

Vox Royalty Corp. (TSXV:VOX)

Q2/21 Revenue: A Surprise To Be Sure, But A Welcome One

Financial Results

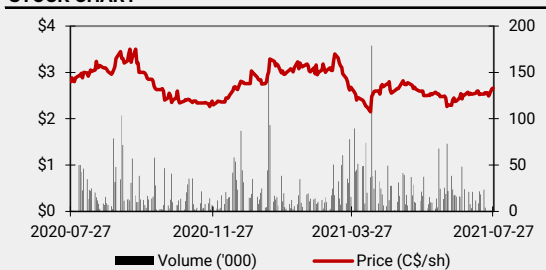
July 28, 2021

(Currency is C\$ unless noted otherwise)

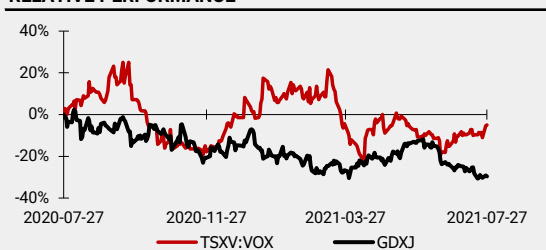
Closing Price (C\$/sh)	\$2.66
Rating	BUY
Target (C\$/sh)	\$5.20
Return to Target	95%
NAV (C\$/sh)	\$3.39
P/NAV	0.8x
52 Week Low / High (C\$/sh)	\$2.15 / \$3.60

CAPITALIZATION	Basic	Diluted	
Shares Outstanding (M)	40.2	40.5	
Market Capitalization (C\$M)		\$107.0	
Enterprise Value (C\$M)		\$93.8	
Last Reported Cash (C\$M)		\$13.2	
Debt (C\$M)		\$0.0	
FYE: DEC 31	2020A	2021E	2022E
Gross Revenue (US\$M)	\$0.1	\$3.1	\$7.3
EBITDA (US\$M)	-\$11.3	-\$0.2	\$4.3
CFPS (US\$/sh)	-\$0.07	-\$0.01	\$0.07
EPS (US\$/sh)	-\$0.63	-\$0.02	\$0.05

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION	EV/EBITDA 2023E	P/NAV
Vox Royalty Corp.	21.6x	0.8x
Royalty Peers*	23.7x	1.3x

* S&P Capital IQ Consensus

MAJOR SHAREHOLDERS

Management (15%)	
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DISCLOSURE CODE: 3,4

(Please refer to the disclosures listed on the back page)

Source: RCS estimates, Company Information, Capital IQ

Company Description

Vox is a high growth mining royalty and streaming company with a portfolio of at least 55 royalties and streams spanning nine jurisdictions. The company was established in 2014 and has since built unique intellectual property, a technically focused transactional team and a global sourcing network which has allowed it to become one of the fastest growing royalties company in the sector. Vox's portfolio is predominantly geared towards precious metals royalties. The company also has underlying exposure to a more diverse array of commodities, including base, battery, and bulk metals. Vox's portfolio spans four continents but is heavily weighted to Australia where >75% of its assets are located.

Impact: Very Positive

Vox Royalty announced preliminary quarterly royalty revenues for Q2/21. These results are outstanding and demonstrate record results that significantly exceeded our estimates, even as we had forecasted 20% ahead of its 2021 guidance. In addition, Vox revised its FY'21 royalty revenue guidance to over double what was previously anticipated. **We expect Vox's share price to materially re-rate on the back of this surprise news, on both the revenue beat and the substantial revenue guidance increase. As a result of the improved outlook for FY'21, we are increasing our target price for Vox to C\$5.20/sh (was C\$5.00/sh).**

- Record quarterly revenue.** Vox realized Q2/21 royalty revenue of ~C\$1.6M – a new record, representing a 143% QoQ increase, and a 182% increase on our estimates (RCS estimate of ~C\$580k). Quarterly revenues came from four paying royalties, up from three last quarter, with the addition of the inaugural payment from the recently acquired Janet Ivy royalty ([read more](#)). Q2/21 revenue also benefited from higher commodity prices and increased royalty-linked production from: 1) the Koolyanobbing iron ore mine operated by Mineral Resources (ASX:MIN, Not Rated), 2) the Hidden Secret Au deposit, part of Karora Resources' (TSX:KRR, BUY, C\$9.00 target, David A. Talbot) Higginsville Operations, and 3) the Brauna diamond project.
- Revenue guidance doubles.** Vox now expects FY'21 royalty revenue of C\$4M-\$5M, up from the C\$1.7M-\$2.5M that was previously anticipated ([read more](#)), and our previous forecast of C\$3M. Increased guidance is mainly attributable to: 1) higher royalty-linked production from Koolyanobbing, 2) first production from Segilola, anticipated for July 2021 ([read more](#)), and 3) continued production increases from Hidden Secret, covered by the Dry Creek royalty ([read more](#)). Revised guidance excludes the potential sale of two graphite royalties ([read more](#)), currently in the process of being divested. We expect Vox to have five paying royalties by the end of Q3/21, and six by year-end.
- Updating our model.** We have updated our model to reflect: 1) Q2/21 realized commodity prices, 2) current market prices for iron ore (US\$150/t), and 3) better throughput and grades from the Dry Creek royalty/Higginsville operations. As a result of these changes, we estimate revenue of ~C\$3.8M (~US\$2.9M) for FY'21, elevating our target to C\$5.20/sh (Figure 1). We suddenly find our forecast below the low end of guidance, having just been 20% above. Further adjustments to our model may be warranted when Q2/21 financials are released.

