

Macquarie Equity Research

29 September 2023



De Grey Mining

Outperform

DFS delivered and A\$300m raise launched

Key Points

- DEG recently announced the DFS for Hemi and launched a A\$300m equity raise that was priced at A\$1.05/sh.
- The DFS production and AISC metrics were largely in line with the PFS with capex stepping up 28% (while in line with our estimate) to A \$1,345m.
- First gold is now expected in 2HCY26 (~1-year later than we expected) with DEG targeting funding completion in midCY24, ahead of an FID.

• **DFS delivered:** DEG recently released a Definitive Feasibility Study (DFS) for Hemi which follows the Pre-Feasibility Study (PFS) that was released in September 2022. The DFS outlined broadly similar production metrics to the PFS, which our prior outlook was largely based on. DFS production over the first 5-years is estimated to be 553kozpa and 530kozpa over the first 10-years. AISC for the first 5-years is expected to be A\$1,229/oz and A\$1,295/oz for the first 10-years.

• **Capex step as expected:** Pre-production capital of A\$1,345m (inc. A \$47m pre-strip and A\$162m in contingency) was up 28% from the PFS estimate of A\$1,053m (inc. 100m in contingency and A\$68m in pre-strip) while being in line with our estimate of A\$1,350m

• **A\$300m equity raise launched:** DEG has also launched a fully-underwritten A\$300m equity raise over two tranches. Tranche 1 (A\$246m) will utilise the company's placement capacity while Tranche 2 (A\$54m) will be subject to shareholder approval. The raise will be priced a A\$1.05/sh (5.8% discount to previous close) and will see DEG's total shares on issue lift by 18% (~286m more shares on issue). Uses for the raise include the ordering of long-lead items, exploration drilling, early works and engineering, contracting and approvals.

Earnings changes: Incorporating the A\$300m capital raise, FY23 result, pushing back first gold 1-year and closely aligning our production outlook to the DFS sees our EPS estimates in FY24/FY25/FY27/FY28/FY29/FY30 change -127%/+75%/-28%/+9/-15%/-31%.

Valuation: Pushing back first gold 1-year and the increased dilution is the primary driver behind a 10% target price to A\$1.80/sh, which is derived using a 1.1x NAV methodology (unchanged).

Catalyst: DEG will release an updated resource (for drilling completed since the last resource's March 7 data cut-off) in late-CY23. Completion of Mallina's funding also remains important leading to a mid-CY24 FID.

Investment Thesis and Recommendation

Outperform. Hemi's DFS was largely in line with the PFS while the step-up in pre-production capital was expected. While the A\$300m raise adds dilution the decision to (for now) concentrate on Hemi reduces delivery risk, in our view, while also retaining future upside from the regional deposits.

Metals & Mining Australia



**Andrew
Bowler**



**Jon
Scholtz**



**Adam
Baker**



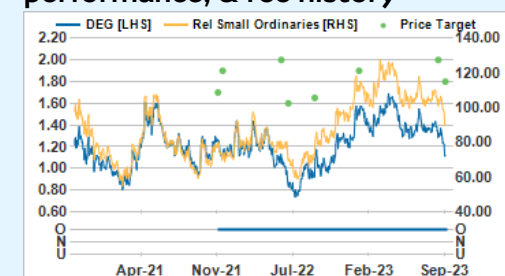
**Austin
Yun, CFA**

DEG AU	Outperform
Price (at 29 Sep 2023)	AUD1.11
12-month target	AUD1.80
12 month TSR (%)	61.4
Volatility Index	High
Market Cap (Local) (m)	1,571
Market Cap (USD) (m)	1,007
30-day avg turnover (AUD)(m)	4.4

Investment Fundamentals

Year end 30 Jun	2023E	2024E	2025E	2026E
Revenue (m)	0.0	0.0	0.0	0.0
EBITDA (m)	(19.2)	(8.2)	(8.5)	(8.3)
EBITDA growth (%)	(113.4)	57.3	(4.0)	2.4
EBIT (m)	(21.5)	(8.2)	(16.3)	(13.5)
EBIT growth (%)	(102.3)	61.9	(98.6)	17.3
Reported profit (m)	(19.0)	(5.7)	(10.1)	(35.6)
Adjusted profit (m)	(17.6)	(5.7)	(10.1)	(35.6)
EPS adj (€)	(1.2)	(0.3)	(0.4)	(1.5)
EPS adj growth (%)	(51.1)	72.2	(32.3)	(251.6)
PER adj (x)	NM	NM	NM	NM
PER rel (x)	NM	NM	NM	NM
Total DPS (€)	0.0	0.0	0.0	0.0
Total DPS growth (%)	0.0	0.0	0.0	0.0
Total div yield (%)	0.0	0.0	0.0	0.0
Franking (%)	NM	NM	NM	NM
ROA (%)	(5.7)	(1.4)	(1.6)	(0.9)
ROE (%)	(5.0)	(1.0)	(1.1)	(3.0)
EV/EBITDA (x)	(82.3)	(237.7)	(296.9)	(304.1)
Net debt/equity (x)	(26.7)	(43.9)	(42.0)	28.4
P/BV (x)	4.1	2.9	2.2	2.2

