

Alamos Gold

Island: the gift that keeps giving... on track for another year of reserve growth

Maintain Rating: NEUTRAL | PO: 21.75 CAD | Price: 15.44 CAD

Upside beyond existing R&R but priced in (in our view)

Earlier, Alamos Gold (AGI) provided an exploration update for its Island Gold mine, located in Canada. Island accounts for 48% of our mining net asset value (NAV) and the asset has a tremendous track record of exploration success that has driven significant production growth (through phased asset expansions) and ultimately value for the company. Today's exploration update reaffirms that there is still upside beyond existing reserves and resources (R&R), which we view as encouraging. However, we think much of this upside is priced with AGI trading a material premium to peers on several valuation metrics. Maintain Neutral.

High-grade results averaging above reserve grade

Today's release includes exploration results from 56 drill-holes. Based on results provided, we calculate an average uncut grade of 49.1 grams per tonne (g/t) or a cut grade of 13.1 g/t over 3.8m core length, at an average vertical depth of 835 meters (m). The cut grade is higher than Island's latest reported reserve grade (as at 31-Dec-22) of 10.78 g/t. AGI expects these drilling results to be incorporated into the 2023 year-end R&R statement expected in late February.

Brownfield growth is preferred in this environment

The areas of drilling noted in the release appear to show opportunity to extend mineralization in multiple zones and horizons, including Island Main, as well as hanging wall and footwall zones. These areas are largely near existing infrastructure, meaning low-cost to develop and easy integration into the existing mine plan. Given some recently challenging greenfield builds in the sector, we view brownfield growth opportunities very positively (reduced risks). The exploration success at Island, with the ongoing P3+ expansion, offers an attractive avenue for production growth and mine life extensions. For more details, see our recent Island site visit note ([see report](#)).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.41	0.28	0.53	0.59	0.69
GAAP EPS	(0.17)	0.10	0.53	0.58	0.69
EPS Change (YoY)	-8.9%	-31.7%	89.3%	11.3%	16.9%
Consensus EPS (Bloomberg)			0.53	0.56	0.65
DPS	0.10	0.10	0.10	0.10	0
EPS (AGI - US\$)	0.41	0.28	0.53	0.59	0.69
DPS (AGI - US\$)	0.10	0.10	0.10	0.10	0
Valuation (Dec)					
P/E	29.8x	40.7x	22.1x	19.3x	16.5x
GAAP P/E	NM	114.0x	22.1x	19.6x	16.5x
Dividend Yield	0.8%	0.9%	0.9%	0.9%	0%
EV / EBITDA*	10.7x	13.6x	8.5x	7.7x	7.1x
Free Cash Flow Yield*	0.1%	-0.3%	2.7%	1.1%	5.1%

* For full definitions of *IQmethod*SM measures, see page 6.

13 February 2024

Equity

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Stock Data

Price (TOR / NYS)	15.44 CAD / 11.39 USD
Price Objective	21.75 CAD / 15.75 USD
Date Established	4-Dec-2023 / 4-Dec-2023
Investment Opinion	B-2-7 / B-2-7
52-Week Range	13.35 CAD - 20.20 CAD
Market Value (mn)	6,129 CAD
Free Float	99.6%
Average Daily Value	11.74 USD
Shares Outstanding (mn)	397.0 / 397.0
BofA Ticker / Exchange	YAGI / TOR
BofA Ticker / Exchange	AGI / NYS
Bloomberg / Reuters	AGI CN / AGLTO
ROE (2023E)	7.4%
Net Dbt to Eqty (Dec-2022A)	-5.5%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

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Refer to important disclosures on page 7 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 13 February 2024 06:45PM EST

iQprofileSM Alamos Gold

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	0.2%	1.7%	5.9%	6.1%	6.6%
Return on Equity	5.8%	4.0%	7.4%	7.7%	8.5%
Operating Margin	1.8%	13.6%	31.5%	36.2%	42.5%
Free Cash Flow	7	(15)	125	52	229

