

Royal Gold Reports First Quarter 2021 Results

04.11.2020 | [Business Wire](#)

DENVER, Nov. 04, 2020 - [Royal Gold, Inc.](#) (NASDAQ: RGLD) (together with its subsidiaries, "Royal Gold" or the "Company," "we," "us," or "our") reports net income of \$106.9 million, or \$1.63 per share, on revenue of \$146.9 million in its first quarter of fiscal 2021 ended September 30, 2020 ("first quarter"). Adjusted net income¹ was \$53.8 million, or \$0.82 per share, after excluding a one-time, non-recurring \$0.52 per share gain on the sale of the Peak Gold interest, discrete tax benefits of \$0.37 per share, a \$0.04 per share gain on the change in fair value of equity securities, and a reversal of \$0.12 per share for the combined tax effects of these adjustments.

First Quarter Key Metrics Compared to Prior Year Quarter:

- Record revenue of \$146.9 million, an increase of 23.7%
- Operating cash flow of \$94.2 million, an increase of 32.2%
- Volume of 76,900 GEOs², a decrease of 4.6%
- Dividends paid of \$18.4 million, an increase of 5.7%
- Average price of \$1,909 per gold ounce, an increase of 29.7%

"Consistent performance from across our operating portfolio combined with strong metal prices led to record revenue this quarter," commented Bill Heissenbuttel, President and CEO of Royal Gold. "We also strengthened our balance sheet and counterparty relationships with the completion of two strategically significant transactions during the quarter. First, we divested our interests in the Peak Gold Project for meaningful cash and royalty consideration, bringing in an experienced operator to advance the project and thereby our remaining royalty interests. Second, while preserving the value to Royal Gold, we helped facilitate Golden Star's sale of the Prestea and Bogoso mines by splitting out those assets from our stream interest on the Wassa mine. This transaction places each of the Wassa mine and the Prestea and Bogoso mines in the hands of counterparties with singular focus on the success of those operations. We welcome Kinross Gold Corporation as the new operator at the Peak Gold Project, and Future Global Resources Ltd. as the new operator at the Prestea and Bogoso mines, and we look forward to seeing them realize the full potential of these assets."

Recent Developments

Khoemacau Project

According to Khoemacau Copper Mining (Pty.) Limited ("KCM"), progress continued at the Khoemacau Project ("Khoemacau") during the first quarter, and the project reached approximately 70% of construction completion as of September 30, 2020, with 87% of the capital committed. According to KCM, activities are focused on refurbishment and upgrading of the Boseto mill, underground development, and completion of work on accommodation, electrical infrastructure to connect to the national grid, infrastructure at Zone 5 and haul road construction between Zone 5 and the Boseto mill. Also, according to KCM, underground development has cumulatively advanced 5,045 meters in the three mines.

The six-month state of emergency declared by the Government of Botswana in March 2020 to help prevent the spread of COVID-19 was extended on September 28, 2020, for an additional six months through March 2021. Mining remains designated as an "essential service" and KCM reports that general development activity at Khoemacau is continuing. However, due to the impacts experienced from prior lockdowns and travel restrictions, KCM reports that some activities, largely related to the process plant refurbishment and upgrade, have been impacted or rescheduled. Barring any potential further impacts caused by COVID-19 considerations, KCM continues to expect the first shipment of concentrate to occur late in the third calendar quarter of 2021.

On October 5, 2020, the Company made the fifth advance payment of \$32.5 million towards the silver stream acquisition, which brings the total contribution to \$179.3 million. It is expected that commitment of the

remaining \$32.7 million for the Base Silver Stream (80% of payable silver), or up to \$85.7 million should KCM elect to fully exercise the Option Silver Stream (up to 100% of payable silver), will be weighted towards the first two quarters of calendar year 2021. Further payments are subject to certain conditions and are scheduled to be made on a quarterly basis using an agreed formula and certification process as project spending progresses.

