

POLYUS GOLD

Team name: +Gold

Team members:



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Investment recommendation

Polyus is showing a strong financial performance and sustainability during COVID-19 period. Free-float has risen recently, indicating the liquidity growth of stocks. EBITDA is increasing steadily, resulting in the upturn of future dividends (payout ratio is 30%). The company's high return on EBITDA (74%) ensures the high DY level (4%). Considering the optimistic outlook for gold-mining industry and outstanding competitive advantages of the Polyus, we recommend to buy the stock. The company fits the strategic investors and those, who are looking for diversification of the portfolio.

Company description ³

Public Joint Stock Company Polyus, together with its subsidiaries, engages in the extraction, refining, and sale of gold. The company has primary operations in Krasnoyarsk, Irkutsk, and Magadan regions, as well as the Sakha Republic in Russia. It also engages in the research and exploration works. The company was incorporated in 2006 and is based in Moscow, Russia. Public Joint Stock Company Polyus is a subsidiary of Polyus Gold International Limited.

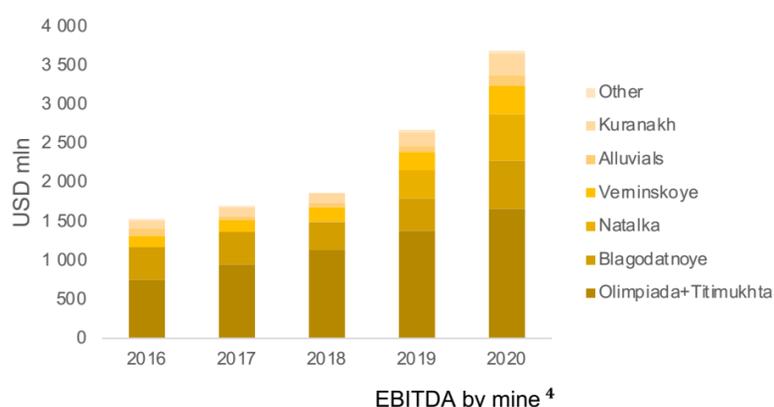
Key data ¹, current (09/04)/T12M

Share price	₽ 14287
Market Cap	\$ 27643.3 mln
Enterprise value	\$ 29834.1 mln
P/E	16.2
P/S	5.3
EV/EBITDA	8.47
DY Polyus DY industry average	3.4% 1%
Free-float	21.85%

Credit ratings ⁵

	Moody's	Fitch	S&PGR	RAEX
Corporate	Ba1	BB	BB+	ruAA+
Eurobonds	Ba1	BB	BB	-

Key charts:



Investment rationale

- A gigantic enterprise with highly secure credit ratings
- Since 2017 the dividends have been growing by 16.37% per year at average
- Gold is an ideal asset for diversifying of currency risks and hedging
- Active implementation of investment profitable projects by the company
- Following ESG-trends: using renewable energy and maintaining social policy

Key risks

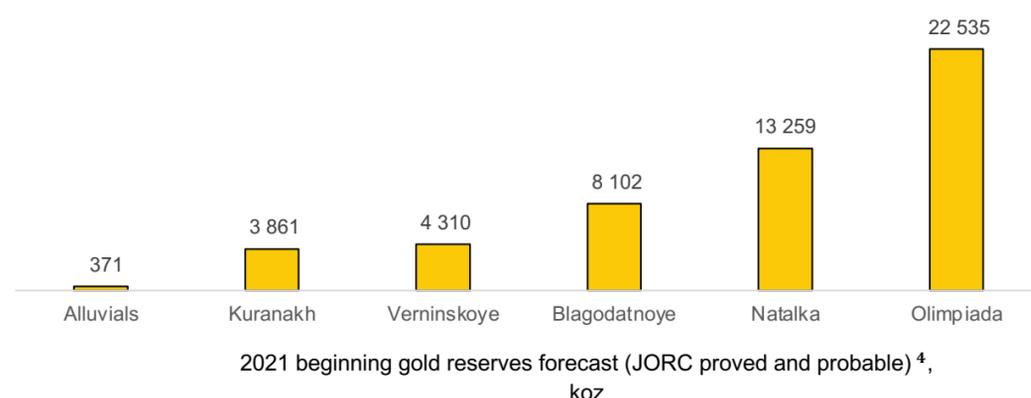
- Foreign exchange risk
- Rise of sanctions pressure on Russian economy
- Inefficient allocation of investment budget funds
- Interest rate risk
- Gold price risk
- Inflation risk

Financial overview

- Revenue has grown (25% for the 2020) due to the growth of recovery ratio, gold price, ore mined and ore processed
- EBITDA has grown due to the rise of revenue and stable TCC
- CAPEX has grown because of the investments in new projects (Sukhoi log, MILLS)
- FCF has grown due to the increase of adj net profit
- PLZL's debt is well covered by operating cash flow (79%)
- In 4Q'2020, Polyus repaid \$ 75 mln of bank loans
- Decrease in TCC reflects higher average grades in ore processed at Blagodatnoye and Nataalka and the local currency depreciation. These factors were partially offset by higher MET expenses, driven by higher average realized gold price, and lower average grades in ore processed at Olimpiada
- Increase in recovery rate is driven by brownfield initiatives across all operating assets

Summary financials ⁴, \$ mln (if not mentioned otherwise)

	2016	2017	2018	2019	2020
Balance sheet					
Net Debt	3241	3077	3086	3253	2464
Inventories	365.7	435	558.3	657.9	592.4
Income statement					
Total revenue	2458	2721	2915	4005	4998
Adj Net Profit	952	1015	1326	1657	2332
Cash flow statement					
Net CF from operations	1178	1292	1464	2174	3046
Financing CF	-68	-1224	-936	-531	-2436
Free Cash Flow		425	650	1405	2270
Capital expenditures	466	804	736	630	653
Ratios and analysis					
Operating profit margin	55%	53%	52%	55%	61%
ROE	-1,87	1,8	3,65	0,88	0,99
EPS - basic	10.09	9.64	3.45	14.52	11.89
EBITDA	1536	1702	1865	2680	3690
Net Debt to Equity	-7.8	4.7	6.86	1.7	1
ROIC	24.44	23.34	26.82	30.18	38.93
TCC (\$/oz)	389	364	348	365	362
Net debt/EBITDA	2.1	1.8	1.7	1.2	0.7
Weighted-average refined gold selling price (\$/oz)	1287	1271	1265	1403	1786
Recovery, %	83,9%	83,4%	80,8%	82,3%	83,8%
Return on EBITDA	62%	63%	64%	67%	74%



Sources:

1. Bloomberg Terminal
2. Yahoo Finance
3. Simplywall.st

4. PJSC Polyus Management Reports 2016-2020 and team calculations
5. Polyus.com