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.2x	2.7x	2.3x	1.9x	2.1x
Asset Replacement Ratio	NA	NA	NA	NA	NA
Tax Rate	3,000.0%	62.8%	34.1%	38.0%	38.0%
Net Debt-to-Equity Ratio	-7.2%	-5.5%	-7.9%	-7.8%	-12.8%
Interest Cover	3.3x	19.6x	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	824	821	1,032	1,052	1,046
% Change	10.1%	-0.3%	25.6%	1.9%	-0.5%
Gross Profit	290	212	395	446	483
% Change	6.2%	-26.7%	85.8%	13.1%	8.1%
EBITDA	410	321	515	571	622
% Change	6.0%	-21.7%	60.5%	10.7%	8.9%
Net Interest & Other Income	(13)	(8)	(4)	(4)	(1)
Net Income (Adjusted)	162	110	208	234	276
% Change	-7.9%	-32.4%	89.7%	12.5%	18.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(67)	39	211	234	275
Depreciation & Amortization	171	172	191	170	177
Change in Working Capital	(54)	(62)	(50)	0	0
Deferred Taxation Charge	64	55	44	19	125
Other Adjustments, Net	242	96	72	20	10
Capital Expenditure	(349)	(314)	(343)	(391)	(358)
Free Cash Flow	7	-15	125	52	229
% Change	-94.4%	NM	NM	-58.6%	342.7%
Share / Issue Repurchase	(12)	8	3	0	0
Cost of Dividends Paid	(35)	(35)	(37)	(40)	(40)
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	196	148	232	244	433
Trade Receivables	31	37	46	46	46
Other Current Assets	232	255	292	292	292
Property, Plant & Equipment	3,109	3,174	3,346	3,568	3,749
Other Non-Current Assets	61	59	57	54	57
Total Assets	3,629	3,674	3,973	4,202	4,577
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	157	182	228	228	228
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	729	771	823	842	956
Total Liabilities	886	953	1,051	1,070	1,184
Total Equity	2,736	2,721	2,922	3,136	3,381
Total Equity & Liabilities	3,622	3,674	3,973	4,206	4,565

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Gold & Precious Metals

Company Description

Alamos is a Canadian-based gold exploration, development and mining company listed on the TSX and NYSE, ticker AGI. It has three key assets, Young-Davidson and Island located in Ontario, Canada, and Mulatos in Sonora, Mexico. Gold development assets include Lynn Lake in Canada and Kirazli and Ağı Dağı in Türkiye.

Investment Rationale

AGI is a gold producer focused in the Americas, largely Canada. The asset base, in our view, is high quality.

However, we maintain a Neutral rating on AGI given premium valuation versus peers.

Key Drivers

	2023E	2024E	2025E
Gold price(US\$/oz)	1,943	2,075	2,098
Gold Production (Koz)	523	505	496
TCC (US\$/oz)	848	862	767
AISC (US\$/oz)	1,186	1,183	1,091