Sale of Interest in Peak Gold Project

On September 30, 2020, the Company announced it had entered into an agreement with Kinross Gold Corporation ("Kinross") to sell to its interest in the Peak Gold Project and its common share position in Contango Ore, Inc. ("Contango"), the Company's joint venture partner in Peak Gold, LLC, the owner of the Peak Gold Project. Consideration received for the sale of these interests included cash of \$61.3 million, an incremental 28% net smelter return royalty on silver produced from an area of interest which includes the current Peak Gold Project resource area, and an incremental 1% net smelter return royalty on certain State of Alaska mining claims acquired by a wholly-owned subsidiary of Contango in connection with the transactions. Peak Gold, LLC, retains the right to acquire 50% of the incremental 28% net smelter return royalty on silver for \$4 million.

After this transaction, and consistent with Royal Gold's strategy to focus on its core royalty and streaming business, the Company's interests in the Peak Gold Project and State of Alaska mining claim property owned by Contango consist solely of net smelter return royalties.

Separation of Wassa, Prestea and Bogoso Streams

On October 1, 2020, the Company announced the separation of the Wassa, Prestea and Bogoso gold stream agreement into two separate gold stream agreements. This separation was completed to facilitate the sale by Golden Star Resources Ltd. ("Golden Star") of the Prestea and Bogoso mines to Future Global Resources ("FGR"), effective September 30, 2020.

The Wassa stream agreement, which remains with Golden Star, provides the Company the right to purchase 10.5% of the gold produced from the Wassa mine until the delivery of 240,000 ounces, after which the stream percentage will decrease to 5.5%. The cash purchase price for gold is 20% of the spot price per ounce delivered until the delivery of 240,000 ounces, and 30% of the spot price per ounce delivered thereafter. As of September 30, 2020, approximately 124,800 ounces remain to be delivered from the Wassa mine until the 240,000 ounce delivery threshold is reached.

The Prestea and Bogoso stream agreement with FGR provides the Company the right to purchase 5.5% of the gold produced from the Prestea and Bogoso mines in return for a cash purchase price of 30% of the spot price per ounce delivered.

Continued Progress on Pueblo Viejo Expansion

Barrick Gold Corporation ("Barrick") reported that it continues to advance work on the Pueblo Viejo project to expand the process plant and tailings storage facilities that could extend the mine life at Pueblo Viejo beyond calendar 2040. Barrick estimates that the process plant and tailings expansion project could significantly increase throughput and allow the mine to maintain average annual gold production of approximately 800,000 ounces after calendar 2022 (on a 100% basis), and that the increase in tailings storage capacity has the potential to convert approximately 11 million ounces of mineralized material to reserves (on a 100% basis).

Barrick reported during the quarter that the environmental impact assessment for the plant has been submitted to the authorities, and orders have been placed for long lead items. Barrick also reported that field work for the baseline environmental assessment of the additional tailings capacity has started and constructive discussions with the authorities regarding permitting are well underway.

Further Strengthening of Balance Sheet

The Company maintains its disciplined approach to capital allocation and repaid \$30 million of the amount outstanding on its revolving credit facility during the first quarter, ending the quarter with an outstanding balance of \$275 million and a net cash3 position of \$138 million.

On October 2, 2020, and after closing of the sale of the Peak Gold Project interest, the Company repaid a

further \$75 million of the outstanding borrowings under the credit facility, reducing the amount outstanding to \$200 million. After this repayment the amount available under the revolving credit facility was \$800 million.

1Adjusted net income is a non-GAAP financial measure. See Schedule A of this press release for additional information.

2See Schedule A of this press release for additional information about gold equivalent ounces, or GEOs.

3Net debt (and net cash) is a non-GAAP financial measure. See Schedule A of this press release for additional information.

First Quarter 2021 Overview

First quarter revenue was \$146.9 million compared to \$118.8 million in the prior year quarter, with stream revenue of \$106.5 million and royalty revenue of \$40.4 million. The increase in total revenue for the first quarter compared to the prior year quarter was primarily due to increased gold, silver and copper prices.

Cost of sales, which excludes depreciation, depletion and amortization, increased to \$21.9 million for the quarter from \$20.1 million for the prior year quarter. The increase was primarily due to an increase in gold, silver and copper prices when compared to the prior period. Cost of sales is specific to our stream agreements and is the result of our purchase of gold, silver and copper for a cash payment.