DEG AU rel Small Ordinaries performance, & rec history

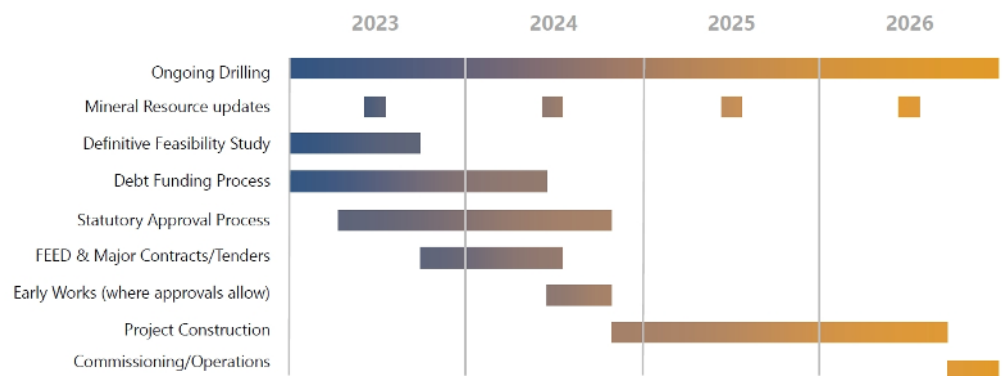


Source: FactSet, Macquarie Research, Sep 2023 (all figures in AUD unless noted, TP in AUD)

DFS delivers similar metrics to the PFS

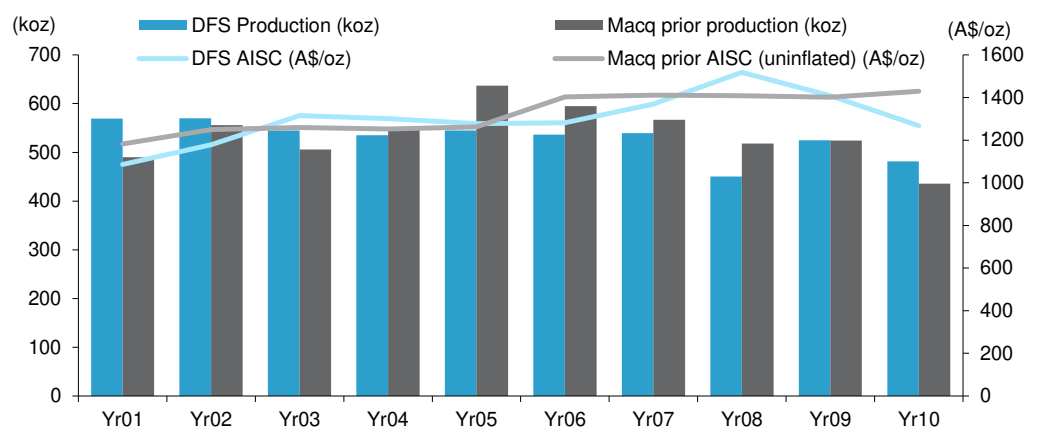
- DEG recently released a Definitive Feasibility Study (DFS) for Hemi which follows the Pre-Fesability Study (PFS) that was release in September 2022. The DFS outlined broadly similar production metrics to the PFS, which our prior outlook was largely based on. The company noted that the board endorsed the outcomes of the DFS and has approved:
 - ⇒ Ordering of long-lead items on critical path
 - ⇒ Continuing to refine project execution plan
 - ⇒ Detailed engineering and design
 - ⇒ Refining of the contracting strategy
 - ⇒ Advancing major project tenders
 - ⇒ Concluding project financing including credit approved terms from prospective lenders
- The delivery of the DFS saw Hemi's reserves also lift by 0.9Moz to 121Mt at 1.5g/t for 6.0Moz. Importantly, The DFS was compiled using a 12-year evaluation period with 99% of assumed mining inventory drawn from reserves, compared to the 80% of inventory being from reserves in the PFS.
- We note that DEG now expects first production from Hemi in 2HCY26, which was ~1-year later than both DEG's prior commentary and our previous expectation.

Figure 1 - Conceptual project schedule



Source: DEG, September 2023.

Figure 2 - DFS first 10yr outlook vs Macq prior estimates



Source: DEG, Macquarie Research, September 2023

- Pre-production capital of A\$1,345m (inc. A\$47m pre-strip and A\$162m in contingency) was up 28% from the PFS estimate of A\$1,053m (inc. 100m in contingency and A\$68m in pre-strip) while being in line with our estimate of A\$1,350m. The company noted that this increase over the PFS was in line with general inflationary pressures seen across the sector.

- DFS production is expected to average 530kozpa over the first 10-years and 553kozpa for the first 5-years which compares to the PFS respective estimates of 540kozpa and 550kozpa. AISC estimates for the first 10-years and first 5-years were both only 1% higher than the respective PFS estimates at A\$1,295 and A\$1,229/oz.
- DEG management commented that the relatively small lift in AISC compared to the PFS was due to many factors which included:
 - ⇒ Some inflationary impacts already being captured in the PFS
 - ⇒ Scheduling efficiencies
 - ⇒ Lower reagent consumption (particularly lime due to accounting for levels of carbonate in the ore feed) and,
 - ⇒ Removal of the higher-cost regional deposits (trucking and higher strip) from the mine plan.

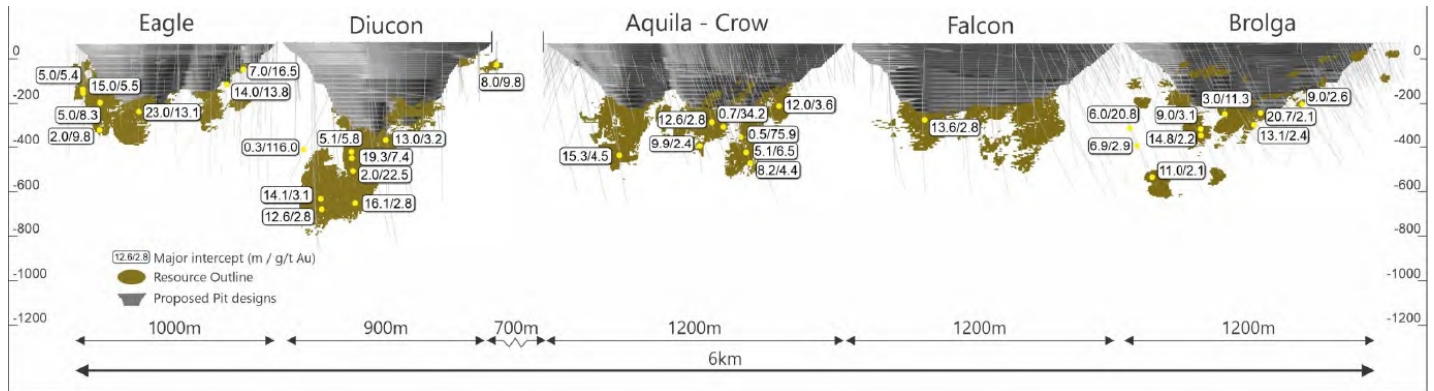
Figure 3 - Hemi key metrics - PFS vs DFS v Macq outlook