We maintain our BUY rating and are increasing our target price to C\$5.20/sh (was C\$5.00/sh). Our target is based on 1.6x our NAVPS estimate of C\$3.24 (was C\$3.12). Vox trades at a discount to its peers at 0.8x NAV and 21.6x 2023E EBITDA (peers at 1.3x and 23.7x, respectively) but as it moves towards becoming cash flow positive in 2022, we expect to see this valuation gap close. **Upcoming catalysts include:** 1) Q2/21 financial and operating results (Aug/21), 2) Sale of graphite royalties, and 3) ongoing royalty acquisitions.

Figure 1: RCS NAV Breakdown

NAV Breakdown				
	Discount Rate	NAV (C\$M)	NAV/Share	% of NAV
Bowdens- Ag-Zn-Pb (0.85% GRR), Australia	5.0%	\$10.8	\$0.27	8.3%
Pedra Branca - Pt-Pd-Au + Co-Cr-Ni-Cu (1% NSR), Brazil	5.0%	\$10.3	\$0.26	7.9%
British King - Au (1.5% NSR/5.25% Stream), Australia	5.0%	\$1.2	\$0.03	1.0%
Yellow Giant - Au-Ag (Silver Stream), Canada	5.0%	\$2.7	\$0.07	2.1%
Mt. Ida - Au (1.5% NSR), Australia	5.0%	\$2.5	\$0.06	1.9%
Lynn Lake - Au (2% Gross Proceeds), Canada	5.0%	\$5.8	\$0.14	4.5%
Ashburton - Au (1.75% NSR), Australia	5.0%	\$8.1	\$0.20	6.2%
Torrecillas - Au (2% NSR), Peru	5.0%	\$2.9	\$0.07	2.2%
Bulong - Au (1% NSR), Australia	5.0%	\$1.2	\$0.03	0.9%
Segilola - Au (1.5% NSR), Nigeria	5.0%	\$4.3	\$0.11	3.3%
Brauna - Diamonds (0.5% GSR), Brazil	5.0%	\$0.6	\$0.02	0.5%
Dry Creek - Au (Tonnage Royalty), Australia	5.0%	\$1.5	\$0.04	1.1%
Brits - V (1.75% GSR - capped as a Tonnage Royalty), South Africa	5.0%	\$11.0	\$0.27	8.4%
Sulphur Springs/Kangaroo Caves - Cu-Zn (Tonnage Royalty), Australia	5.0%	\$5.7	\$0.14	4.3%
Koolyanobbing - Iron Ore (2% NSR - 50% of production, Mineral Resources), Aust	5.0%	\$7.3	\$0.18	5.6%
Anthiby Well - Iron Ore (0.3% NSR), Australia	5.0%	\$14.2	\$0.35	10.9%
Graphmada - Graphite (2.5% GRR, Bass Metals Ltd), Madagascar	5.0%	\$0.0	\$0.00	0.0%
Uley - Graphite (1.5% GRR), Australia	5.0%	\$2.3	\$0.06	1.8%
Janet Ivy- Au (Tonnage Royalty), Australia	5.0%	\$4.5	\$0.11	3.4%
Railroad-Pinion - Au (0.633% NSR), Nevada	5.0%	\$4.9	\$0.12	3.8%
Other Assets	in-situ	\$47.0	\$1.17	36.0%
Corporate Adjustments	5.0%	(\$18.4)	(\$0.46)	-14.1%
Total		\$130.4	\$3.24	100%
Target		Value	Multiple	
5% NAVPS		\$3.24	1.60x	
Source: RCS Estimates			C\$5.19	

Source: RCS estimates

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Disclosure Statement

Updated June 27, 2021

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target C\$/sh	Status	%
2020-05-28	NA	NA	BUY	69%
2020-06-17	NA	NA	BUY (S)	25%
2020-06-30	NA	NA	HOLD	0%
2020-07-13	NA	NA	SELL / Tender	0%
2020-08-25	NA	NA	NA	5%
2020-09-02	BUY	4.75	Under Review	2%
2020-10-26	BUY	4.75		
2020-10-29	BUY	4.90		
2020-11-11	BUY	5.00		
2020-11-18	BUY	5.00		
2020-11-26	BUY	5.40		
2021-02-03	BUY	5.40		
2021-02-23	BUY	5.40		
2021-03-08	BUY	5.40		
2021-03-12	BUY	5.40		
2021-03-30	BUY	5.60		
2021-03-31	BUY	5.70		
2021-06-08	BUY	5.00		

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Company Name	Ticker Symbol	Disclosures
Vox Royalty Corp.	TSXV:VOX	3,4

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- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

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