PSG Wealth

Harmony Gold

Materials

Company Update Report

Hold

Counter	Share price	Intrinsic value	Difference
HAR	R280	R267	-5%

As of 5 August 2025

Executive summary

In this report, we review Harmony Gold's most recent released statement on production, grade, and cost guidance for FY25. The information includes:

- Harmony Gold expects to meet FY25 guidance on production, grade, and costs.
- FY25 production expected between 1 400 000 and 1 500 000 ounces (in line with guidance).
- All-in-sustaining costs (AISC) to fall within R1 020 000/kg to R1 100 000/kg guidance range.
- Underground recovered grades will surpass guided 6g/t.
- Total capital expenditure will be slightly below the R10.8 billion guidance.
- Highlights for FY25 include:
    - Achieving or beating all guidance metrics for the 10th consecutive year.
    - Record interim dividend of R1.4 billion.
    - Potential acquisition of MAC Copper in Australia, which would add over 40 000 tonnes of annual copper production (pending conclusion in H2 2025).
    - On-time and on-budget completion of Mine Waste Solutions extension project (Phase 1).
    - MSCI ESG rating upgraded to BB (from B) in June 2025 due to sustainable mining practices.
- Strong operational free cash flows underpinned results and supported strategic objectives, including expanding into copper.
- Looking ahead to FY26:
    - Focused capital allocation to high-grade, high-quality, lower-risk assets.
    - Key projects include extensions at Hidden Valley, Moab Khotsong, and Mponeng.
    - Awaiting feasibility study conclusion for the Eva Copper project.
    - Continuing permitting for the Wafi-Golpu copper-gold project.
- FY25 year-end results presentation scheduled for 28 August 2025.

The gold price has stayed relatively steady within a defined range, with a high of approximately $3 450/oz and a low of $3 300/oz, since the previous report. The only significant development during this period was the announced potential acquisition of MAC Copper, an Australian mining company. As a result, we have raised the likelihood of a higher share price to reflect the anticipated impact of including MAC Copper in the portfolio of Harmony Gold.

Analyst thesis

Although Harmony is the most attractively valued among its South African gold producer peers (GFI and ANG), it also has the greatest exposure to South Africa, where electricity - despite being stable at present - has historically been unreliable and labour costs remain volatile. Harmony also faces higher operating costs compared to its peers, largely due to its reliance on underground mining. The company has already extracted much of its high-yield ore, and we anticipate that future production growth will be challenging as ore grades decline. Furthermore, Harmony has significantly outperformed its peers to date, but we believe this trend is unlikely to persist as previous tailwinds subside. To support long-term sustainability, Harmony is seeking opportunities to expand its operations.

Harmony Gold's acquisition of MAC Copper Limited and key transaction details

Harmony Gold (through its Australian subsidiary) acquired 100% of MAC Copper Limited ("MAC") at US$12.25 per share, valuing MAC at US$1.03 billion (~R18.4 billion).

Key transaction information:

- MAC is listed on the NYSE (MTAL) and ASX (MAC). Its sole asset is the CSA Copper Mine in New South Wales, Australia.
- The CSA mine produced approximately 41 000 tonnes of copper in 2024.
- The acquisition brings a high-quality, established, high-grade underground copper mine (CSA) into Harmony's portfolio, supporting margin improvement and free cash flow growth.
- The acquisitions align with Harmony's strategy to become a global, low-cost gold and copper producer through disciplined, value-accretive acquisitions.

Transaction Highlights:

- Diversifies Harmony's portfolio into a premium copper asset in Australia (a Tier 1 mining jurisdiction).
- CSA operated at a C1 cost of $1.92/lb and all-in sustaining cost of $2.92/lb in 2024, with a 36% operating cash flow margin.
- Transaction to deliver immediate cash flows and boost Harmony's presence in Australasia.
- CSA mine has over 12 years of reserve life and substantial exploration potential, including a new mining area (Merrin Mine) and zinc resource.
- Harmony could approach ~100ktpa copper production on Australia's East Coast within five years (combined with Eva Copper).

Financial & balance sheet aspects of Harmony Gold:

- Net debt/EBITDA expected to remain well below 1.0x post-acquisition.
- Harmony reported a net cash position of R10.8 billion ($592 Million) as of 31 March 2025.
- Transaction funded via a $1.25 billion bridge facility underwritten by Citibank, J.P. Morgan, and Macquarie, plus cash reserves.

Transaction Details:

- Offer price represents a 20.7% premium to MAC's last NYSE closing price and a 32.1% premium to the 30-day VWAP.
- Transaction to be affected by a Jersey Law Scheme of Arrangement; requires approval from MAC shareholders and regulatory bodies in Jersey, Australia, and South Africa.
- Major shareholders (holding 20%+ of MAC) and MAC directors (holding 2.4%) support the scheme in the absence of a better offer.