Metric	PFS	DFS	Study Diff	Macq case	Macq to DFS diff
Production sources	Hemi & regional	Hemi only	-	Hemi only	-
Evaluation period/ Macq assumed life	13.6	12.0	-12%	17.3	44%
Mining inventory - Tonnes (Mt)	136	122	-10%	171	40%
Mining inventory - Grade (g/t)	1.6	1.5	-6%	1.5	-3%
Mining inventory - Ounces (Moz)	6.8	6.1	-11%	8.0	31%
Pre-production capital (A\$m)	1,053	1,345	28%	1,350	0%
Plant throughput (Mtpa)	10	10	0%	10	0%
Processing recoveries (%)	93.6	93.5	0%	93.5	0%
Production - LOM (Moz)	6.4	5.7	-11%	7.5	32%
First gold	2HCY25	2HCY26	+1yr	2HCY26	-
Prod. rate - year 1-5 (kozpa)	550	553	1%	547	-1%
Prod. rate - year 1-10 (kozpa)	540	530	-2%	535	1%
Real AISC - year 1-5 (A\$/oz)	1,220	1,229	1%	1,294	5%
Real AISC - year 1-10 (A\$/oz)	1,280	1,295	1%	1,337	3%

Source: DEG, Macquarie Research, September 2023

- Importantly, the DFS only considers mining inventory from the Main Hemi area while the PFS included inventory from Hemi and the regional deposits. The consolidation of production sources back to just Hemi reduces project delivery risk, in our view, via a simplified strategy while also retaining future upside potential from the regional deposits.
- For example, DEG will consider the potential for a regional concentrator at the Withnell (1.7Moz or resources) regional deposit (not in our base case) which has an initial production target of 150kozpa.
- DEG has cited many areas of potential upside to the DFS including:
 - ⇒ Potential to increase the Diucon and Eagle pits based on drill extensions after the DFS data cut-off.
 - ⇒ Opportunity for a regional concentrator at Withnell running concurrently with Hemi (targeting 150kozpa production - not in our base case).
 - ⇒ Potential for a concurrent underground operation (not in our base case) noting ~1Moz of resource currently below the 390m in depth.
 - ⇒ Potential to improve throughput beyond the 10Mtpa nameplate.
 - ⇒ Mine life additions due to near mine resource extensions or new discoveries.
- We note that, while not in our base case, the regional processing scenario as well as the potential for an underground at Hemi could both extend mine life and boost production in a meaningful way.

Figure 4 - Long section showing the underground potential of the Hemi deposits.

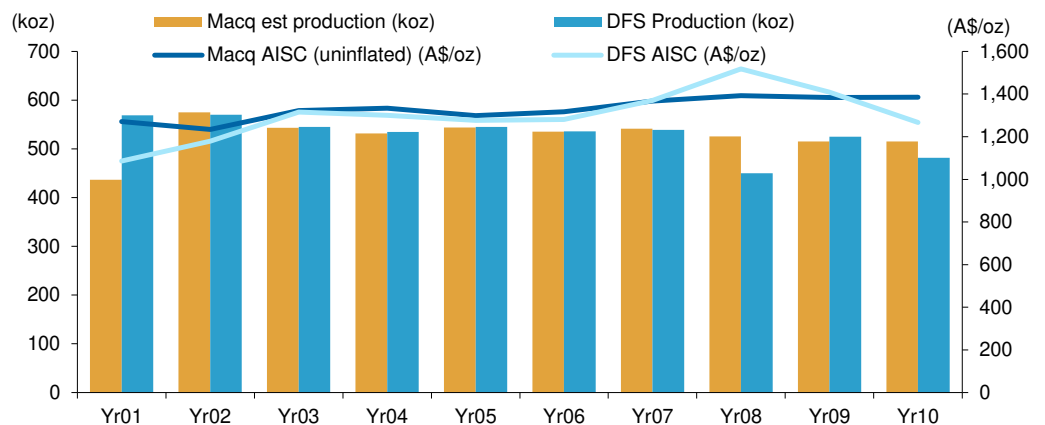


Source: DEG, September 2023.

