6	145.5	145.5
All-in-Sustaining-Costs (AISC)	A$/oz	$1,072	$1,214	$1,956	$1,729	$1,589
Total						
Gold produced	koz	437.310	458.354	428.914	428.184	405.948
All-in-Sustaining-Costs (AISC)	A$/oz	$1,556	$1,805	$2,030	$1,827	$1,762

VALUATION						
Ordinary shares (m)						**755.3**
Options in the money (m)						3.5
Diluted m						**758.9**
	current		**+12 months**		**+24 months**	
Sum-of-the-parts	**$m**	**$/sh**	**$m**	**$/sh**	**$m**	**$/sh**
Duketon (unrisked NPV10)	686.3	0.91	819.9	1.09	872.3	1.15
Tropicana (30%, unrisked NPV10)	853.7	1.13	888.7	1.18	858.0	1.14
McPhillamys (risk adjusted NPV10)	385.0	0.51	385.0	0.51	385.0	0.51
Other exploration	65.0	0.09	65.0	0.09	65.0	0.09
Corporate overheads	(67.9)	(0.09)	(37.5)	(0.05)	(26.5)	(0.04)
Subtotal	1,922.1	2.54	2,121.2	2.81	2,153.8	2.85
Net cash (debt)	(145.0)	(0.19)	(145.0)	(0.19)	13.3	0.02
Total (undiluted)	**1,777.1**	**2.35**	**1,976.2**	**2.62**	**2,167.0**	**2.87**
Add options in the money (m)		3.5		3.5		3.5
Add cash	-	-	-	-	-	-
Total (diluted)	**1,777.1**	**2.34**	**1,976.2**	**2.60**	**2,167.0**	**2.86**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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