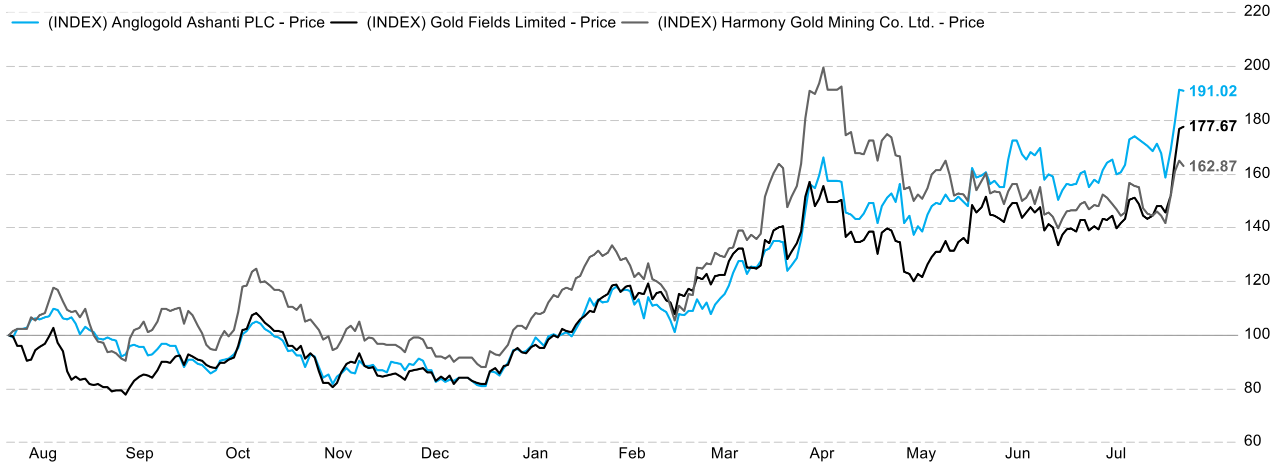
Financials of MAC:

- For 2024: MAC reported net assets of $555 Million, loss after tax of $82 Million, EBITDA of $168 Million and a 49% EBITDA margin.

Qualitative summary

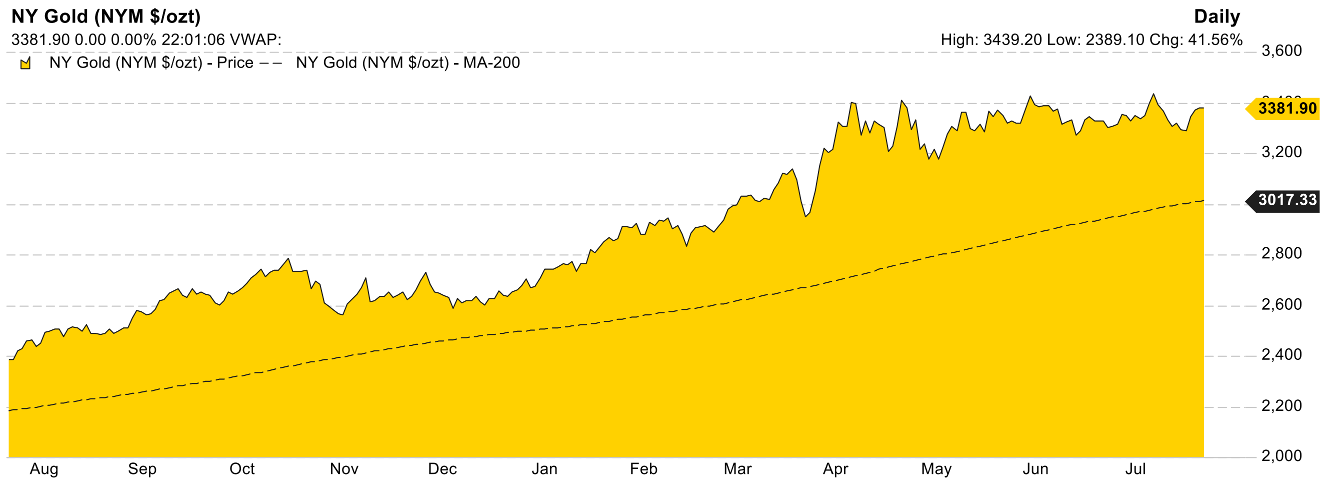
Factor review	Rating	Description
Growth		Expected 3-year sales CAGR of 16%. Expected 3-year earnings CAGR of 51%.
Valuation		Harmony is the most attractively priced gold producer compared to its three main rivals. It trades at a P:E of 13x with a forward P:E of 9.4x. On an EV/EBITDA multiple valuation, HAR is trading at a 5% premium.
Dividend yield		The forward dividend yield for Harmony Gold Mining Co. Ltd. is 3%.
Issuance		Harmony has previously issued shares to raise capital for M&A like in 2020 when it bought AngloGold's SA assets. The number of issued shares has increased for the past 20 years.
Catalyst		• EVA Copper project (Production expected by 2028). • Purchase of MAC Copper – To be completed in H2 2025. • Demand greater than supply, supporting higher prices. • Favourable FX movements.
Quality of earnings		As with other gold producers, Harmony's earnings are volatile and generally linked to factors outside of management's control, for example, the price of gold and the ZAR/USD exchange rate. Management does have some control over the cost of operations.
Moat		None
Management and governance		CEO Peter Steenkamp retired at the end of 2024. The new CEO is Beyers Nell, who has been with Harmony since 2003 and has 24 years of experience in the gold mining industry.
Balance sheet		Harmony has cash of roughly of R9.4 billion, total debt of R2.1 billion. Net cash is roughly R7.3 billion. The acquisition of MAC Copper will be funded through cash reserves and a bridge loan, which will cause the balance sheet to look different.
Risks		• Production delays caused by strikes, natural disasters and operational failures • Negative prices; adverse FX movements • Execution risk • Loadshedding
Regulation		Miners generally operate in highly regulated industries. Regulation is particularly high in South Africa, and Harmony has higher exposure to SA than its peers.
ESG		Harmony's ESG score is ranked average when compared to peer companies, but the industry's operations are not environmentally friendly and social risks affected by employee injury and health.
Momentum price		Price momentum is negative.
Momentum earnings		In the last three months, earnings for the next financial year have been revised upwards by 9.9%.
Piotroski F-Score		Piotroski F-Score for Harmony is seven.