Aligning our 10-year outlook with the DFS

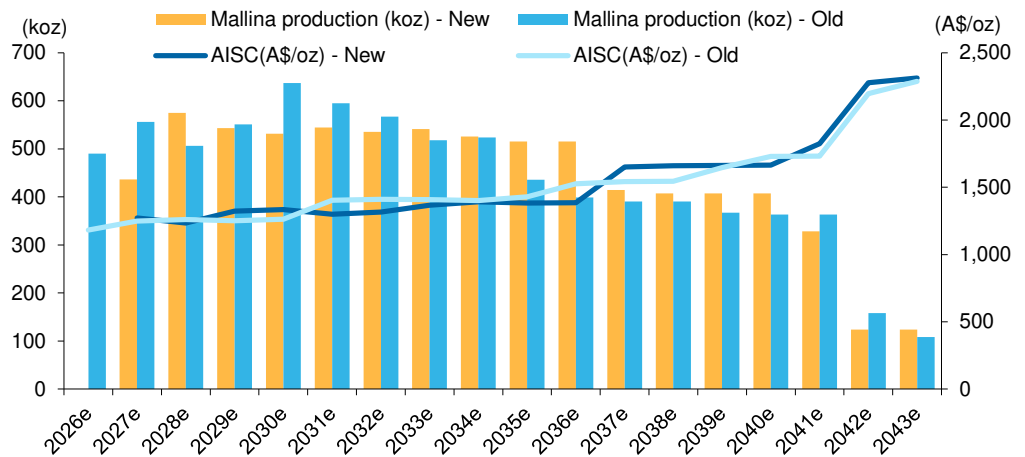
- We push back our expectation of first gold at Hemi 1-year to 2HCY26. We retain our A \$1,350m pre-production capital estimate for Hemi while we also retain our expectation of ~A\$77m of additional working capital requirements via a ~3-month pre-production operation period.

Figure 5 - DFS first 10yr outlook vs Macq estimates



Source: DEG, Macquarie Research, September 2023

- We closely align our production outlook for Hemi with the DFS for the first 10-years of production while assuming a more conservative first year of production and assume a dip in the DFS year 8 production outlook is filled.
- Beyond 10-years we then assume an additional ~6-years in mine life due to the large resource base not in the DFS mining inventory as well as the strong prospect of further resource extension.
- Our outlook now excludes inventory from the regional deposits (including the prospective 150kozpa regional processing hub) and still excludes an underground production scenario at Hemi. In our view, these prospective projects could present production and mine life upside to our base case.

Figure 6 - Changes to our production and AISC outlook at Hemi

Source: DEG, Macquarie Research, September 2023

A\$300m equity raise

- DEG has also launched a fully-underwritten A\$300m equity raise over two tranches. Tranche 1 (A\$246m) will utilise the company's placement capacity while Tranche 2 (A\$54m) will be subject to shareholder approval. The raise will be priced at A\$1.05/sh (5.8% discount to previous close) and will see DEG's total shares on issue lift by 18% (~286m more shares on issue). Following the raise DEG expects to have a pro-forma cash balance of ~A\$384m which includes existing cash of A\$84m reported at the end of August 2023. Uses of the funds as cited by DEG are outlined in the table below.

Uses of funds from the A\$300m equity raise

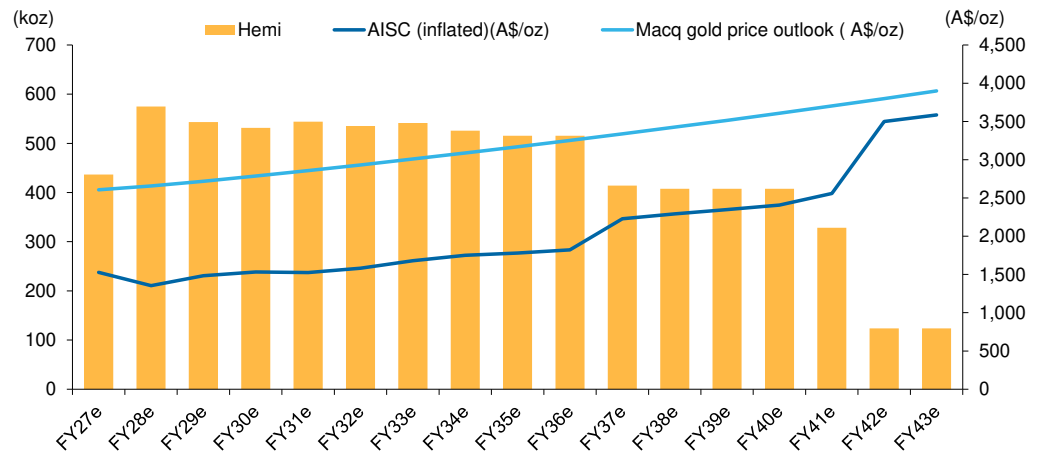
Uses of Funds	A\$m
Finalise Engineering, Contracting and Approvals	30
Long-Lead Items	116
Early Works (where approvals allow)	38
Exploration	54
General Working Capital and Placement Costs	146
Total Uses	384

Source: DEG, September 2023.

We assume A\$1,350m in funding remains

- DEG commented that it has not decided on a final project financing package, including the prospective split between debt and equity. DEG plans to complete project financing activities in mid-CY24 ahead of an FID.
- With first gold ~3-years away (we assume ~A\$150m in exploration spending in this period) we expect DEG will require A\$1,350m in additional funding to comfortably deliver Hemi, continue exploration activities and cover corporate costs.
- We retain our expectation of a notional A\$800m debt facility to partially fund Mallina noting that DEG received indicative term sheets earlier in CY23 which indicated a debt funding capacity of '~A\$800m'. DEG notes that the detailed DFS outcome will be provided to a short-list of debt providers to facilitate final term sheets and structuring of a project financing package.
- We assume the remaining A\$550m in funding comes from an equity raise priced at A\$1.05/sh, in line with the recently launched A\$300m raise.

