

WESTGOLD RESOURCES LIMITED

Equity Analysis (29 August 2023)



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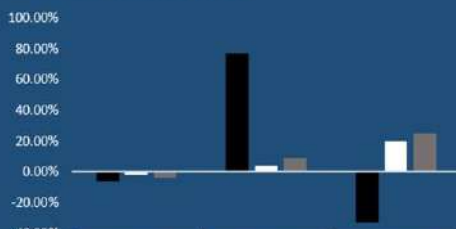
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Introduction

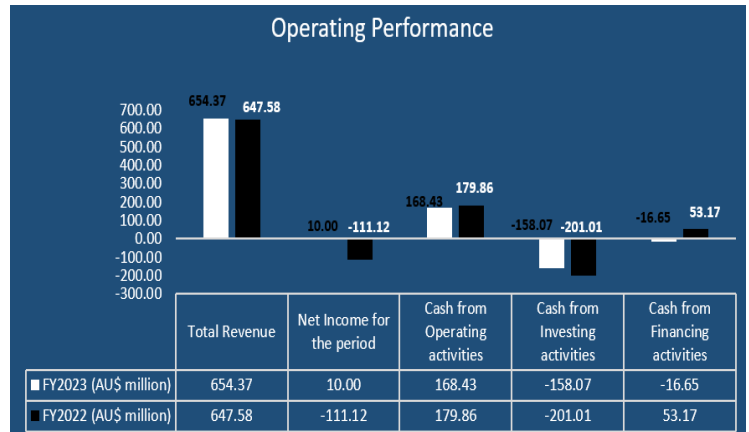
Westgold Resources Limited engages in the exploration, operation, development, mining, and treatment of gold assets primarily in Western Australia. The company's assets include Bryah Operations, Murchison Operations, Meekatharra Gold Operations, and Cue Gold Operations that comprise various mining titles covering 1,300 square kilometers in the Murchison region. Westgold Resources Limited is based in Perth, Australia.

Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	1.545	
52 Week Low-High (AU\$)	0.695 – 1.757	
Market Capitalisation (AU\$)	712.80 million	
Outstanding Shares	473.62 million	
PE (TTM)	70.99	
EPS (AU\$) (TTM)	0.021	
Dividend Yield/Franking	-	
Ex-Date/Pay-Date	30 Sep'21/ 15 Oct'21	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	0.9x	0.6x
EV/EBITDA (LTM)/(FY-1)	3.5x	2.0x
Price/Book Value (LTM)/(FY-1)	1.2x	0.9x

Performance Chart



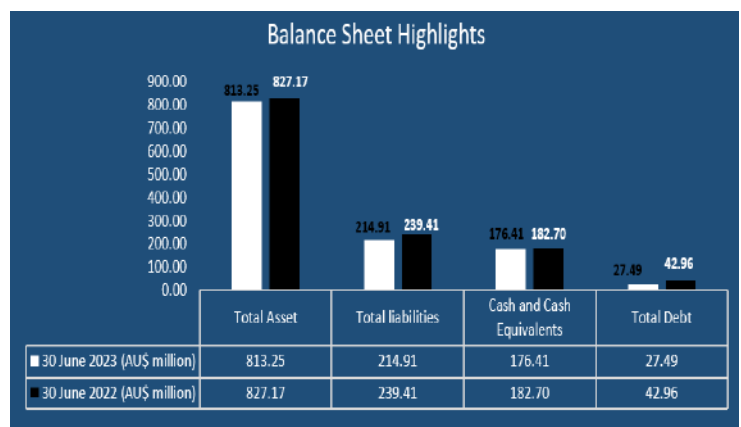
Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- In FY23, total revenue was AU\$654.37 million against AU\$647.58 million in FY22.
- In FY23, the company's net profit was AU\$10.00 million against net loss of AU\$111.12 million in FY22.
- Cash from operating activities was AU\$168.43 million in FY23 compared to cash from was AU\$179.86 million in FY22.
- Cash used in investing activities was AU\$158.07 million in FY23 compared to cash used AU\$201.01 million in FY22.
- Cash used in financing activities was AU\$16.65 million in FY23 compared to cash from AU\$53.17 million in FY22.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to 30 June 2022, on 30 June 2023:

- Total asset decreased by 1.68% to AU\$813.25 million.
- Total liabilities decreased by 10.23% to AU\$214.91 million.
- Cash and Cash Equivalents decreased to AU\$176.41 million.
- The company's total debt decreased to AU\$27.49 million.