Graph 1: ANG, GFI, and HAR 1-year performance



Source: FactSet

Graph 2: Gold price one year



Source: FactSet

Valuation

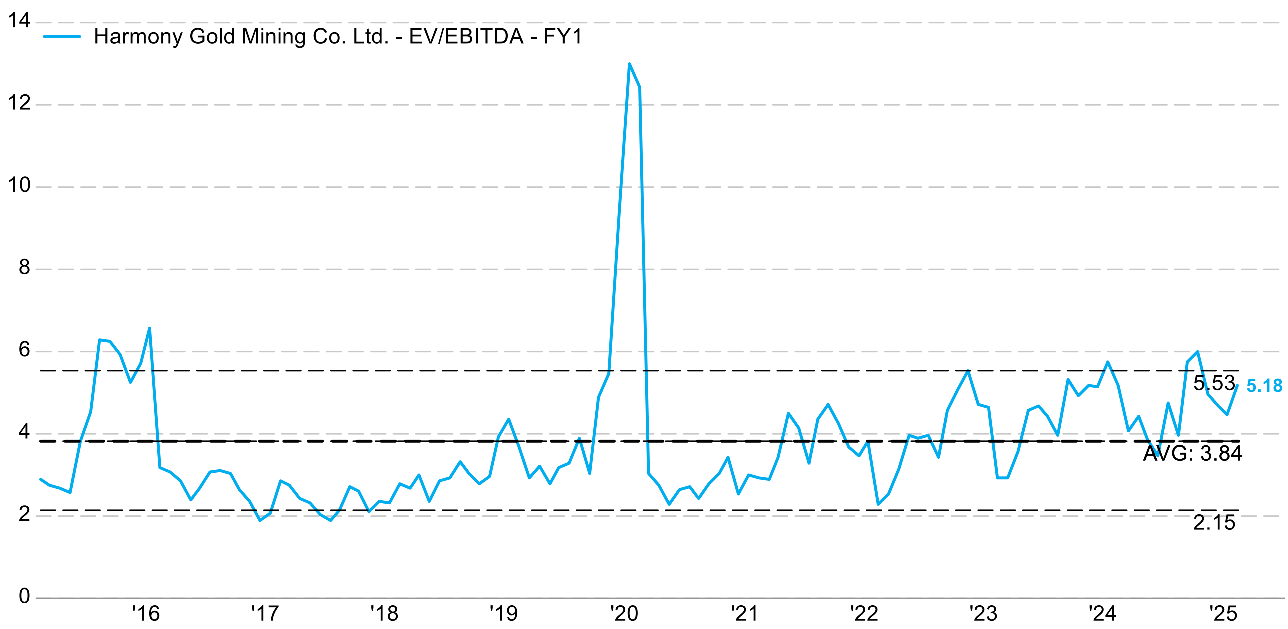
Our valuation of Harmony is based on an EV/EBITDA multiple model extending to FY29, incorporating the following key assumptions:

- a weighted average cost of capital (WACC) of 13.3%,
- a USD/ZAR exchange rate for FY25 of R17.80.
- The realised gold price for FY25 of $2 800/oz with a gradual increase into the future.
- We have used an EV/EBITDA multiple for the base case of 4x.

Table 1: Intrinsic value

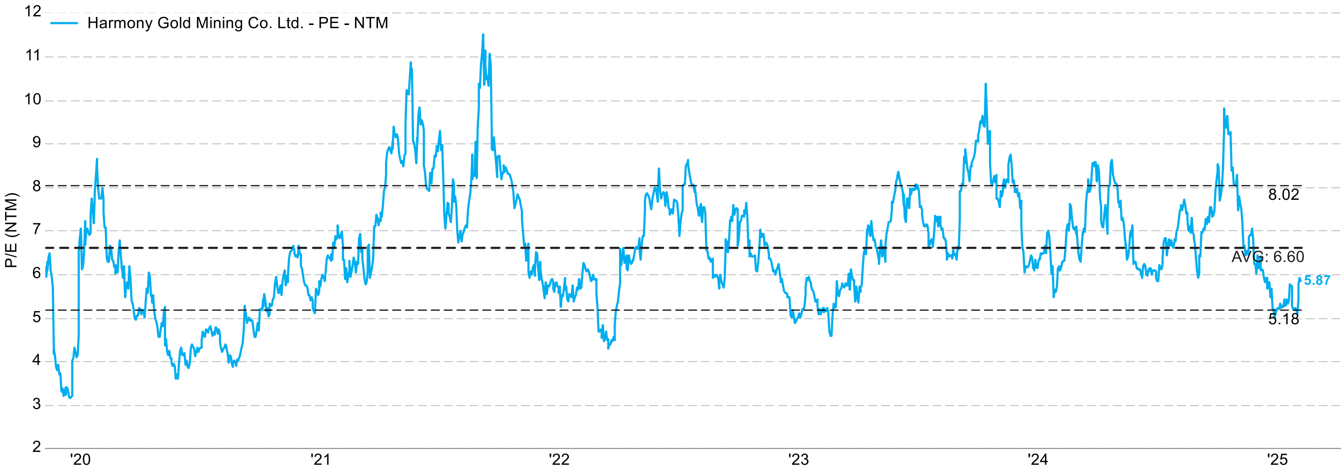
Valuation Probabilities			
	Bear	**Base**	**Bull**
Multiples	3x	4x	5x
Probability	10%	65%	25%
Intrinsic value per scenario	R215	R252	R327
Weighted intrinsic value			**R267**
Upside/(Downside)			**-5%**

