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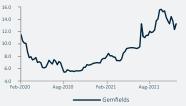
Ticker	GEM:AIM		
Mining			
Shares in issue (m)	1,168.8		
Next results	FY Mar		
Price	13.3p		
Target price	25.0p		
Upside	89%		

iviai ket cap	E134.5111
Net debt/(cash)	£21.7m
Other EV adjustments	£0.0m
Enterprise value	£176.6m

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What's changed?	From	То
Adjusted EPS	2.4	n/c
Target price	25.0	n/c

Share price performance



%	1M	3M	12M
Actual	1.9	8.2	103.8

Company description

The company mines for rubies in Mozambique and emeralds in Zambia.

Charlie Long

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₩GEMFIELDS*

Record high quality emerald revenues

Gemfields has reported revenues of US\$37.8m from its 4Q emerald auction, held through 5 mini auctions during November and early December. This is a record result for a Higher Quality emerald auction.

The new mini auction format continues to work well, but most important is the very strong demand for Gemfields merchandise. As Gemfields' MD of Product & Sales commented "The auction result again underscores the step-change in both market demand and in the prices bid by our clients, aided by tightened supply stemming from the one-year suspension of operations at Kagem". This "step-change" underpins the investment case and if sustained should ensure strong cash generation and progressive dividends.

- **Dividend outlook**: In the interims, the Chairman indicated the potential for dividends during FY22. Today's announcement makes a dividend increasingly likely, future pandemic developments allowing.
- **Ruby auction:** Gemfields 4Q21 ruby mini-auctions are nearly complete, and we expect revenues from that event to be published shortly. Given today's result, we expect a strong ruby result.
- **Upgrade risk:** Before today, announced revenues were US\$120.3m; with today's news this is now US\$158m. This puts our bottom of the range forecast of US\$203m at risk.
- We are expecting US\$52m of 4Q21 ruby revenue and US\$8m of 2H21 Faberge and other revenue. This points to FY21 revenue of closer to US\$220m we will adjust our numbers once the ruby auction result is announced.
- **Summary:** This is excellent news and management seems quietly confident that this strong pricing will continue into the future i.e. it is not simply the result of pent-up demand due to COVID.

key estimates		2018A	2019A	ZUZUA	2021E
Year end:		Dec	Dec	Dec	Dec
Revenue	\$m	206.1	216.2	34.6	203.1
Adj EBITDA	\$m	54.2	69.6	-33.2	85.3
Adj EBIT	\$m	23.5	34.8	-54.2	50.4
Adj PBT	\$m	14.7	30.3	-60.0	55.4
Adj EPS	С	-3.2	1.1	-6.3	2.4
DPS	С	0.0	0.0	0.0	0.0

Key valuation metrics					
EV/EBIT (adj)	Х	9.9	6.7	-4.3	4.6
P/E (adj)	Х	-5.4	15.4	-2.8	7.4
Dividend yield	%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-14.9%	1.2%	-15.6%	24.4%
Pre-tax ROCE	%	3.9%	5.5%	-10.0%	9.1%

^{*} denotes corporate client of finnCap

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