Stock Data

Average Daily Volume	1,030,201
Shares / Common - Dual Listed	1.00

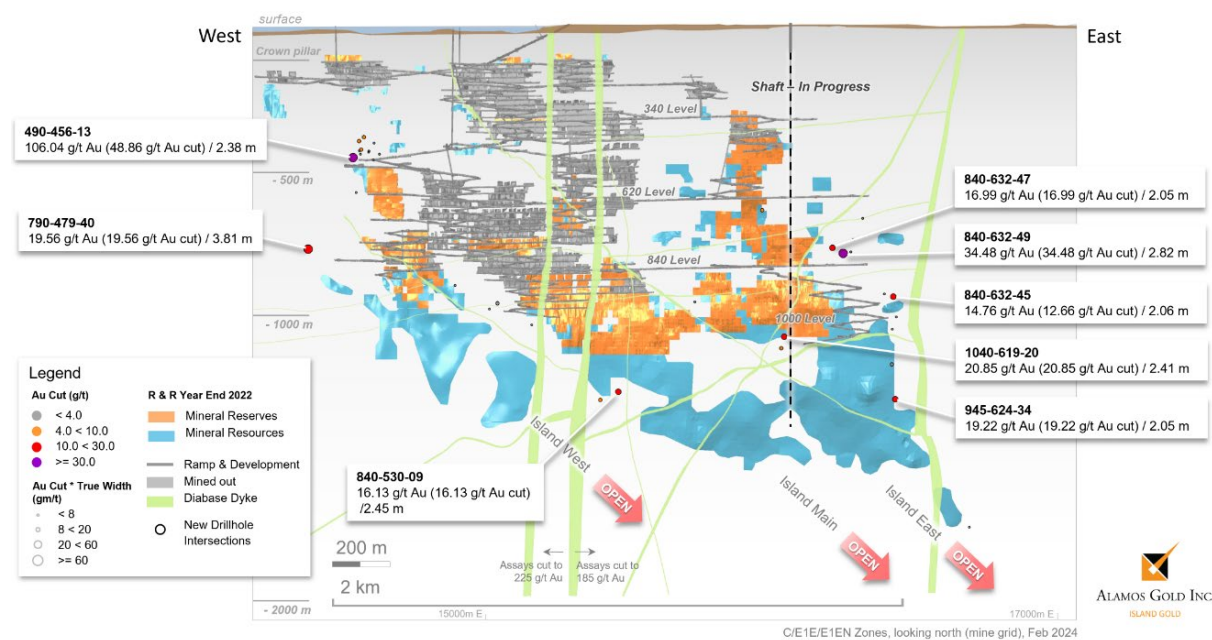
Quarterly Earnings Estimates

	2022	2023
Q1	0.05A	0.12A
Q2	0.07A	0.15A
Q3	0.07A	0.14A
Q4	0.09A	0.12E

Exploration results - highlights

Exhibit 1: Island Gold East and West

Various holes intersected mineralization outside of existing reserves (orange) and resources (blue).