Graph 3: EV/EBITDA history



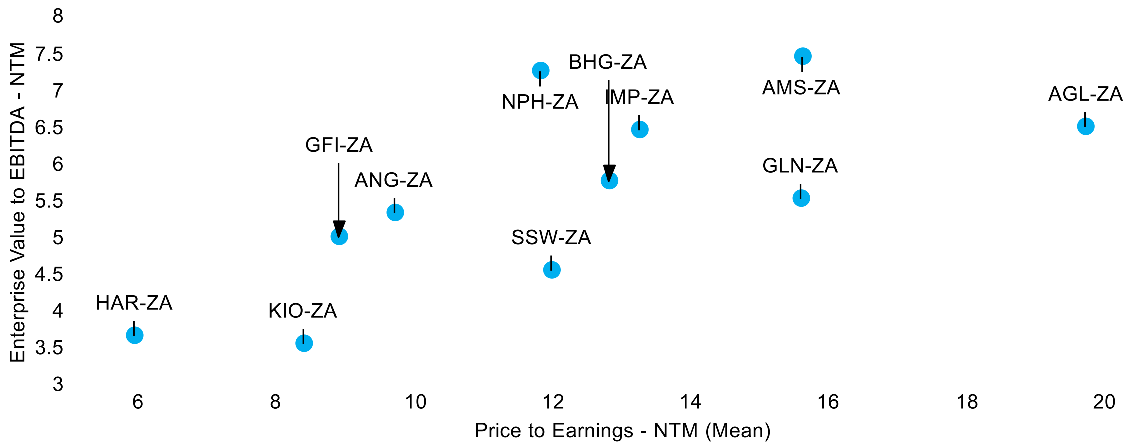
Source: FactSet

Graph 4: Forward P:E



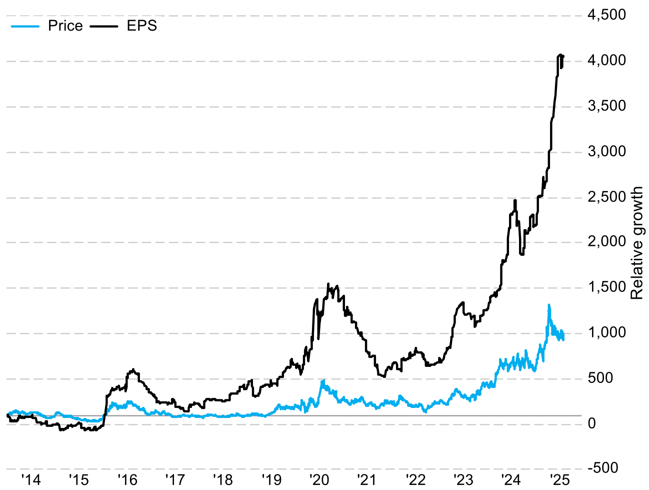
Source: FactSet

Graph 5: Forward P:E and EV/EBITDA



Source: FactSet

Graph 6: Components of P:E multiple



Source: FactSet

Graph 7: EPS times multiple

Source: FactSet

Table 2: Company data

52-week high	R360,90
52-week low	R148,62
Market value (bn)	R178,8
Price momentum	Negative
3m earnings revision	9,9%
Fiscal year end	2025/06/30
Beta (3Y, daily)	1,27

Source: FactSet

Table 3: Valuation multiples

Multiple	***Latest:*** **Aug-2025**	***Last note:*** **May-2025**
P:E	5,9x	6,6x
P/S	1,9x	1,9x
P/B	2,1x	2,2x
P/CF	5,0x	5,2x
EV/EBITDA	3,7x	4,0x
EV/EBIT	4,3x	4,6x
EV/SALES	1,8x	1,8x
Dividend yield	3,0%	2,5%

Source: FactSet

Table 4: Performance versus benchmark

Period	**YTD**	**MTD**	**3M**	**6M**	**1Y**	**2Y**	**3Y**	**5Y**	**10Y**
Harmony Gold Mining Co. Ltd.	87,0%	16,5%	-4,2%	25,6%	67,4%	284,3%	404,7%	125,5%	2249,9%
JSE Capped SWIX	17,9%	1,3%	8,1%	14,3%	24,4%	29,7%	37,5%	73,0%	51,9%

Source: FactSet

Table 5: Key competitors

Code	**Price (Rand)**	**Market cap (Rbn)**	**Sales FY0 (Rbn)**	**EBIT FY0 (Rbn)**	**Net income FY0 (Rbn)**	**EV/EBIT**	**P:E (NTM)**	**Price % (3mo)**	**Price % (1YR)**
HAR-ZA	281,8	179	61	12	9	4,3x	5,9x	-4,2%	67,4%
ANG-ZA	994,1	510	105	31	19	7,3x	9,7x	29,1%	102,9%
GFI-ZA	534,5	478	96	38	23	5,8x	8,9x	27,9%	77,5%

Source: FactSet

Table 6: Key financials and ratios

Income statement (R'Million)	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Revenue	29 245	41 733	42 645	49 275	61 379	76 181	93 832	92 130
Cost of sales	25 908	35 489	41 927	39 535	47 233	48 936	53 494	56 903
Gross income	3 337	6 244	718	9 740	14 146	22 421	27 245	40 338
EBIT	-358	6 450	-755	7 094	11 676	25 788	39 461	36 692
EBITDA	3 150	10 325	2 928	10 548	16 318	31 835	44 978	40 301
Pretax income	-595	6 382	-1 058	6 606	11 770	23 661	25 422	38 607
Tax expense	255	1 258	-46	1 723	3 082	6 163	8 645	8 244
Net income	-850	5 124	-1 012	4 883	8 688	19 259	29 962	27 882

