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Polymetal International 1H22 IFRS

Expected weak results, coming share exchange offer

TCC almost in line with our expectations

In 1H22 TCC amounted to \$853/oz, showing an increase of about 20% YoY, and almost match our figures with higher TCC at Dukat hub almost being offset by lower TCC at Svetloye mine. This drastic YoY increase was driven by ore depletion at Kyzyl and Svetloye sites as well as strong inflation and currency pressures. At the same time AISC reached \$1,371/oz, beaten our estimates by 6%, due to higher sustaining capex and SG&A. EBITDA dropped to \$428mn, higher than our expectations by 6%, while adj. net income stood at \$203mn, 13% lower than our figures, with IFRS net income was negative of \$321mn.

Better FCFE due to lower WC build up, peaking net debt

Polymetal reported FCFE of \$658mn on a post-M&A basis, with FCFE amounting to \$778mn on a pre-M&A calculation. These both figures were 43% and 33% better than we forecasted mainly due to lower WC build-up of about \$600mn and lower capex. Despite better-than-expected FCFE Polymetal net debt peaked to \$2.8bn, with net debt/EBITDA figure of 2.27x.

Muted outlook for 2H22

For 2H22 according to the information given in the conference call, Polymetal expects improvement in sales volumes and meaningful reduction in net debt position, which be mainly driven by establishing sales routes to Asia as well as gold metals inventory unwinding. Despite these positive expectations and reiterated output guidance of 1.7mnoz, we note that for 2022 Polymetal raised its capex outlook by 15% to \$725-775mn, as well as increased its expected TCC and AISC to \$900-1,000/GE oz and \$1,200-1,300/GE oz, up 5.5% and 8%, respectively. We highlight that this changes in costs provide 10% and 20% downside risks to our forecasts of EBITDA and net income for 2022, respectively.

Vague prospects for business split and redomiciliation

Polymetal highlighted that due to the recent law the possible business split is challenging. Also recently announced redomiciliation to "friendly" jurisdiction is not possible until the issue of shares stuck in NSD, 22% of share capital, is resolved. However, Polymetal announced an exchange offer for about 11% shares hold through NSD to certificated shares with a shareholder approval at GM to be held on October 10.

Report date: 23 September 2022
Current price, RUB 326.0
Upside/downside, % na

MktCap, \$mn 2,529.1
Average daily volume, \$mn 9.5
Free float, \$mn 1,568.6
Bloomberg POLY RM

Summary valuation and financials

	2021	2022E	2023E	2024E
Revenue	2,890	2,686	3,193	3,123
EBITDA	1,464	994.2	1,344	1,420
Net income	903.9	550.3	826.6	877.3
Net debt	1,647	2,453	1,633	1,007
EPS, \$	1.911	1.162	1.745	1.852
DPS, \$	0.970	0.000	0.000	1.785
EV/Sales, x	3.9	1.8	1.3	1.1
EV/EBITDA, x	7.8	5.0	3.1	2.5
P/E, x	10.8	4.6	3.1	2.9
Net debt/EBITDA, x	1.1	2.5	1.2	0.7
Dividend yield, %	4.7	0.0	0.0	33.4
Free cash flow yield, %	4.2	-31.9	32.4	33.4

