

## Eldorado Gold

## Strong finish to Q4, but focus on upcoming guidance and multi-year outlook

Reiterate Rating: UNDERPERFORM | PO: 10.00 USD | Price: 12.72 USD

## Production up 18% QoQ

Eldorado Gold (EGO) reported Q4'23 production results which were (surprisingly) stronger-than-expected, beating BofAe by 8%, and Bloomberg and Visible Alpha (VA) consensus by 6% and 2% respectively. Production was up a sizable 18% quarter-over-quarter (QoQ) also. The Q4'23 production beat, versus our estimates and consensus, was driven by a stronger-than-expected quarter at the Lamaque mine (located in Canada). While we're encouraged by a strong Q4, our primary focus with EGO near-term remains its updated 5-year outlook, which we expect to be released with Q4'23 financial results on February 22, 2024. We continue to see EGO as negatively positioned versus peers on near-term cash burn, lack of capital returns, and a relatively rich valuation. For more details, [see our recent reinstatement of coverage report](#). Maintain Underperform.

## Q4 production ahead of BofAe by 8%

EGO reported Q4'23 production of 143.2 thousand ounces (koz), 8% above BofAe at 132.9koz, 2% above Bloomberg consensus at 139.9koz and 6% above VA consensus at 134.7koz. Lamaque production of 56.6koz beat BofAe at 47.0koz by 21%. Details on throughput, grades and recoveries were not provided, though EGO noted sequential (QoQ) improvement in grades and throughput. On a FY23 consolidated basis, EGO recorded production of 485.1koz, within the range of its 2023 guidance at 475-495koz. We update our model for the results, and our FY23 EPS increases to \$0.58 (from \$0.52).

## Upcoming multi-year outlook will be telling of Skouries

EGO will release its 2024 and a refreshed multi-year outlook on February 22, 2024. Our key focus areas: (1) 2024 production guidance, and whether prior guidance of 515-555koz remains intact, as it implies 6-14% production growth vs. FY23A; (2) **2024 costs**; EGO does not provide multi-year cost/capex guidance (only forward year) and our focus will be cost control/inflationary impacts vs. 2023; and (3) Skouries indications; prior guidance implies start-up of Skouries in 2025 (commercial production expected year-end 2025). Refreshed guidance will be very telling of timing expectations for first production and ramp-up of the asset. For 2025E, we model production of 547koz below guidance of 585-635koz on a more conservative expectation for ramp-up of the asset.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.66	0.05	0.58	0.36	0.17
EPS Change (YoY)	NA	-92.4%	NM	-37.9%	-52.8%
DPS	0	0	0	0	0
EPS (YELD - US\$)	0.66	0.05	0.58	0.36	0.17
DPS (YELD - US\$)	0	0	0	0	0
Valuation (Dec)					
P/E	19.3x	254.4x	21.9x	35.3x	74.8x
EV / EBITDA*	8.1x	11.0x	7.7x	7.3x	7.1x
Free Cash Flow Yield*	3.9%	-6.1%	-2.2%	-10.4%	-1.3%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

15 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2023E EPS	0.52	0.58

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## Stock Data

Price (NYS / TOR)	12.72 USD / 17.05 CAD
Price Objective	10.00 USD / 13.70 CAD
Date Established	20-Nov-2023 / 20-Nov-2023
Investment Opinion	C-3-9 / C-3-9
52-Week Range	8.12 USD - 13.71 USD
Market Value (mn)	2,603 USD
Free Float	99.1%
Average Daily Value	21.78 USD
Shares Outstanding (mn)	204.6 / 204.6
BofA Ticker / Exchange	EGO / NYS
BofA Ticker / Exchange	YELD / TOR
Bloomberg / Reuters	EGO US / EGO.N
ROE (2023E)	3.4%
Net Dbt to Eqty (Dec-2022A)	6.7%
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 6 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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Timestamp: 15 January 2024 08:44AM EST