Balance sheet (R'Million)	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Current assets	10 166	8 551	7 494	8 678	11 497	23 997	40 325	-
Intangible assets	536	365	48	33	19	-	-	-
Total assets	44 692	48 803	46 808	57 240	60 460	78 410	113 759	-
Current liabilities	7 560	5 553	4 975	6 867	7 359	7 331	7 331	-
Short-term debt	315	494	222	319	269	39	922	50
Long-term debt	7 544	3 128	3 425	5 902	2 031	1 883	12 206	51
Total debt	7 859	3 622	3 647	6 221	2 300	-	-	-
Minority interest	4	54	78	123	175	-	-	-
Total shareholders' equity	23 371	31 160	30 039	34 757	40 774	56 459	79 604	100 593

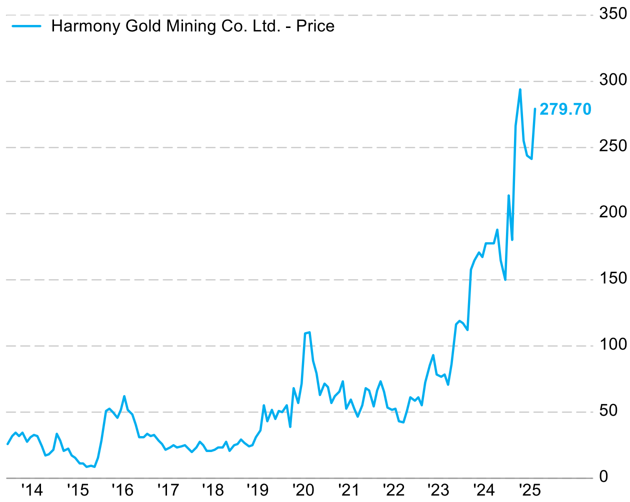
Cash flow (R'Million)	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Capital expenditure	3 610	5 142	6 214	7 640	8 398	10 952	11 741	12 184
Free cash flow	1 128	4 045	710	2 308	7 252	17 035	13 363	10 529
Net operating cash flow	4 723	9 179	6 924	9 948	15 650	28 631	32 656	28 012
Net investing cash flow	-3 558	-8 464	-6 200	-10 596	-8 361	-12 566	-24 010	-16 359
Net financing cash flow	4 305	-4 299	-1 151	1 194	-5 435	-2 909	7 684	-5 708
Free cash flow per share (R)	2,1	6,6	1,2	3,7	11,5	11,5	15,6	4,9
Free cash flow yield (%)	2,9%	12,4%	2,2%	4,7%	6,9%	9,5%	7,5%	5,9%

Ratio analysis	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Profitability								
ROA	-2,1%	10,9%	-2,2%	9,3%	14,6%	24,6%	24,7%	-
ROE	-3,8%	18,7%	-3,4%	14,9%	22,7%	38,3%	41,9%	29,8%
Margins								
EBITDA margin	23,8%	28,7%	17,7%	25,1%	32,7%	41,8%	47,9%	-
EBIT margin	12,2%	19,6%	8,6%	18,1%	25,3%	33,9%	42,1%	-
Net profit margin	-2,9%	11,6%	-2,5%	9,7%	13,7%	25,3%	30,0%	-
Gross profit margin	14,9%	22,3%	11,1%	20,2%	27,5%	41,2%	51,8%	-