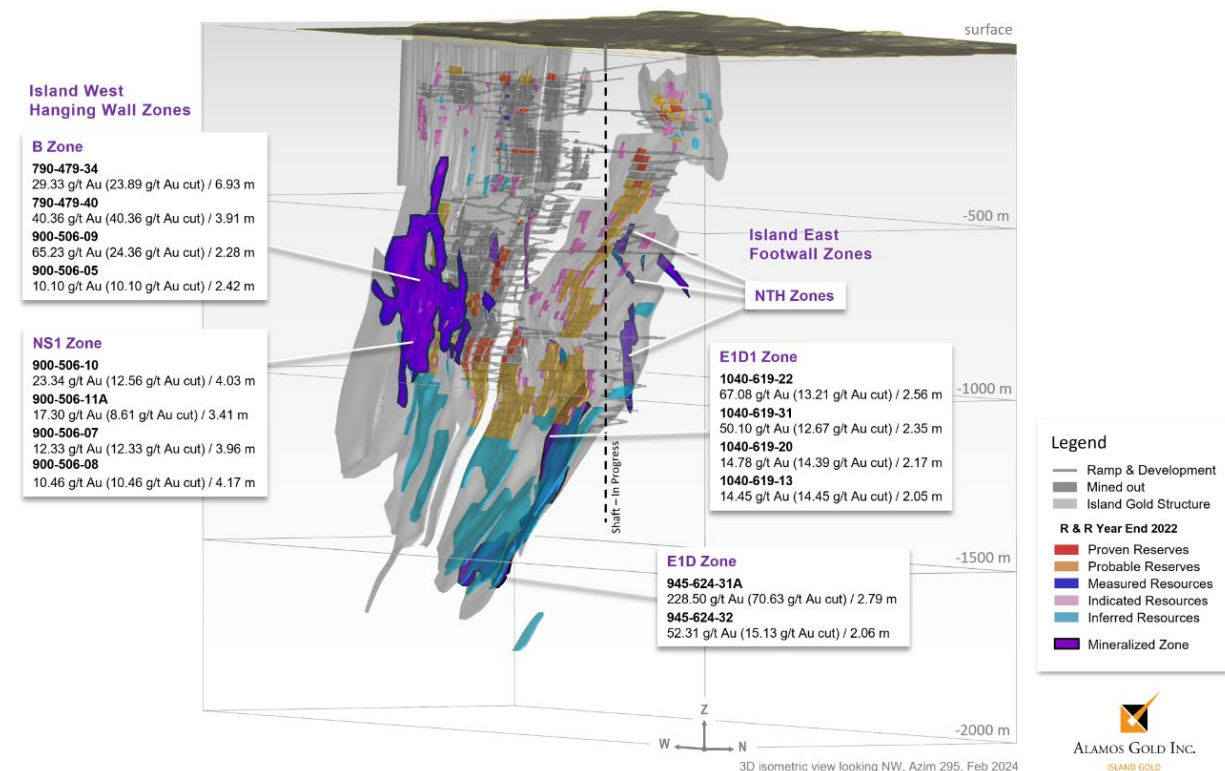


Source: Company Reports

BofA GLOBAL RESEARCH

Exhibit 2: Hanging Wall and Footwall Zones

Drilling shows opportunity to add reserves and resources beyond existing known mineralized zones.



Source: Company Reports

BofA GLOBAL RESEARCH

Valuation comparables

Exhibit 3: North American Precious Metals Valuation Comparables

AGI trades at a premium versus most producer peers on various metrics.

Priced as of 13-Feb-2024		MC	ND	EV	P/CFPS (x)			EV/EBITDA			FCF yield			ND / EBITDA			Div. yield	
	BofA Sym	Share Price	(\$mn)	(\$mn)	(\$mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	P/NAV	2023E	2024E	2023E
Senior Gold Producers ⁽¹⁾																		
	AEM	44.98	22,389	1,752	24,141	8.3	7.9	6.7	5.1	7.0	5.9	4%	4%	7%	1.22	0.3	0.3	3.6%
	GOLD	14.15	24,841	514	34,033	6.0	5.7	4.6	6.8	5.3	4.3	1%	3%	9%	0.71	0.2	0.2	2.8%
	KGC	4.96	6,090	1,975	8,170	4.1	4.1	3.5	4.5	4.6	4.0	6%	6%	10%	0.94	1.0	1.0	2.4%
	NEM	32.04	36,926	2,852	39,964	9.8	7.8	5.9	12.3	6.9	4.9	1%	3%	7%	0.85	1.2	0.9	5.0%
Market Cap Weighted Average						8.0	7.0	5.6	8.3	6.2	4.8	2%	3%	8%	0.91	0.7	0.6	3.9%
Mid-Tier Gold Producers																		
	BTG	2.49	3,243	(238)	3,115	3.9	5.8	3.0	3.3	4.3	2.3	2%	-11%	19%	0.77	(0.3)	(0.3)	6.4%
	YCG	6.14	975	(492)	483	7.0	4.5	4.4	2.0	1.5	1.5	30%	14%	26%	0.44	(2.5)	(2.0)	4.6%
	EGO	10.85	2,221	138	2,355	6.3	6.4	6.2	5.6	5.1	5.0	-2%	-12%	-1%	0.76	0.3	0.9	0.0%
	YEDV	21.70	3,963	485	4,794	8.6	4.7	3.8	5.5	3.5	2.8	-3%	12%	25%	0.62	0.6	0.1	5.0%
	IAG	2.34	1,126	417	1,599	5.8	12.4	2.2	6.3	5.2	2.2	-42%	-22%	23%	0.50	1.55	2.2	0.0%
	SSRM	4.50	913	(135)	1,755	2.0	2.9	2.3	3.5	4.8	3.9	3%	4%	7%	0.36	(0.5)	(0.6)	6.2%
Market Cap Weighted Average						6.1	5.8	3.8	4.8	4.3	3.1	-2%	-2%	17%	0.64	0.4	0.4	4.2%
Intermediate/Jr Gold Producers																		
	AGI	11.39	4,521	(230)	4,291	8.8	10.1	7.7	8.3	7.8	6.9	3%	1%	5%	1.12	(0.4)	(0.4)	0.9%
	NGD	1.20	824	213	1,037	2.8	3.0	2.0	3.4	3.6	2.4	-1%	-4%	19%	0.55	0.8	1.1	0.0%
Market Cap Weighted Average						7.8	9.0	6.8	7.4	7.0	6.0	2%	0%	7%	1.03	(0.3)	(0.2)	0.6%
Royalty Companies																		
	FNV	106.60	20,480	(1,297)	19,183	21.6	21.7	17.3	18.5	18.2	14.0	5%	5%	6%	1.92	(1.4)	(2.0)	1.3%
	RGLD	106.36	6,987	218	7,217	17.6	13.8	12.4	15.7	12.6	11.5	6%	7%	8%	1.77	0.3	(0.4)	1.4%
	YTFPM	16.34	2,425	39	2,464	15.8	12.8	11.8	21.3	12.2	11.1	3%	5%	5%	1.28	0.2	(0.4)	1.3%
	WPM	43.28	19,609	(828)	18,781	26.8	20.1	17.8	26.3	19.3	17.0	3%	5%	6%	1.90	(1.3)	(1.0)	1.4%
Market Cap Weighted Average						22.8	19.5	16.5	21.3	17.4	14.7	4%	5%	6%	1.86	(1.0)	(1.3)	1.3%
Primary Silver Producers																		
	PAAS	12.26	4,471	726	5,197	8.3	9.0	5.6	8.8	9.6	5.3	1%	0%	6%	0.85	0.7	1.0	3.3%
Market Cap Weighted Average						8.3	9.0	5.6	8.8	9.6	5.3	1%	0%	6%	0.85	0.7	1.0	3.3%

