

DRDGold flags an interim dividend after big sales leap

● Gold-recovery specialist says it is on track to reward shareholders

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Gold dump retreatment specialist DRDGold flagged a potential interim dividend as its sales jumped by more than half in its first quarter with the gold price topping R1m a kilogram.

DRDGold said on Tuesday its adjusted earnings before interest, tax, depreciation and amortisation (ebitda), which can be seen as a proxy for operating profit, more than doubled quarter on quarter to R770m after gold sales increased by 60%.

Ebitda is not a recognised metric in the International Financial Reporting Standards, but companies issue it as a way for investors to consider a company's liquidity. It is often used in a ratio with net debt to measure the ability to repay loans.

There was a wide gap between the R613.206/kg all-in cost of gold production and the received price of R1.03m per kg.

DRDGold, which now has two big gold recovery operations to the east and west of Johannesburg after a swap of shares for Sibanye-Stillwater's tailings dumps near Carletonville that added new source of gold for the retreatment specialist, which is one of the world's largest.

Gold output increased by 45% to 48,676oz in the September quarter compared to the three months to end-June. Gold sales grew by 60% to 48,934oz.

DRDGold, which is considering a large second-phase expansion of the tailings retreatment operation near Carletonville had R2bn of cash on its balance sheet, an increase of R300m from the June year-end. The company has no debt. "The cash generated during the current



Graphic: DOROTHY KGOSI Picture: BUSINESS DAY/MARTIN RHODES Source: BLOOMBERG

quarter will, inter alia, be applied towards the company's extended capital expenditure programme for the year ending 30 June 2021," DRDGold said.

"Despite the capital expenditure planned for the year, management positions the company favourably to, in the absence of unforeseen events, consider declaring an interim dividend in February 2021," it said.

This will be welcome news for Sibanye with its 50.1% stake in DRDGold and which took the lion's share of the R300m full-year dividend. In the 2020 finan-

cial year, DRDGold paid an interim dividend of 25c a share, a special dividend of 25c and a final dividend of 35c.

DRDGold shares are one of the best-performing gold counters on the JSE, increasing by 152% so far this year and giving the company a market capitalisation of R16.7bn.

The cost of the expansion of the Far West Gold Recoveries business is yet to be determined as management decides on the options available to DRDGold, including building a new 1.2-million tonnes a month process-

ing plant or doubling the existing plant to 1-million tonnes a month, with issues such as Eskom power supply a decider.

"It's one of the key considerations. Before we make a final decision, we will want the availability and reliability of power to be at a different level from where it is now. You can't spend so much money on a new plant and hope there will be power. You want an assurance on power," DRDGold CEO Niel Pretorius told Business Day earlier this year.

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