Source: FactSet

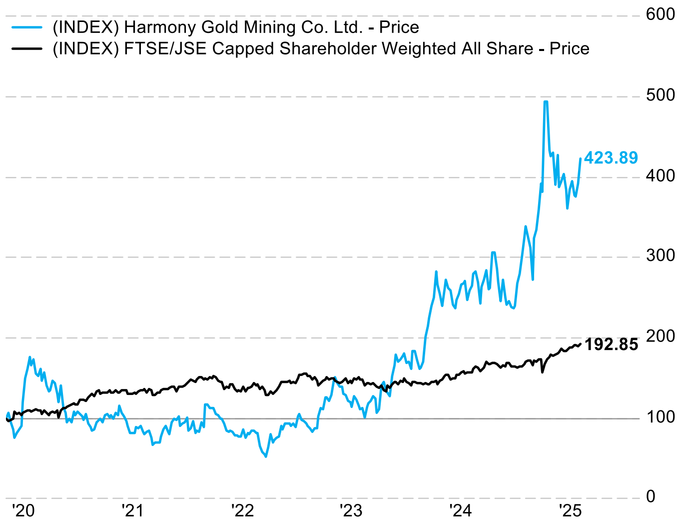
Price Performance

Graph 8: Price



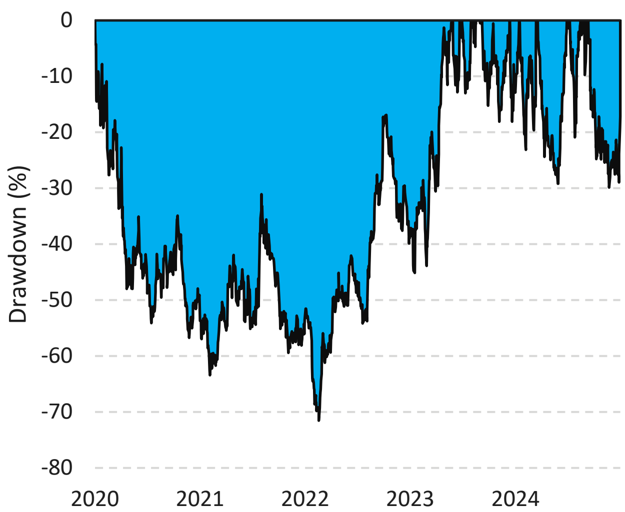
Source: FactSet

Graph 9: Performance versus benchmark



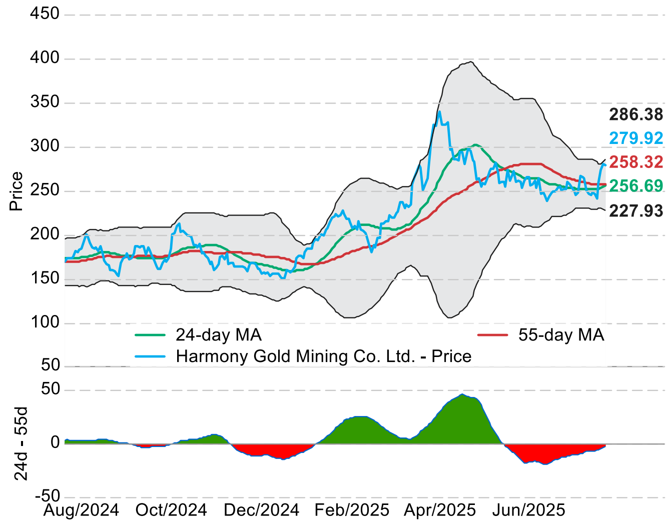
Source: FactSet

Graph 10: Drawdown



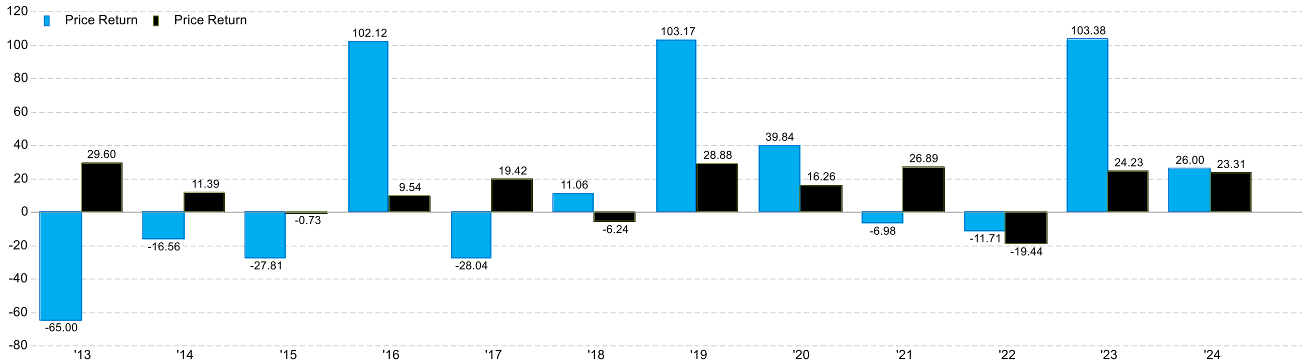
Source: FactSet

Graph 11: Price momentum



Source: FactSet