# iQprofile<sup>SM</sup> Eldorado Gold

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	NA	1.1%	2.3%	2.2%	1.8%
Return on Equity	6.7%	0.3%	3.4%	2.1%	1.0%
Operating Margin	22.6%	4.8%	16.6%	18.1%	13.2%
Free Cash Flow	103	(160)	(56)	(272)	(33)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	3.1x	22.9x	3.0x	4.7x	10.3x
Asset Replacement Ratio	1.3x	1.5x	1.6x	2.4x	1.3x
Tax Rate	3,282.6%	NM	63.2%	52.7%	69.1%
Net Debt-to-Equity Ratio	0.2%	6.7%	4.0%	11.9%	13.0%
Interest Cover	3.0x	1.0x	4.2x	3.9x	2.7x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	941	872	1,003	1,135	1,254
% Change	NA	-7.3%	15.0%	13.2%	10.4%
Gross Profit	491	412	522	569	583
% Change	NA	-16.0%	26.5%	9.0%	2.5%
EBITDA	414	305	434	459	473
% Change	NA	-26.4%	42.3%	5.8%	3.1%
Net Interest & Other Income	(209)	(408)	1	(37)	(43)
<b>Net Income (Adjusted)</b>	<b>120</b>	<b>9</b>	<b>113</b>	<b>73</b>	<b>34</b>
<b>% Change</b>	<b>NA</b>	<b>-92.3%</b>	<b>NM</b>	<b>-35.4%</b>	<b>-52.8%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(136)	(427)	62	80	38
Depreciation & Amortization	203	242	253	253	307
Change in Working Capital	(9)	(28)	(50)	0	0
Deferred Taxation Charge	64	(30)	71	0	0
Other Adjustments, Net	243	454	1	10	10
Capital Expenditure	(263)	(371)	(392)	(615)	(388)
<b>Free Cash Flow</b>	<b>103</b>	<b>-160</b>	<b>-56</b>	<b>-272</b>	<b>-33</b>
<b>% Change</b>	<b>NA</b>	<b>NM</b>	<b>64.9%</b>	<b>-385.6%</b>	<b>87.7%</b>
Share / Issue Repurchase	15	0	166	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(49)	(7)	225	290	70

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	481	280	566	584	620
Trade Receivables	69	91	105	105	105
Other Current Assets	178	262	269	269	269
Property, Plant & Equipment	4,003	3,596	3,738	4,100	4,181
Other Non-Current Assets	199	229	289	289	289
<b>Total Assets</b>	<b>4,931</b>	<b>4,458</b>	<b>4,966</b>	<b>5,346</b>	<b>5,464</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	207	211	212	212	212
Long-Term Debt	490	494	703	1,003	1,083
Other Non-Current Liabilities	594	552	597	597	597
<b>Total Liabilities</b>	<b>1,291</b>	<b>1,257</b>	<b>1,512</b>	<b>1,812</b>	<b>1,892</b>
<b>Total Equity</b>	<b>3,640</b>	<b>3,201</b>	<b>3,454</b>	<b>3,534</b>	<b>3,572</b>
<b>Total Equity &amp; Liabilities</b>	<b>4,931</b>	<b>4,458</b>	<b>4,966</b>	<b>5,346</b>	<b>5,464</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Gold & Precious Metals

## Company Description

Eldorado Gold is a mid-tier gold producer, with key mines in Türkiye, Greece and Canada. Eldorado is also constructing the Skouries project - also in Greece, and expected to be ramped up in 2026E.

## Investment Rationale

We rate EGO Underperform, with our thesis rooted in heightened execution risk, near-term cash burn, lack of capital returns and relatively expensive valuation vs. peers.

## Key Drivers

2023E 2024E 2025E

## Stock Data

Average Daily Volume 1,711,969  
Shares / Common - Dual Listed 1.00

## Quarterly Earnings Estimates

	2022	2023
Q1	-0.11A	0.11A
Q2	0.07A	0.09A
Q3	-0.05A	0.17A
Q4	0.14A	0.21E

## Key Changes

(US\$)	Previous	Current
2023E EPS	0.52	0.58

# Q4'23 operational review

## Exhibit 1: Q4'23 Production Results Review

EGO reported Q4'23 production of 143.2koz, 8% above BofAe at 132.9koz, 2% above Bloomberg consensus at 139.9koz and 6% above VA consensus at 134.7koz.