Source: Bloomberg, BofA Global Research, Company reports

(1) all data points in USD; (2) stock price in CAD; EPS, CFPS, NAV in USD; (3) all estimates except NAV in CAD; price in USD (4) AUD\$ (5) ZAR (6) stock price, NAV in pence; market cap in GBP, EPS, CFPS in USD; (7) stock price, market cap and NAV in CAD\$; EPS and CFPS in USD\$; (8) share price and NAV in HKD; EPS and CFPS in CNY, market cap in USD; (9) stock price, NAV in pence; market cap in USD EPS, CFPS in GBP; (10) stock price, market cap, NAV in AUD, EPS, and CFPS in USD; (11) stock price and market cap in CAD; NAV in GBP, EPS and CFPS in USD; (12) stock price, market cap, EPS, CFPS and NAV in TRY; (13) Estimates are based on Bloomberg consensus; (14) stock price, market cap and NAV in ZAR; EPS and CFPS in USD.

Price objective basis & risk

Alamos Gold (YAGI / AGI)

Our price objective for Alamos Gold (AGI/YAGI) is US\$15.75/C\$21.75, based on the stock trading at 1.55x our estimated net asset value (NAV). Historically, North American precious metal producers have traded between 1x and 3x NAV, but more recently between 1x and 2x, with unhedged, growth-oriented producers occupying the upper end of the range and Junior and Mid-tier producers trading historically at a discount to the senior producers.

Upside risks to our PO are a higher-than-forecast gold price, a lower-than-forecast CADUSD FX rate, a better-than-expected lower mine tie-in process at Y-D, advantageous changes to the regulatory and/or tax regimes in the jurisdictions in which they operate and the potential for AGI to be acquired at a premium valuation.

Downside risks are a lower-than-forecast gold price and higher-than-forecast CADUSD FX rate, unforeseen operating and development issues.