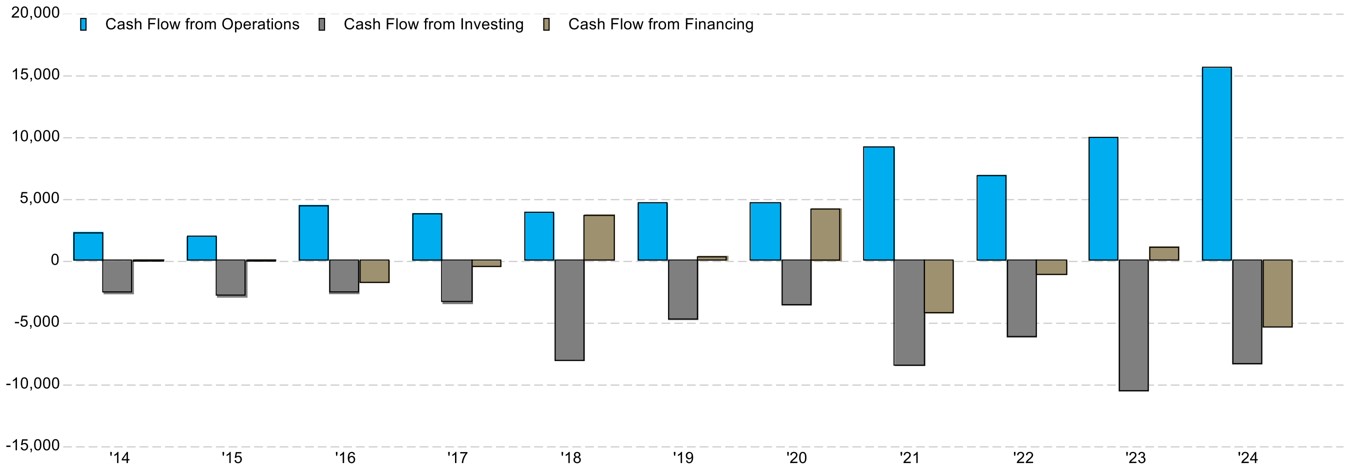
Graph 12: Calendar year returns



Note: FactSet

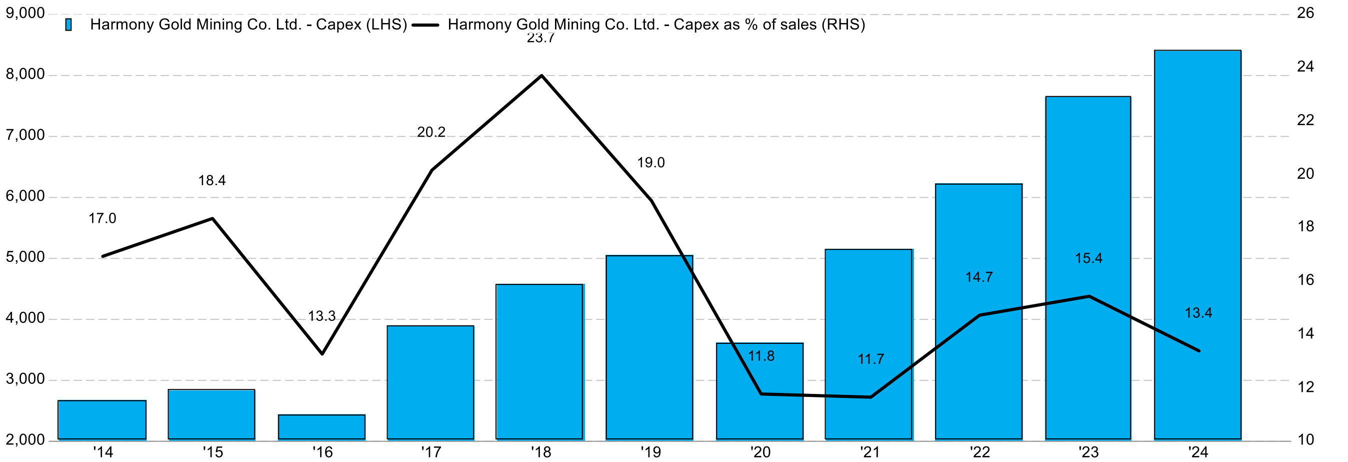
Use of cash

Graph 13: Cash flows



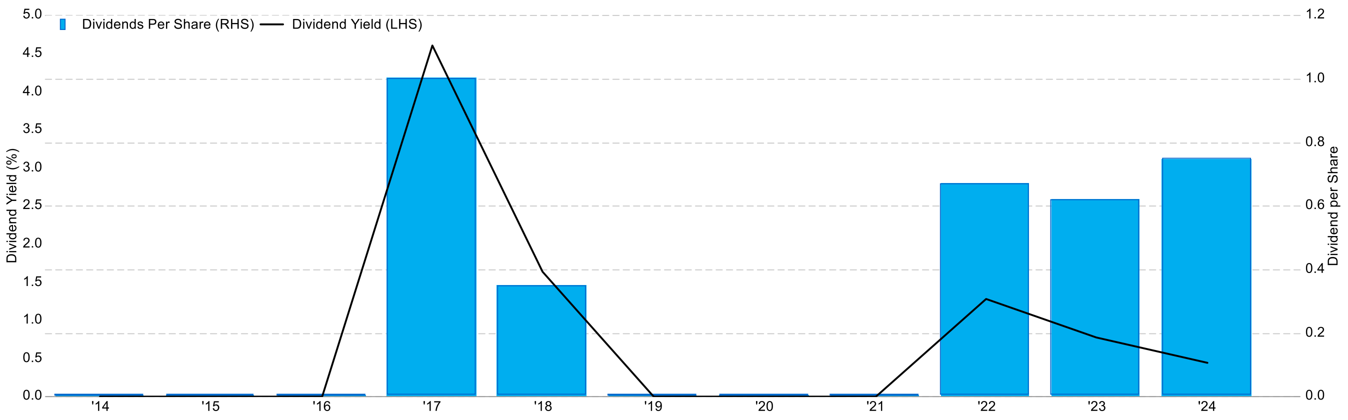
Source: FactSet

Graph 14: Capex



Source: FactSet

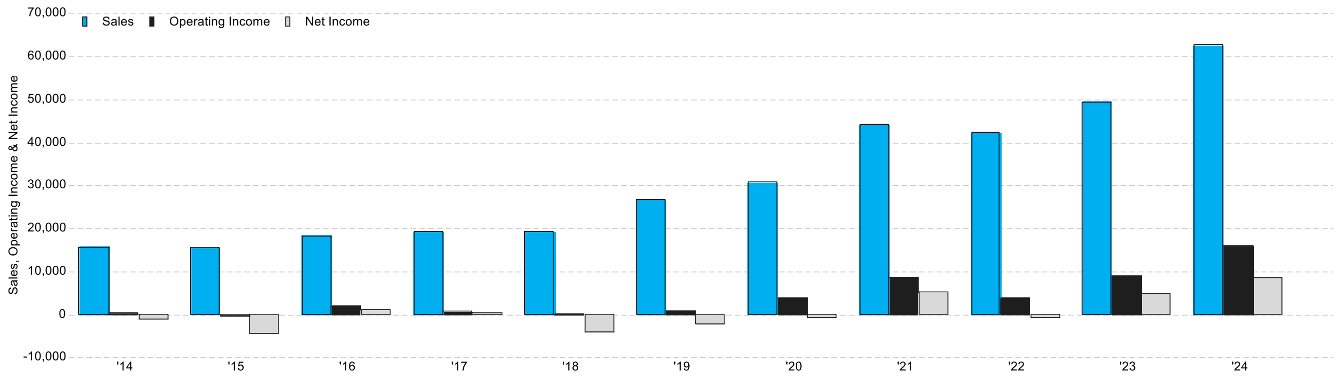
Graph 15: Dividends



Source: FactSet

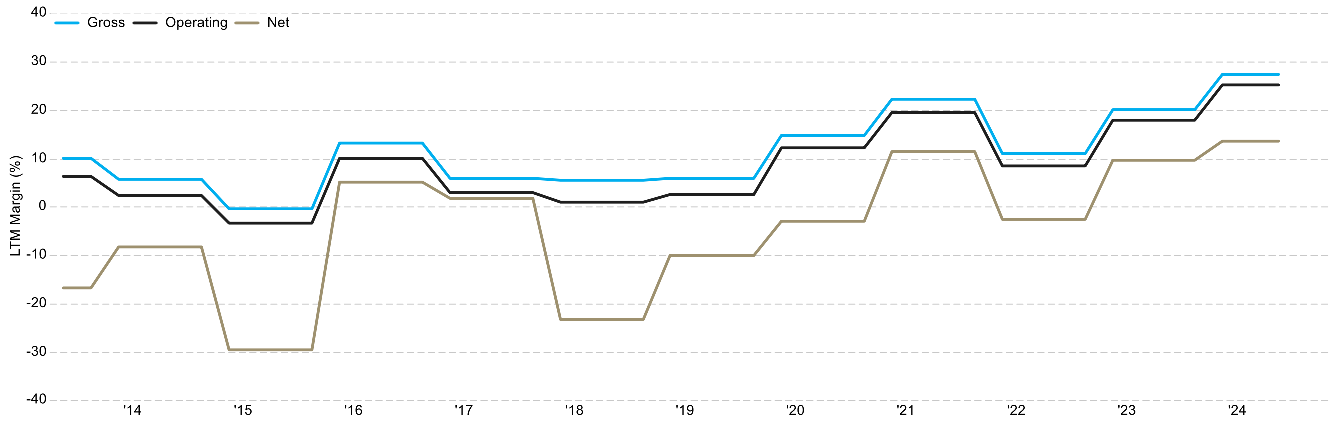
Income statement