Source: Company data, Renaissance Capital estimates

Figure 1: Price performance – 52 weeks

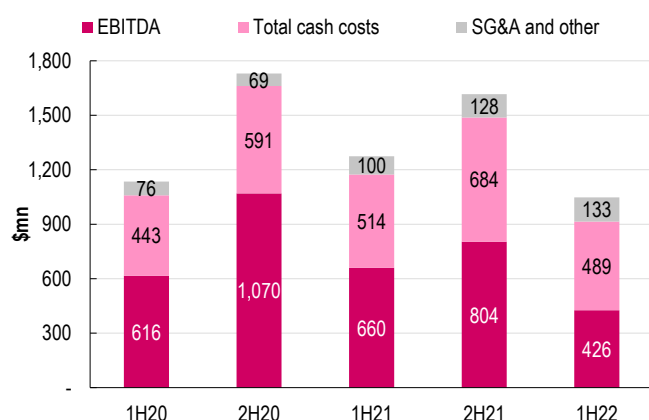


Figure 2: Polymetal 1H22 IFRS results update

Item	2H20	1H21	2H21	1H22	Change HoH, %	Change YoY, %	1H22 RenCap est.	Diff.	1H22 Cons. est.	Diff.
Financials										
Revenue, \$mn	1,730	1,274	1,616	1,048	(35%)	(18%)	1,049	(0.1%)	1,043	0.5%
EBITDA, \$mn	1,070	660	804	426	(47%)	(35%)	405	5%	423	1%
EBITDA margin, %	62%	52%	50%	41%			39%		41%	
Adj. net income, \$mn	699	422	491	203	(59%)	(52%)	234	(13%)		
Net income, \$mn	705	419	485	(321)	n.m.	n.m.	233	n.m.		
FCFE, \$mn	547	(30)	437	(658)	n.m.	n.m.	(1,157)	43%		
Company data										
Gold eq. sales, koz	927	721	919	573	(38%)	(21%)	565	1%		
TCC, \$/GE oz	637	712	745	853	14%	20%	844	1%		
AISC, \$/GE oz	870	1,019	1,039	1,371	32%	35%	1,296	6%		
Net debt/EBITDA	0.80x	1.08x	1.13x	2.27x	102%	111%	2.32x			
DPS	0.89	0.45	0.52	-	n.m.	n.m.	-			

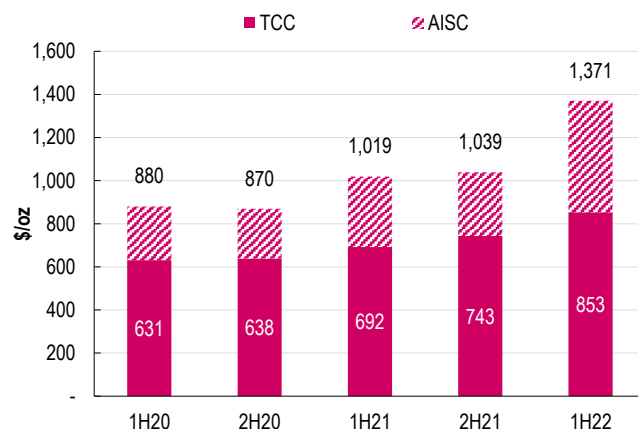
Source: Company data, Renaissance Capital estimates

Figure 3: Polymetal revenue breakdown by item



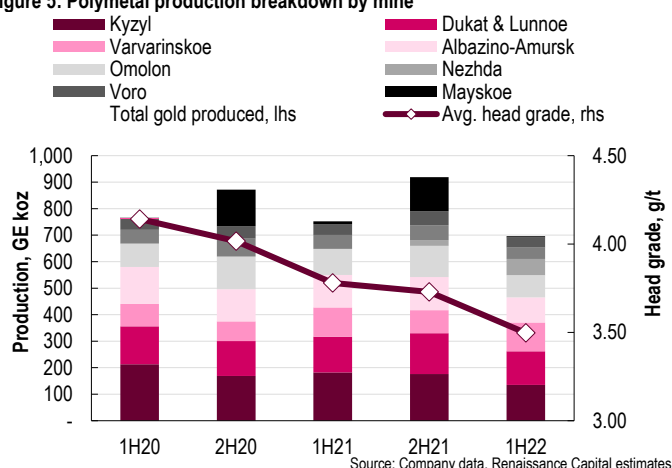
Source: Company data, Renaissance Capital estimates

Figure 4: Polymetal TCC and AISC dynamics



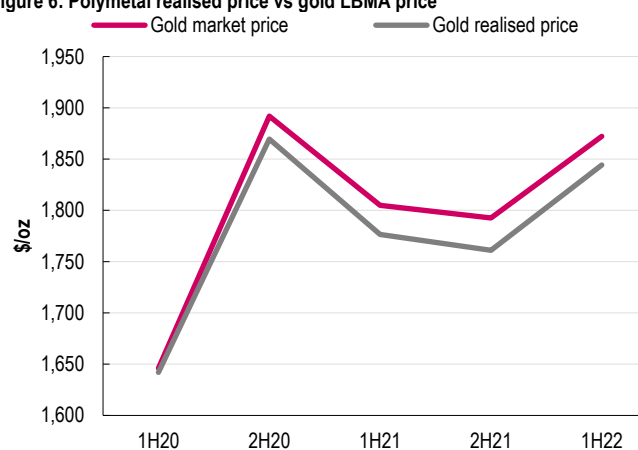
Source: Company data, Renaissance Capital estimates

Figure 5: Polymetal production breakdown by mine



Source: Company data, Renaissance Capital estimates

Figure 6: Polymetal realised price vs gold LBMA price



Source: Company data, Renaissance Capital estimates

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