Analyst Certification

I, Harmen Puri, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agnico Eagle Mines	AEM	AEM US	Lawson Winder, CFA
	B2Gold Corp	YBTO	BTO CN	Harmen Puri
	B2Gold Corp	BTG	BTG US	Harmen Puri
	Barrick Gold	GOLD	GOLD US	Lawson Winder, CFA
	Cameco Corporation	YCCO	CCO CN	Lawson Winder, CFA
	Cameco Corporation	CCJ	CCJ US	Lawson Winder, CFA
	CMC	CMC	CMC US	Lawson Winder, CFA
	Endeavour Mining	YEDV	EDV CN	Harmen Puri
	Endeavour Mining	EDVMF	EDVMF US	Harmen Puri
	Endeavour Mining PLC	XEDVF	EDV LN	Harmen Puri
	Franco-Nevada	YFNV	FNV CN	Lawson Winder, CFA
	Franco-Nevada	FNV	FNV US	Lawson Winder, CFA
	IAMGOLD	YIMG	IMG CN	Lawson Winder, CFA
	IAMGOLD Corp.	IAG	IAG US	Lawson Winder, CFA
	Ivanhoe Mines	YIVN	IVN CN	Lawson Winder, CFA
	Ivanhoe Mines	IVPAF	IVPAF US	Lawson Winder, CFA
	Lundin Mining	XLPRF	LUMI SS	Lawson Winder, CFA
	Lundin Mining Corp	YLUN	LUN CN	Lawson Winder, CFA
	Lundin Mining Corp	LUNMF	LUNMF US	Lawson Winder, CFA
	MP Materials	MP	MP US	Lawson Winder, CFA
	Newmont Corporation	NEM	NEM US	Lawson Winder, CFA
	Newmont Corporation	XNCRF	NEM AU	Lawson Winder, CFA
	Nucor	NUE	NUE US	Lawson Winder, CFA
	Pan American Silver	PAAS	PAAS US	Lawson Winder, CFA
	Teck Resources	YTECK	TECK/B CN	Lawson Winder, CFA
	Teck Resources Ltd	TECK	TECK US	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	YTFPM	TFPM CN	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	TFPM	TFPM US	Lawson Winder, CFA
	Wheaton Precious Metals	WPM	WPM US	Lawson Winder, CFA
NEUTRAL				
	Alamos Gold	YAGI	AGI CN	Harmen Puri
	Alamos Gold	AGI	AGI US	Harmen Puri
	Alcoa Corporation	AA	AA US	Lawson Winder, CFA



North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Cleveland-Cliffs	CLF	CLF US	Lawson Winder, CFA
	First Quantum	FQVLF	FQVLF US	Lawson Winder, CFA
	First Quantum Minerals	YFM	FM CN	Lawson Winder, CFA
	Freeport-McMoRan	FCX	FCX US	Lawson Winder, CFA
	Hudbay Minerals	YHBM	HBM CN	Lawson Winder, CFA
	HudBay Minerals	HBM	HBM US	Lawson Winder, CFA
	Reliance Steel & Aluminum	RS	RS US	Lawson Winder, CFA
	Steel Dynamics	STLD	STLD US	Lawson Winder, CFA
UNDERPERFORM				
	Centerra Gold	YCG	CG CN	Lawson Winder, CFA
	Centerra Gold	CGAU	CGAU US	Lawson Winder, CFA
	Eldorado Gold	EGO	EGO US	Harmen Puri
	Eldorado Gold	YELD	ELD CN	Harmen Puri
	Kinross Gold	KGC	KGC US	Lawson Winder, CFA
	New Gold Inc.	YNGD	NGD CN	Harmen Puri
	New Gold Inc.	NGD	NGD US	Harmen Puri
	Nexa Resources	NEXA	NEXA US	Lawson Winder, CFA
	Royal Gold	RGLD	RGLD US	Lawson Winder, CFA
	SSR Mining Inc.	SSRM	SSRM US	Lawson Winder, CFA
	SSR Mining Inc.	YSSRM	SSRM CN	Lawson Winder, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