Exploration costs decreased to \$0.6 million for the first quarter from \$2.6 million for the prior year quarter. Exploration costs were specific to the exploration and advancement of the Peak Gold Project, and exploration costs decreased compared to the prior period primarily due to COVID-19 safety considerations.

Depreciation, depletion and amortization increased to \$46.3 million for the first quarter from \$38.7 million for the prior year quarter. The increase was primarily due to higher copper sales at Mount Milligan and higher gold sales at Pueblo Viejo. An increase in depletion rates at Mount Milligan, as previously discussed in the Company's fiscal year 2020 10-K, also contributed to the increase. The increase was partially offset by a decrease in gold sales at Andacollo when compared to the prior year quarter.

The Company recognized an increase in fair value changes in equity securities of \$2.5 million in the first quarter, compared to a decrease of \$1.4 million in the prior year quarter.

Interest and other expense decreased to \$1.9 million in the first quarter, from \$2.8 million for the prior year quarter. The decrease was primarily attributable to lower interest expense as a result of lower interest rates on outstanding debt when compared to the prior period.

During the first quarter, the Company recorded an income tax benefit totaling \$(2.4) million, compared with an income tax benefit of \$(23.5) million during the prior year quarter. The income tax benefit resulted in an effective tax rate of (2.3%) in the first quarter, compared with (51.9%) in the prior year quarter. The effective tax rate for the first quarter included income tax benefits (\$24.5 million) resulting primarily from the release of an uncertain tax position due to a settlement agreement with a foreign tax authority and a change to the realizability of certain deferred tax assets. The effective tax rate for the prior year quarter included an income tax benefit (\$32.3 million) primarily related to the enactment of the Federal Act on Tax Reform and AHV Financing in Switzerland (Swiss Tax Reform).

At September 30, 2020, the Company had current assets of \$469.8 million compared to current liabilities of \$56.1 million, resulting in working capital of \$413.6 million. This compares to current assets of \$362.2 million and current liabilities of \$43.6 million at June 30, 2020, resulting in working capital of \$318.6 million. The increase in working capital was primarily due to proceeds received from the sale of the Peak Gold interest and increased revenue.

Net cash provided by operating activities totaled \$94.2 million for the first quarter, compared to \$71.2 million for the prior year quarter. The increase was primarily due to an increase in proceeds received from the Company's stream and royalty interests, net of cost of sales and production taxes, of approximately \$20.1 million.

Net cash provided by investing activities totaled \$49.7 million for the first quarter, compared to net cash provided by investing activities of \$0.5 million for the prior year quarter. The increase was primarily due to cash received of \$49.2 million for the sale of the Company's Peak Gold Project investment and \$12.1 million for the sale of the Company's common share position in Contango. This increase was partially offset by an advance payment of \$11.1 million for the Khoemacau silver stream acquisition during the current period.

As of September 30, 2020, the Company had \$725 million available and \$275 million outstanding under the

revolving credit facility. Working capital, combined with available capacity under the revolving credit facility, resulted in approximately \$1.1 billion of total liquidity at September 30, 2020. Subsequent to the end of the first quarter on October 2, 2020, the Company repaid a further \$75 million on the outstanding credit facility.

Property Highlights

A summary of first quarter and historical production reported by operators of the Company's principal stream and royalty properties can be found on Tables 1 and 2. Calendar year 2020 operator production estimates for these properties compared to actual production at these properties through September 30, 2020 can be found on Table 3. Results of the streaming business for the first quarter, compared to the prior year quarter, can be found on Table 4. Highlights at certain of the Company's principal producing and development properties during the first quarter, compared to the prior year quarter, are detailed in the Quarterly Report on Form 10-Q.

CORPORATE PROFILE

Royal Gold is a precious metals stream and royalty company engaged in the acquisition and management of precious metal streams, royalties and similar production-based interests. As of September 30, 2020, the Company owned interests on 188 properties on five continents, including interests on 40 producing mines and 17 development stage projects. Royal Gold is publicly traded on the Nasdaq Global Select Market under the symbol "RGLD." The Company's website is located at www.royalgold.com.