Figure 8 - DEG's production and AISC outlook



Source: DEG, Macquarie Research, September 2023

Earnings and target price revision

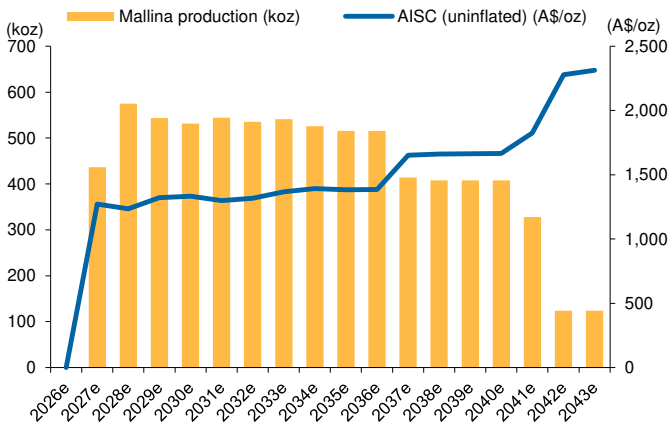
- Incorporating the A\$300m capital raise, FY23 result, pushing back first gold 1-year and closely aligning our production outlook to the DFS sees our EPS estimates in FY24/FY25/FY27/FY28/FY29/FY30 change -127%/+75%/-28%/+9%/-15%/-31% with FY24-FY26 being pre-production years. FY26 moves from a profit to a loss. Pushing back first gold 1-year and the increased dilution from the capital raise is the primary driver behind a 10% target price to A\$1.80/sh.

Figure 9 - DEG EPS and target price revisions

	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	Target price (A\$/sh)
EPS (A¢/sh) - old	(0.1)	(1.7)	16.4	18.4	17.2	20.0	24.7	2.00
EPS (A¢/sh) - New	(0.3)	(0.4)	(1.5)	13.2	18.7	17.0	17.0	1.80
Change	-127%	75%	nmf	-28%	9%	-15%	-31%	-10%

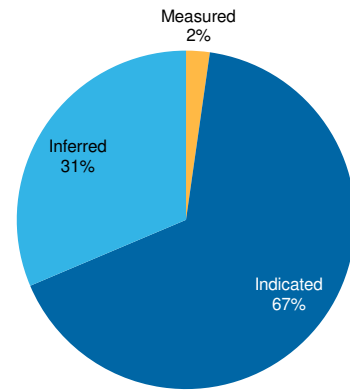
Source: DEG, Macquarie Research, September 2023

Figure 10 - DEG production and AISC outlook



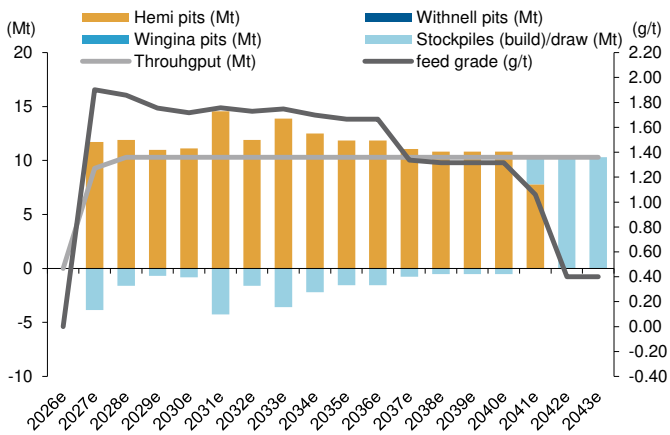
Source: DEG, Macquarie Research, September 2023

Figure 11 - Mallina resource breakdown



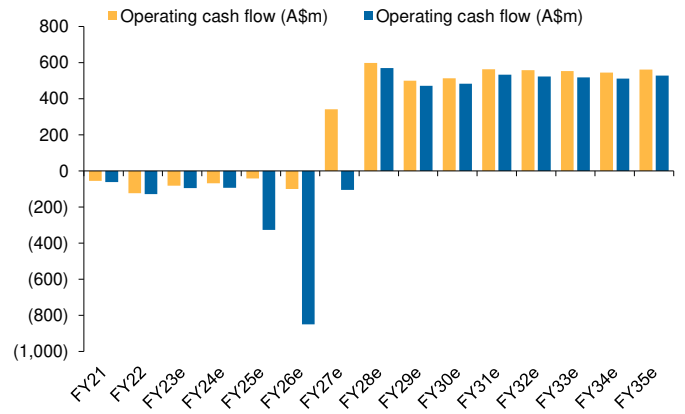
Source: DEG, Macquarie Research, September 2023

Figure 12 - Ore source breakdown and grade profile



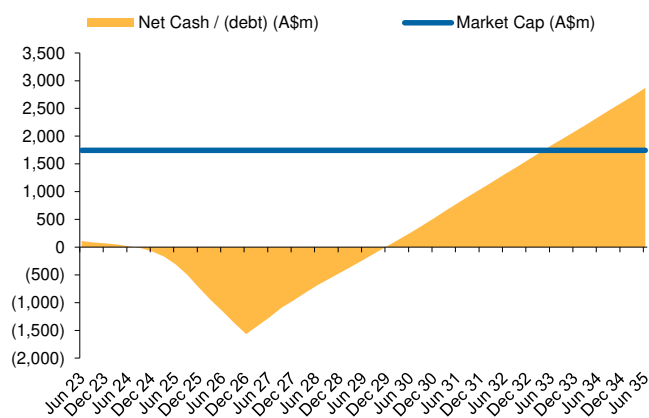
Source: DEG, Macquarie Research, September 2023

Figure 13 - DEG cash flow outlook



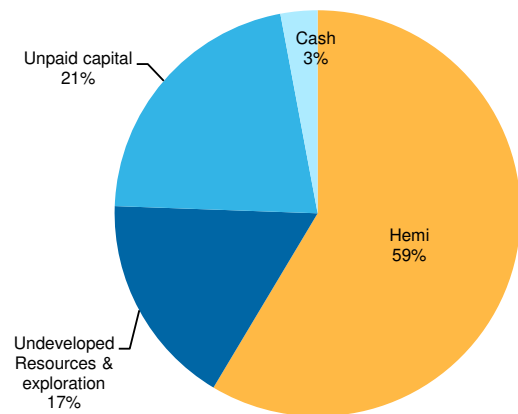
Source: DEG, Macquarie Research, September 2023