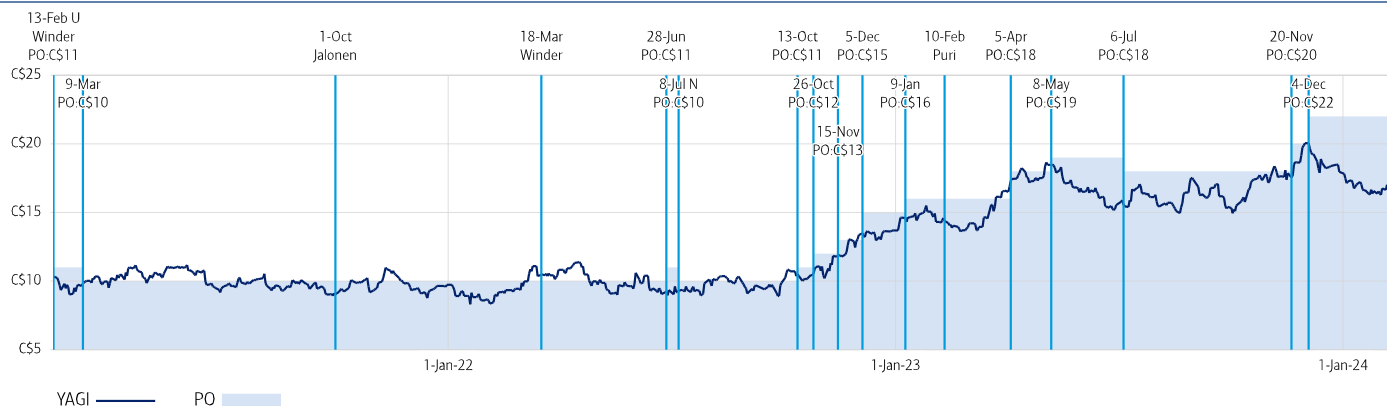
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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Disclosures

Important Disclosures

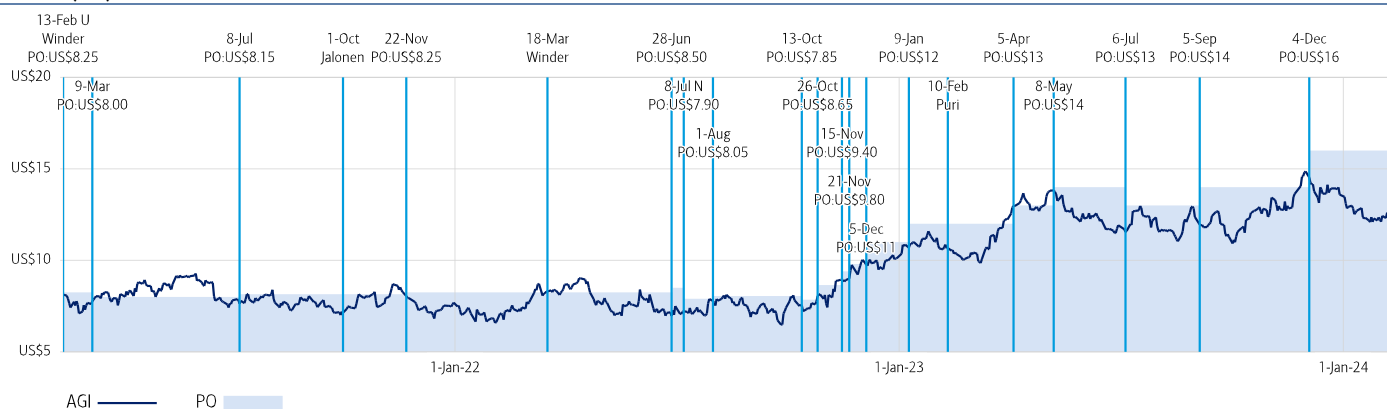
Alamos Gold (YAGI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Alamos Gold (AGI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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