First Quarter Call Information:

Dial-In Numbers:	855-209-8260 (U.S.); toll free 855-669-9657 (Canada); toll free 412-542-4106 (International)
Conference Title:	Royal Gold
Webcast URL:	www.royalgold.com under Investors, Events & Presentations

Note: Management's conference call reviewing the first quarter results will be held on Thursday, November 5, 2020, at noon Eastern Time (10:00 a.m. Mountain Time). The call will be webcast and archived on the Company's website for a limited time.

Additional Investor Information: Royal Gold routinely posts important information, including information about upcoming investor presentations and press releases, on its website under the Investors tab. Investors and other interested parties are encouraged to enroll at www.royalgold.com to receive automatic email alerts for new postings.

Forward-Looking Statements: This press release includes "forward-looking statements" within the meaning of U.S. federal securities laws. Forward-looking statements are any statements other than statements of historical fact. Forward-looking statements are not guarantees of future performance, and actual results may differ materially from these statements. Forward-looking statements are often identified by words like "will," "may," "could," "should," "would," "believe," "estimate," "expect," "anticipate," "plan," "forecast," "potential," "intend," "continue," "project," or negatives of these words or similar expressions. Forward-looking statements include, among others, the following: statements about our expected financial performance, including revenue, expenses, earnings or cash flow; operators' expected operating and financial performance, including production, deliveries, mine plans and reserves, development, cash flows and capital expenditures; planned and potential acquisitions or dispositions, including funding schedules and conditions; liquidity, financing and dividends; our overall investment portfolio; macroeconomic and market conditions including the impacts of COVID-19; prices for gold, silver, copper, nickel and other metals; potential impairments; or tax changes.

Factors that could cause actual results to differ materially from these forward-looking statements include, among others, the following: a low-price environment for gold, silver, copper, nickel or other metals; operating activities or financial performance of properties on which we hold stream or royalty interests, including variations between actual and forecasted performance, operators' ability to complete projects on schedule and as planned, changes to mine plans and reserves, liquidity needs, mining and environmental hazards, labor disputes, distribution and supply chain disruptions, permitting and licensing issues, contractual issues involving our stream or royalty agreements, or operational disruptions due to COVID-19;

risks associated with doing business in foreign countries; our ability to identify, finance, value and complete acquisitions; adverse economic and market conditions; changes in laws or regulations governing us, operators or operating properties; changes in management and key employees; and other factors described in our reports filed with the Securities and Exchange Commission, including our Form 10-K for the fiscal year ended June 30, 2020. Most of these factors are beyond our ability to predict or control.

Forward-looking statements speak only as of the date on which they are made. We disclaim any obligation to update any forward-looking statements, except as required by law. Readers are cautioned not to put undue reliance on forward-looking statements.

Statement Regarding Third-Party Information: Certain information provided in this press release, including production estimates for calendar 2020, has been provided to us by the operators of the relevant properties or is publicly available information filed by these operators with applicable securities regulatory bodies, including the Securities and Exchange Commission. Royal Gold has not verified, and is not in a position to verify, and expressly disclaims any responsibility for the accuracy, completeness or fairness of any such third-party information and refers the reader to the public reports filed by the operators for information regarding those properties.

Information in this press release concerning the Khoemacau Copper Project mine life, construction completion, current staffing levels and activity focus, underground development, cost information and initial deliveries of silver under the streaming agreement was provided to the Company by Cupric Canyon Capital L.P., the privately-held owner and developer of Khoemacau. Such information may not have been prepared in accordance with applicable laws, stock exchange rules or international standards governing preparation and public disclosure of technical data and information relating to mineral properties. Royal Gold has not verified, and is not in a position to verify, and expressly disclaims any responsibility for the accuracy, completeness or fairness of this third-party information, and investors are cautioned not to rely upon this information.

TABLE 1

First Quarter Fiscal 2021

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<https://www.businesswire.com/news/home/20201104005687/en/Royal-Gold-Reports-First-Quarter-2021-Results>

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