

## SMART YIELD INCOME FUND

## Finding Efficient Frontiers



**INVEST/STAY CONNECTED**

INITIAL REPORT NOVEMBER 25, 2023

LAST UPDATED NOVEMBER 25, 2023

**\$5.76; Recommendation: BUY, target \$10.00**

## HARMONY GOLD MINING CO. LIMITED

Harmony (HMY) is a 1.5-million-ounce international gold producer and is the largest gold producer by volume in South Africa. Harmony is also a significant operator of gold tailings retreatment facilities. In Papua New Guinea, Harmony owns and operates the Hidden Valley mine and owns 50% of the Tier 1 Wafi-Golpu copper-gold project. Recently, Harmony demonstrated several substantial financial improvements for the 3<sup>rd</sup> quarter of 2023. Operating costs dropped 7% combined with a 17% increase in production. The company also reduced long-term debt to zero and reported a strong increase in cash flow. A multi-year effort in solar energy is starting to come online and the company's Wafi project is now 50% partnered with top gold producer Newmont (NEM). Although Wafi could begin production in the next 3 to 5 years the project is expected to produce over \$15 billion in cash flow. This compares favorably to Harmony's \$3 billion enterprise value, and we do not believe that this opportunity is priced into the shares. The most liberal calculation of reserves puts Harmony's total reserves at 138 million gold and gold equivalent ounces. This values the reserves at 276 billion or over \$400 per share.

The current outlook for gold remains strong. Gold demand is dominated by jewelry consumption, central banks and investor buying of coins and bars with jewelry usually accounting for 50% of demand. The price of gold has continued to consolidate at around \$2,000 since August of 2020 which is bullish because it is consolidating around the historical high. We consider the [World Gold Council](#) to be the premier source of short-term supply and demand information. We note that central bank buying is considered to be strong this year with [China leading](#) the buying and although mine production reached an all time 3<sup>rd</sup> quarter high demand and price has kept pace.

Our buy of Harmony is based on the improved [3<sup>rd</sup> quarter financial report](#), the debt reduction to 0, strong reserves and the prospects of the Wafi-Golpu copper-gold project. We also note that HMY is the world leader in tailings mining, which is highly profitable and opens up new possibilities for the company. Our price target of \$10 is based on 10 X 2024 projected earnings and 5.4 X our 2024 projected EBITDA.

### COMPANY STATS & PROJECTIONS \$

Shares Out	618 mm
Equity Market Cap	3,560 mm
Total Debt	0 mm
2024 Equity Div Projection	13 cents (2.2%)
2024 Revenues Est.	3,329 mm
2024 Cash Flow - Capex	311 mm
Cash Flow Yield	<b>8.7%</b>
Enterprise Value	3,410 mm
EBITDA (2024 Est.)	1,006 mm
EV/EBITDA (2024 Est.)	3.4 X
Dividend coverage	400%
<b>2024 PE Ratio</b>	<b>6.3 X</b>
Net Debt/EBITDA	<b>NA</b>
2024 GAAP EPS Est.	.92
2025 GAAP EPS Est	1.03
2026 GAAP EPS Est	1.07
2025 Dividend est.	.15 (2.60%)
Total Reserves*	138 mm oz.
Total Reserves Value	276 bil.

### HMY INVESTOR RELATIONS



# SMART YIELD

Income Fund

## BROXTON CAPITAL ADVISORS HMY as of 6/30/2023

Saturday, November 25, 2023

share price \$5.76

**PROJECTIONS IN MMs (fiscal)** 2024 2025 2026

### Income Statement

Revenue	\$3,329	\$3,429	\$3,532
Gross Profit	881	943	971
Operating Income	766	877	904
Pre-Tax Income	741	832	859
Net Income	571	640	661
EPS	\$0.92	\$1.03	\$1.07

**Non-GAAP EPS** \$0.95 \$1.07 \$1.10

Revenue growth 20% 3% 3%

**EBITDA** \$1,006 \$1,147 \$1,174

Interest Exp 25 45 45

Capitalized Expense 500 500 500

Cash Flow 811 910 931

Equity Dividends 78 103 108

**Cash Flow Dividend Coverage** 400% 400% 400%

Cash Flow after capex 311 410 431

**Retained Cash Flow Sum** 383 691 1,014

### Valuations

Cash Flow Yield Vs. Equity 8.7% 11.5% 12.1%

**EV/EBITDA** 3.4 3.0 2.9

P.E Ratio 6.3 5.6 5.4

Enterprise Value 3,410

Net Total Debt -150

Equity Market Cap 3,560 3,560 3,560

### Debt Ratios

EBITDA/Interest Coverage ratio NA NA NA

**Net Debt/EBITDA** NA NA NA

### Liquidity

jun. 30 2023

Cash & Marketable Sec 150

Borrowing Availability est. 500 +

Total Current Assets 460

Total CurrentLiabilities 362

Current Ratio 127%

### Debt

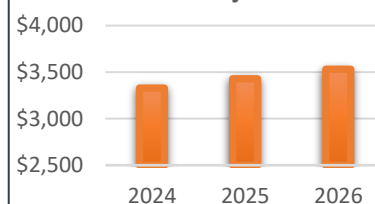
Borrowings \$0

Borrowings Net -\$150

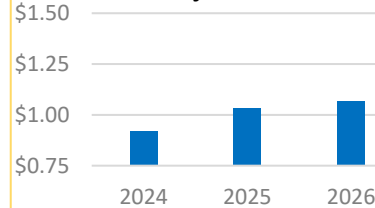
NOTES:

Harmony fiscal year begins on July 1. Total Reserves\* the most liberal estimate of reserves

### Revenue Projection



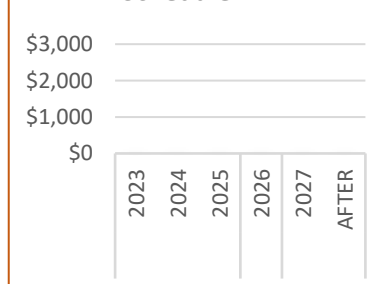
### EPS Projection



### EBITDA / Int. Coverage



### Debt Amortization Schedule in MM



**Disclosures**

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. Targeted performance does not guarantee future results. 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