Figure 14 - Net cash build vs market cap



Source: DEG, Macquarie Research, September 2023

Figure 15 - DEG NPV breakdown



Source: DEG, Macquarie Research, September 2023

Figure 16 - DEG model summary

De Grey Mining																
ASX: DEG	Price: (A\$ps)	1.12						Year end: Jun	Rating: Outperform	Up/dn	TSR					
	Mkt cap: (A\$m)	1,745						Diluted shares (m)	1565.1	Target: 1.80	61%					
ASSUMPTIONS								ATTRIBUTABLE MINE OUTPUT								
Exchange Rate	A\$/US\$	FY22	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY22	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	
Spot Gold	(US\$/oz)	1,834	1,832	2,001	1,938	1,825	1,825	1,855	Gold production (equ)							
									Hemi	(koz)	-	-	-	-	436	575
									Total	(koz)	-	-	-	-	436	575
RATIO ANALYSIS								Cash costs								
Diluted share capital	m	1,369.7	1,516.6	1,850.8	2,374.6	2,374.6	2,374.6	2,374.6	C1 Cash cost (inflated)	(A\$/oz)	-	-	-	-	1,404	1,228
EPS (diluted and pre sig. items)	A¢	-0.8	-1.2	-0.3	-0.4	-1.5	13.2	18.7	AISC (inflated)	(A\$/oz)	-	-	-	-	1,528	1,354
P/E	x	nm	nm	nm	nm	-74.3x	8.4x	6.0x	EV/Production	(A\$/oz)	-	-	-	-	7,081	4,386
CFPS	A¢	(9.1)	(5.4)	(3.7)	(1.7)	(4.2)	14.4	25.2	OPERATIONAL OUTLOOK							
P/CF	x	-12.3x	-20.8x	-30.3x	-64.3x	-26.3x	7.7x	4.4x								
DPS	A¢	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%								
Franking Level	%	0%	0%	0%	0%	0%	0%	0%								
Book value per share	x	0.21	0.27	0.38	0.51	0.50	0.63	0.82								
P/Book value	x	5.3x	4.1x	2.9x	2.2x	2.2x	1.8x	1.4x								
R.O.E. (pre sig items)	%	-4%	-4%	-1%	-1%	-3%	21%	23%								
R.O.A. (pre sig items)	%	-3%	-5%	-1%	-1%	-1%	20%	28%								
Interest Cover	x	105.0x	5.5x	3.3x	2.6x	-0.6x	9.2x	23.2x								
EBITDA per share	A\$ps	-0.01	-0.01	0.00	-0.01	-0.01	0.22	0.32								
EV/EBITDA	x	nm	nm	nm	nm	-154.6x	4.2x	2.1x								
Free cash flow yield	%	(7%)	(5%)	(5%)	(19%)	(49%)	(6%)	33%								
EARNINGS								MINING INVENTORY								
Sales Revenue	A\$m	0	0	0	0	0	1,072	1,527	Macq Mining Inventory							
Other Revenue	A\$m	1	0	0	0	0	0	0	Deposit							
Total Revenue	A\$m	1	0	0	0	0	1072	1527	Hemi	Mt	g/t	Moz				
Operating Costs	A\$m	0	0	0	0	0	(535)	(744)	Withnell	-	-	-				
Operational EBITDA	A\$m	1	0	0	0	0	537	783	Wingina	-	-	-				
Exploration Expense/Write-offs	A\$m	0	0	0	(8)	(5)	(4)	(4)	Total Mining Inventory	171	1.5	8.0				
Corporate & Other Costs	A\$m	(10)	(19)	(8)	(9)	(8)	(9)	(9)	RESERVES AND RESOURCES (ATTRIBUTABLE)							
EBITDA	A\$m	(9)	(19)	(8)	(16)	(13)	525	770	Reserves							
D&A	A\$m	(2)	(2)	0	0	0	(77)	(108)	Project							
EBIT	A\$m	(11)	(22)	(8)	(16)	(13)	447	662	Hemi	Mt	g/t	Moz				
Net Interest	A\$m	0	4	3	6	(22)	(49)	(28)	Withnell	120.8	1.5	6.0				
Profit Before Tax	A\$m	(11)	(18)	(6)	(10)	(36)	398	633	Wingina	-	-	-				
Tax Expense	A\$m	0	0	0	0	0	(85)	(190)	Total reserves	121	1.5	6.0				
Minorities	A\$m	0	0	0	0	0	0	0	Resources							
Adjusted NPAT	A\$m	(11)	(18)	(6)	(10)	(36)	314	443	Project							
Significant Items (post tax)	A\$m	0	(1)	0	0	0	0	0	Hemi	237	1.3	9.5				
Reported NPAT	A\$m	(11)	(19)	(6)	(10)	(36)	314	443	Withnell	30	1.8	1.7				
CASHFLOW								Wingina								
Net Profit	A\$m	(11)	(19)	(6)	(10)	(36)	314	443	Total Resources							
Interest/Tax/D&A	A\$m	(117)	(66)	(62)	(31)	(22)	139	160	278							
Working Capital/Other	A\$m	3	3	0	0	(43)	(110)	(5)	EV/Reserve (A\$/oz) 280							
Net Operating Cashflow	A\$m	(124)	(81)	(68)	(41)	(101)	342	598	EV/Resource (A\$/oz) 143							
Capex	A\$m	(4)	(3)	(25)	(286)	(750)	(447)	(29)								
Investments	A\$m	0	(10)	0	0	0	0	0								
Sale of PPE and Other	A\$m	0	0	0	0	0	0	0								
Free cash flow	A\$m	(128)	(94)	(93)	(327)	(851)	(106)	569								
Dividends Paid	A\$m	0	0	0	0	0	0	0								
Debt	A\$m	(0)	(0)	0	0	650	(50)	(400)								
Equity Issuance	A\$m	121	144	290	532	0	0	0								
Other	A\$m	0	0	0	0	0	0	0								
Net Financing Cashflow	A\$m	120	144	290	532	650	(50)	(400)								
Net change in cash	A\$m	(7)	49	197	205	(201)	(156)	169								
BALANCE SHEET								EQUITY DCF VALUATION								
Cash	A\$m	63	113	310	515	315	159	328	Spot prices		Macquarie forecasts					
PP&E & Mine Development	A\$m	9	11	36	322	1,071	1,441	1,362	Projects	A\$m	A\$ps	A\$m	A\$ps			
Exploration	A\$m	234	308	370	401	432	554	560	Hemi	4,043	1.70	2,242	0.94			
Total Assets	A\$m	312	446	742	1,264	1,872	2,269	2,370	Undeveloped Resources & exploration	697	0.29	650	0.27			
Debt	A\$m	2	2	2	2	652	602	202	Unpaid capital	822	0.35	822	0.35			
Total Liabilities	A\$m	23	30	42	41	685	768	427	Forwards/hedging	0	0.00	0	0.00			
Total Net Assets / Equity	A\$m	288	416	701	1,223	1,187	1,501	1,944	Corporate	(75)	(0.03)	(75)	(0.03)			
Net Debt / (Cash)	A\$m	(62)	(111)	(308)	(513)	337	443	(126)	NVO stake	9	0.00	9	0.00			
Gearing (net debt/(nd + equity))	%	(27%)	(36%)	(78%)	(72%)	22%	23%	(7%)	Cash	113	0.05	113	0.05			
Gearing (net debt/equity)	%	(21%)	(27%)	(44%)	(42%)	28%	30%	(6%)	Debt (inc. leases)	(2)	(0.00)	(2)	(0.00)			
									Net Equity Value (@ 5% WACC)	5,608	2.36	3,760	1.58			
									Price Target (1.1 x NAV)				1.80			
									P/NAV				0.70x			