Ratio Analysis

Fiscal Quarters	3Q FY2022	4Q FY2022	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023
Return on Assets	-25.19%	-26.59%	-2.95%	-3.03%	3.70%	3.64%
Return On Equity %	-43.34%	-44.59%	-3.83%	-3.86%	7.20%	7.07%
Return on Total Capital	-34.04%	-34.87%	-3.83%	-3.89%	4.78%	4.73%
EBITDA Margin %	51.23%	51.23%	17.28%	17.28%	28.90%	28.90%
Gross Profit Margin %	-1.44%	-1.44%	-3.44%	-3.44%	9.90%	9.90%
Net Income Margin %	-38.94%	-38.94%	-3.54%	-3.54%	6.23%	6.23%
Asset Turnover	0.8	0.8	0.8	0.8	0.8	0.8
Inventory Turnover (Average Inventory)	7.8	7.1	7.1	7.4	7.1	7.4
Current Ratio	2.4	2.4	2.4	2.4	2.6	2.6
Days Sales Outstanding (Average Receivables)	-	-	-	3.9	-	-
Days Payable Outstanding (Avg)	31.0	25.4	35.3	40.5	30.9	17.4
Cash Conversion Cycle (Average Days)	-	-	-	13.5	-	-

Source: Koyfin, Chart Prepared by Kapitales Research

Investment Highlight

Westgold Resources Limited, a prominent 100% Western Australian gold producer, showcased exceptional performance in FY23 by delivering a substantial 257,116 profitable ounces at an AISC of AU\$1,999/oz. The company boasts a robust financial position with AU\$192 million in cash and liquid assets as of June 30, 2023, marked by being debt-free and achieving positive free cash flow. The strategic framework positions the company for amplified profitability and growth in FY24, firmly leveraging the prevailing gold price. The board and management team have been refreshed, fuelling a drive to enhance efficiency and reduce costs. The business has undergone streamlining, resulting in reduced operating costs. An aggressive drilling campaign extends mine life and exploration initiatives shift towards the next wave of organic growth prospects, including South Junction at Meekatharra, Gibraltar, Peak Hill tenements, and underground targets. A transformative step towards sustainable operations is the Tuckabianna hybrid facility, featuring solar and gas-fuelled power generation, resulting in substantial reductions in diesel fuel usage and emissions. This facility, alongside future hybrid power plants, is projected to yield significant cost savings and a substantial decrease in carbon emissions.

Outlook

Westgold Resources Limited is poised for a robust future ahead, defined by a strategic roadmap for the fiscal year 2024. The cornerstone of this vision is the unwavering commitment to enhancing asset optimization, ensuring safety and efficiency. A pivotal goal involves extending the lifespan of existing mines, bolstering their longevity. The drive for sustained positive cash flow remains a pivotal focus, complemented by substantial investments in exploratory drilling. A forward-looking approach encompasses evaluating growth possibilities that harmonize with core competencies, coupled with judicious technological investments for streamlined cost efficiencies. FY23 witnessed a remarkable turnaround, establishing a cash-generating business, and now, in FY24, production is on an upward trajectory while operational costs are being curtailed. This promising trajectory includes a reinvigorated dividend policy and sizeable investments, exemplified by an AU\$60 million allocation for three new mines' development. This commitment extends to heightened exploration endeavors and fostering resource development. Westgold Resources Limited's future is fortified by prudent financial management and strategic expansion pursuits.

Risks

The company has exposure to the following risks-

- Technological risk
- Operational risk
- Economical risk
- Financial risk
- Geographical risk

Valuation

Relative Valuation Based on EV/Sales Multiple	
Westgold Resources Limited	WGX
Sales (FY24E AU\$m)	720.00
EV/Sales Multiple (NTM) (Peer Median) (approx)	1.05
Implied EV (AU\$ mn)	756.00
Cash (AU\$ mn)	176.41
Debt (AU\$ mn)	27.49
Minority Interest (AU\$ mn)	-
Implied Market Cap (AU\$ mn)	904.92
Shares Outstanding (million)	473.62
Target Share Price (AU\$)	1.911
Current Market Price (AU\$) (29 August 2023)	1.545
Rating	Speculative Buy

Source: Koyfin, Chart Prepared by Kapitales Research

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Westgold Resources Limited (ASX: WGX)

Equity Analysis

(29 August 2023)



Mission to Empower Investors

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Westgold Resources Limited	WGX	Materials	1.545	29 August 2023	Speculative Buy	1.740	1.955	1.315

The materials company WGX settled at AU\$1.545 on 29 August 2023 after a surge of nearly 2.6% from the previous day's closing. It is currently trading between its 52-week price levels.

The stock price is trading above the significant exponential moving averages 20 and 50-day EMA, weeks on a weekly time frame, indicating bullishness for the near term. However, it is trading near the 200-week EMA, and once it closes above this EMA, we can expect a strong uptrend in the coming weeks.

The stock is trading above the central pivot (AU\$1.355), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 55, holding a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$1.740 (previous swing resistance) and AU\$1.955 (previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$1.315 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

Current ratio for 4QFY23 stood at 2.6x, implying that the company possess better capabilities to meet its short-term obligations. Compared to the previous corresponding period, it has shown growth in its total revenue and net income in FY23.

The company's profitability margins, such as gross margin, and net margin, improved in 4QFY23 compared to the previous corresponding period's performance, implying an improvement in the company's fundamentals.

The company's stock has outperformed the ASX ordinary and sector indices in one-year timeframes.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$1.545 as of 29 August 2023 (after-market hours).

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Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.