Graph 16: Sales, operating income and net income



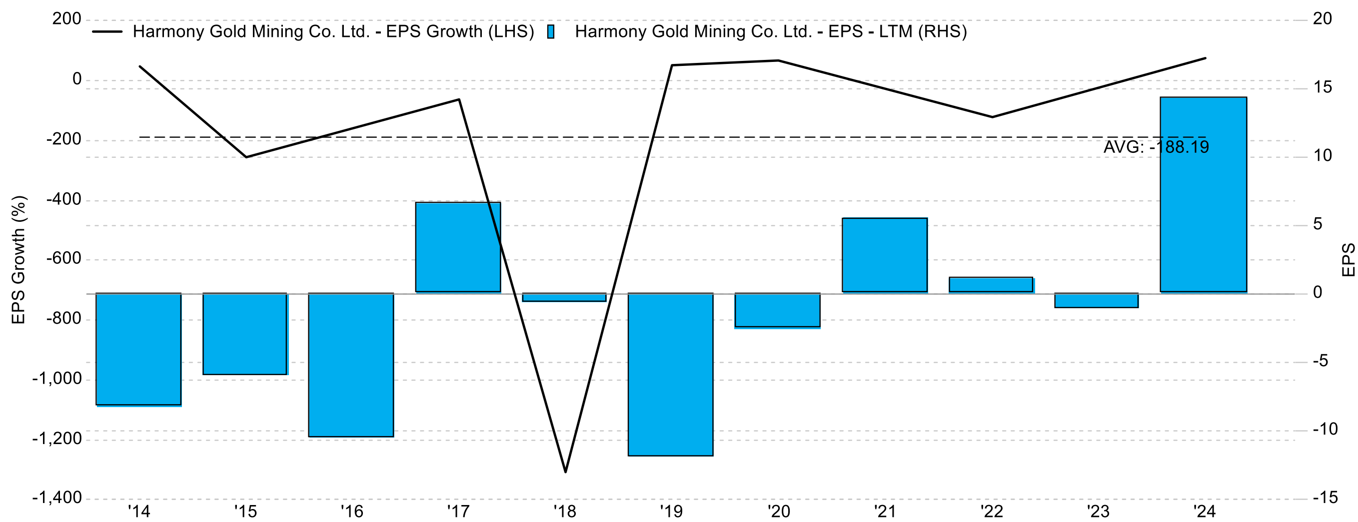
Source: FactSet

Graph 17: Gross, operating and net margins



Source: FactSet

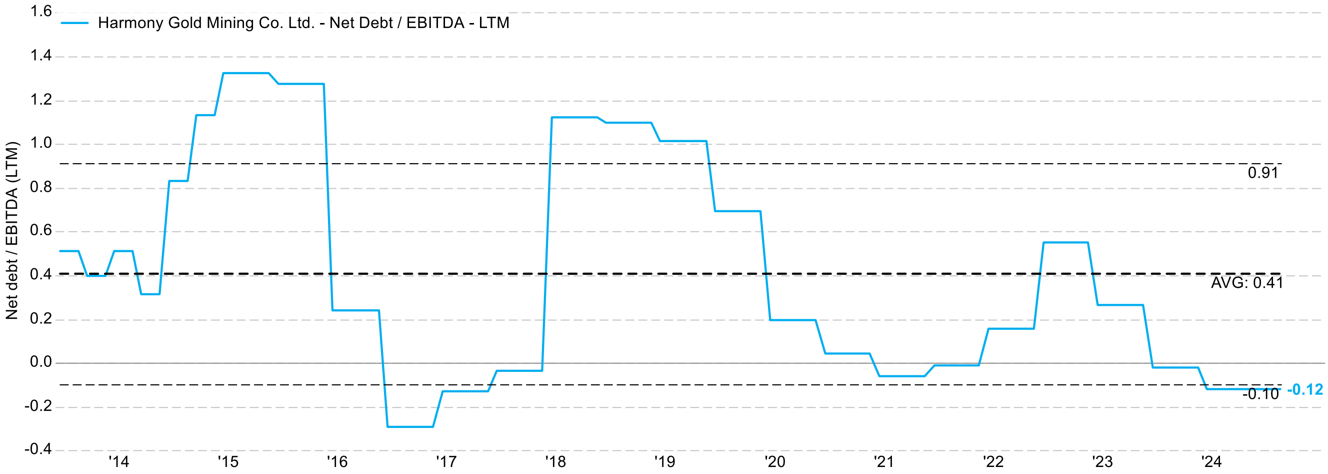
Graph 18: EPS and EPS growth



Source: FactSet

Balance sheet and liquidity

Graph 19: Net debt / EBITDA



Source: FactSet

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