Source: DEG, Macquarie Research, September 2023

Key Risks to Investment Thesis

- Movements in commodity prices and exchange rates present a significant risk to our earnings forecasts and valuation. We also make assumptions within our forecasts for production, capital expenditure, and operating costs in addition to exchange rates. Variances in these assumptions versus our base case present material risks both to the upside and downside to our earnings forecasts and valuation.

Company Description

De Grey Mining (DEG) is a gold exploration and development company that 100% owns the Mallina gold project in the Pilbara of Western Australia. Mallina is located within a 60 minute drive of Port Headland and close to existing iron ore operations in the Pilbara. DEG is focussed on developing a world-class mine at Mallina project which has a total gold resource of +11Moz.

Key Quant Pick

The quant model currently holds a reasonably negative view on De Grey Mining. The strongest style exposure is Earnings Momentum, indicating this stock has received earnings upgrades and is well liked by sell side analysts. The weakest style exposure is Profitability, indicating this stock is not efficiently converting investments to earnings; proxied by ratios like ROE or ROA.

Macquarie Alpha Model: Key rankings

The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

	Global	Market (Country)	Sector
	Whole Universe	Australia & NZ	Metals & Mining
Macquarie Alpha Model	13956/17579	320/385	511/666
Fundamental (Consensus) *	4279/17579	64/385	189/666

* based on Total Shareholder Return = Consensus Price target / Current Price

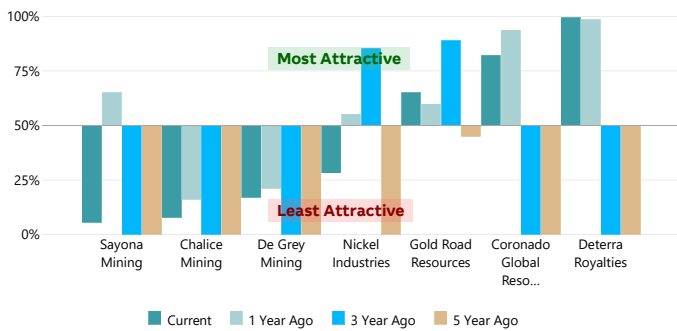
Alpha Model Decomposition

The Macquarie Alpha is decomposed into its sector and market relative factor & styles exposures (a higher/better percentile is coded in green, whilst lower in red).

Factors / Styles	Percentile relative to		Core factors in definition
	sectors (/666)	market (/385)	
ALPHA	23%	17%	See all the styles below
VALUE	9%	9%	Book, CF, Yield, Earnings Multiples
ANALYST	79%	57%	Revisions (Earnings, Recommendations)
MOMENTUM	41%	41%	Price Momentum
GROWTH	42%	48%	EPS, Sales (Forecast, Historic)
PROFITABILITY	14%	13%	ROE, Margin, Asset Turnover
QUALITY	12%	15%	Accruals, Earn Stability, Cash Conversion
CAPITAL	14%	17%	Investment/Capex, Net share issuance
LIQUIDITY	57%	31%	Size, Turnover, Analyst Coverage
RISK	62%	57%	Beta, Volatility, Earn.Cert, Leverage
TECHNICAL	98%	99%	MACD, RSI, Bollinger, Williams R, etc

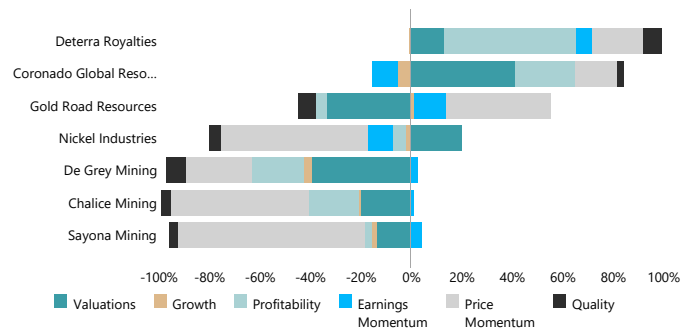
Current and Historical Alpha Model Rank

The chart shows the Macquarie Alpha model ranking against the company's peers and over recent history.



