

17 February 2021

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St Barbara Limited

Materials

UNDERPERFORM

SBM A\$2.19 TARGET PRICE A\$1.87

St Barbara Limited (SBM) is an Australian based, ASX listed gold producing and exploring company that deals in the mining and sale of gold, mineral exploration and development. St Barbara's assets include the Leonora Operations in Western Australia, the Simberi Operations in Papua New Guinea, and the Atlantic Gold Operations in Nova Scotia, Canada.

Company Data

Number of shares	705.4 M
Market Capitalisation	\$1,622.3 M
Free float (%)	97.2
12-month high/low	\$3.83/\$1.65
Average Daily Turnover (\$m)	11.03
% S&P/ASX200	0.08%
DDM Ranking	385
% All Ordinaries	0.07%
GICS Industry Group	Metals & Mining

Source: FactSet, Barclay Pearce Capital

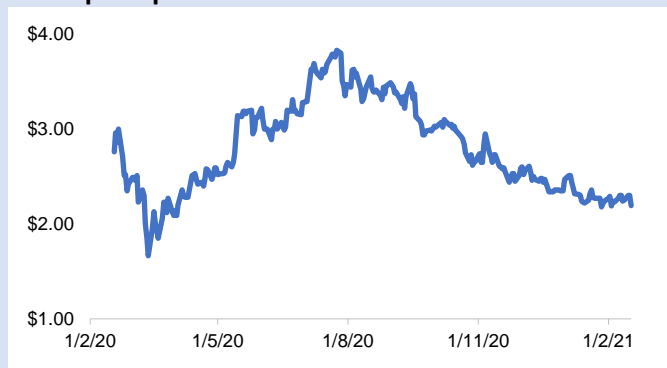
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	827.7	795.2	883.9	891.7
EBITDA (\$M)	357.8	371.4	448.4	430.4
Reported NPAT (\$M)	128.0	160.9	241.0	246.8
Adjusted NPAT (\$M)	108.0	149.2	209.8	202.6
Reported EPS (c)	18.2	21.7	35.1	35.5
Adjusted EPS (c - FD)	18.0	21.8	28.7	26.7
Adjusted EPS growth (%)	-33.3	21.3	31.3	-6.7
Adjusted P/E (x)	12.8	10.5	8.0	8.6
Dividend (c/sh)	8.0	5.5	6.3	8.0
Gross yield (%)	3.5	2.6	3.1	3.9
Net yield (%)	3.5	2.6	3.1	3.9
ROIC (%)	8.4	12.8	17.8	16.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

December 2020 Half Year Report

On 17th February, St Barbara Ltd (SBM) released their interim results for the half year ended 31 December 2020 with the following highlights:

- St Barbara Ltd reported a statutory profit after tax of A\$37 million for the half year to 31 December 2020 (2019 comparative period A\$39 million profit), with underlying profit after tax of A \$40 million (2019 comparative period: A \$35 million);
- Gold production of 162,660 ounces at a Group All-in Sustaining cost of A\$1,605 per ounce;
- Consolidated EBITDA margin of 42%;
- Net cash contribution of A\$100 million for the half year;
- \$0.04 fully franked interim dividend declared today for the half year to 3 December to be paid on 24 March 2021;
- Cash position of A\$119 million and debt of A\$101 million at 31 December 2020;
- Impact of COVID-19: The company claims that it has not experienced any material COVID-19 related disruptions to its operations or to the supply of goods and services to date;
- Outlook: All of St Barbara's operations have business continuity plans and contingencies in place to minimise disruptions to operations in the event of a significant number of operational employees and/or contractors contracting the virus; and
- The company expects that these plans will enable the operations to continue producing in line with the production schedule, and if there is any material impacts the market will be kept informed in accordance with continuous disclosure obligations.

Half Year Ended 31 Dec	2021 AU\$'000	2020 AU\$'000	Change %
Revenue from ordinary activities	359,436	n/a	(1%)
Profit from ordinary activities after tax from continuing operations attributable to members	37,457	38,656	(3%)
Profit after tax from ordinary activities attributable to members – Underlying (before significant items)	39,937	34,685	15%
Fully franked dividends paid	28,142	n/a	1%

Managing Director and CEO of St Barbara Limited, Craig Jetson, said: "This financial result represents an encouraging recovery from the operational disappointments of the first quarter, with improving contributions from all three operations."

Over consecutive halves, Atlantic Gold has delivered record production as continuous improvements in mill throughout generated early returns. St Barbara is in a strong financial position that affords us the opportunity to support growth projects across all three of our operating jurisdictions. In the coming months we will provide an update on the Sulphide Feasibility Study at Simberi, the Lenora Province Plan and submit Environmental Impact Statements for the Atlantic Gold's growth projects"

Earnings changes

For H1 FY21 SBM reported underlying NPAT of \$40M, which is lower than market expectations of \$56.5M. SBM will continue to progress their new developments throughout the year. Hence, we expect negative earnings revisions of 10% for FY21 and future periods.

Valuation

We are initiating on SBM with a price target of \$1.87 and a UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)