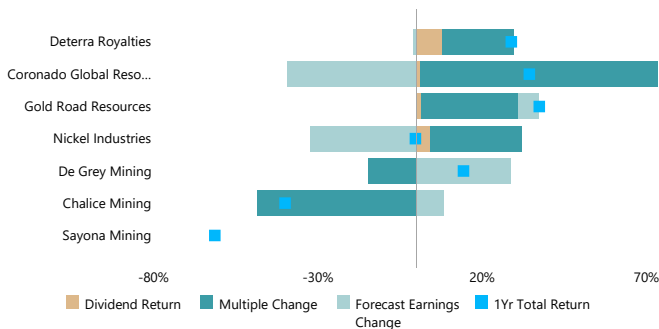
Factors driving the Alpha Model vs peers

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



Drivers of Stock Return

Breakdown of 1-year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



Macquarie Style Returns over last year

Recent performance to Macquarie style factors

Australia & NZ	Monthly Factor Long-Short Returns for												Last 5 Years (ann)	Last 10 Years (ann)
	Aug-23	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22		
ALPHA	-1%	-3%	2%	1%	-3%	0%	0%	-1%	-1%	-3%	0%	4%	-4%	-1%
VALUE	0%	1%	4%	3%	-3%	-5%	-1%	-2%	1%	2%	-2%	4%	3%	-2%
ANALYST	-1%	0%	-1%	-1%	0%	-1%	0%	0%	-3%	-5%	-3%	5%	8%	6%
MOMENTUM	3%	-4%	0%	-1%	-3%	1%	-4%	-4%	-2%	0%	-3%	2%	-1.3%	-3%
GROWTH	-2%	-1%	2%	5%	-2%	0%	-3%	-4%	0%	-6%	3%	-1%	-7%	-2%
PROFITABILITY	2%	-3%	6%	-1%	-4%	3%	-5%	4%	-3%	5%	-2%	4%	2%	2%
QUALITY	1%	-3%	1%	3%	-2%	-1%	0%	-2%	-1%	2%	-6%	0%	-1.0%	-8%
CAPITAL	-4%	-1%	1%	0%	-1%	4%	-3%	-2%	0%	1%	1%	-3%	0%	-1%
LIQUIDITY	1%	1%	0%	0%	0%	1%	-9%	0%	2%	4%	1%	2%	-1%	-1%
RISK	-2%	-2%	0%	3%	-1%	-4%	6%	-5%	0%	-2%	-3%	1%	1%	-1%
TECHNICAL	4%	-2%	0%	1%	3%	4%	1%	3%	-1%	8%	4%	0%	1.3%	10%

Source (all charts): FactSet, Refinitiv, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative Team: maccapequitiesresearchquantglobal@macquarie.com. Explanation for items on this page can be found at <https://www.macquarieinsights.com/rp/d/rp/OTUyMzg1>

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Recommendation definitions	Volatility index definition	Financial definitions
<p>Macquarie – Asia and USA Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie – Australia/New Zealand Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0%</p> <p>During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high – highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 25–40% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year. * Applicable to select stocks in Asia/Australia/NZ</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit /average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions for quarter ending 30 June 2023

	AU/NZ	Asia	USA	
Outperform	56.88%	63.90%	63.89%	(for global coverage by Macquarie, 2.58% of stocks followed are investment banking clients)
Neutral	36.88%	23.06%	33.33%	(for global coverage by Macquarie, 1.22% of stocks followed are investment banking clients)
Underperform	6.25%	13.04%	2.78%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

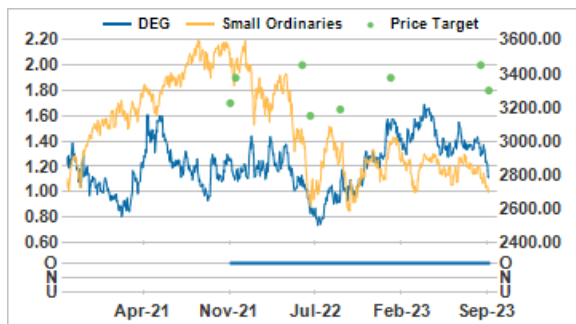
Company Name	Disclosure
De Grey Mining (DEG AU) Outperform 12-month target: AUD1.80 - 1.1 x sum-of-the-parts NAV Valuation: AUD 1.58 - DCF (WACC 5.0%, beta 0.4, ERP 5.0%, RFR 3.1%, TGR 2.6%) Price: AUD1.11	Macquarie Group Limited together with its affiliates owns a net long of 0.5% or more of the equity securities of De Grey Mining Ltd. Macquarie analyst(s) involved with the preparation of this research has, in the past 12 months, visited material operations of De Grey Mining Limited. The company furnished local transportation as part of this site visit, which was authorized in adherence with Macquarie policy requirements.

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Recommendation history

Company name	Date	Recommendation	Target price
De Grey Mining (DEG AU)	29-Sep-2023	Outperform	AUD 1.80
	8-Sep-2023	Outperform	AUD 2.00
	17-Jan-2023	Outperform	AUD 1.90
	8-Sep-2022	Outperform	AUD 1.65



22-Jun-2022	Outperform	AUD 1.60
1-Jun-2022	Outperform	AUD 2.00
10-Dec-2021	Outperform	AUD 1.90
26-Nov-2021	Outperform	AUD 1.70

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