Q4'23 Results	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	BofA Q4'23E	Δ%	Bloomberg Consensus	Δ%	VA Consensus	Δ%
Gold Production (oz)											
Kisladag	46,291	40,307	15%	37,219	24%	45,641	1%	52,176	-11%	47,600	-3%
Lamaque	56,619	51,349	10%	43,821	29%	46,965	21%	47,708	19%	47,700	19%
Efemcukuru	22,374	21,362	5%	21,142	6%	23,210	-4%	22,017	2%	22,100	1%
Olympias	17,882	15,435	16%	18,848	-5%	17,074	5%	18,004	-1%	17,300	3%
<b>Total</b>	<b>143,166</b>	<b>128,453</b>	<b>11%</b>	<b>121,030</b>	<b>18%</b>	<b>132,890</b>	<b>8%</b>	<b>139,904</b>	<b>2%</b>	<b>134,700</b>	<b>6%</b>

Source: Company Reports, BofA Global Research, Bloomberg, Visible Alpha

BofA GLOBAL RESEARCH



## Price objective basis & risk

### Eldorado Gold (EGO / YELD)

Our price objective for Eldorado Gold is \$10.00 (C\$13.70) per share, and is based on the stock trading at 0.70x times its estimated net asset value (NAV). Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with a median of 1.50 times over the last five years (and 2.00 times longer-term), and with unhedged, growth-oriented producers occupying the upper end of the range. We value EGO at the lower end of the valuation range due to higher political risk for operating in Greece and Türkiye. Historically, EGO has traded at a P/NAV of approximately 0.7x.

Downside risks to our price objective for Eldorado Gold are commodity price weakness, the inability to secure financing for expansion or development projects, unforeseen operating problems, political, legal or permitting challenges in the regions in which the company operates, rising capital and operating costs and delays in the development of its growth projects. Upside risks are a higher than expected gold price, a more hospitable regulatory environment in the jurisdictions in which Eldorado operates (in particular, Greece), more favorable than forecast foreign exchange rates, and better than expected operational results.

## 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
<b>BUY</b>	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
	Commercial Metals	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
<b>NEUTRAL</b>	Alamos Gold	YAGI	AGI CN	Harmen Puri

## North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Alamos Gold	AGI	AGI US	Harmen Puri
	Alcoa Corporation	AA	AA US	Lawson Winder, CFA
	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

iQmethod<sup>SM</sup> 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

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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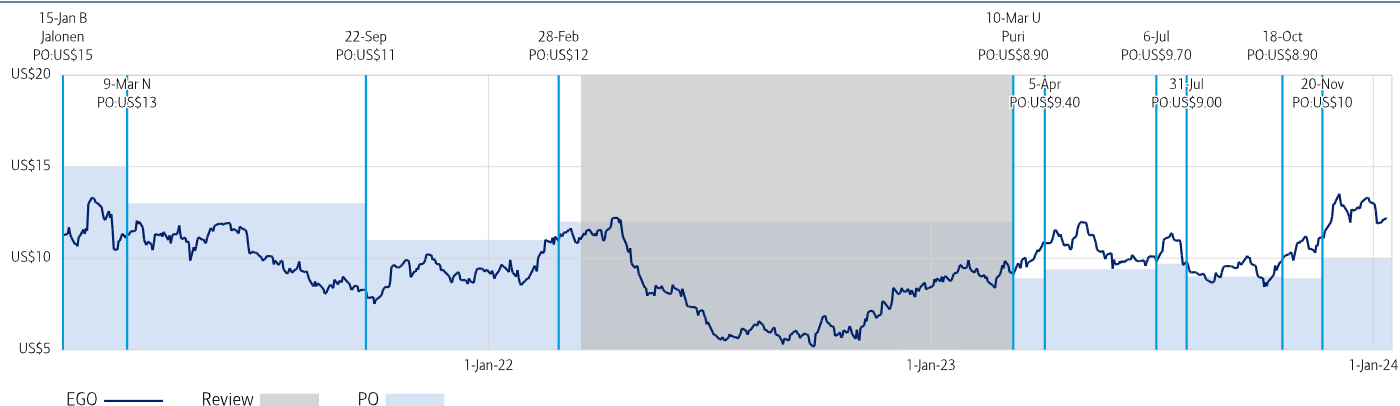
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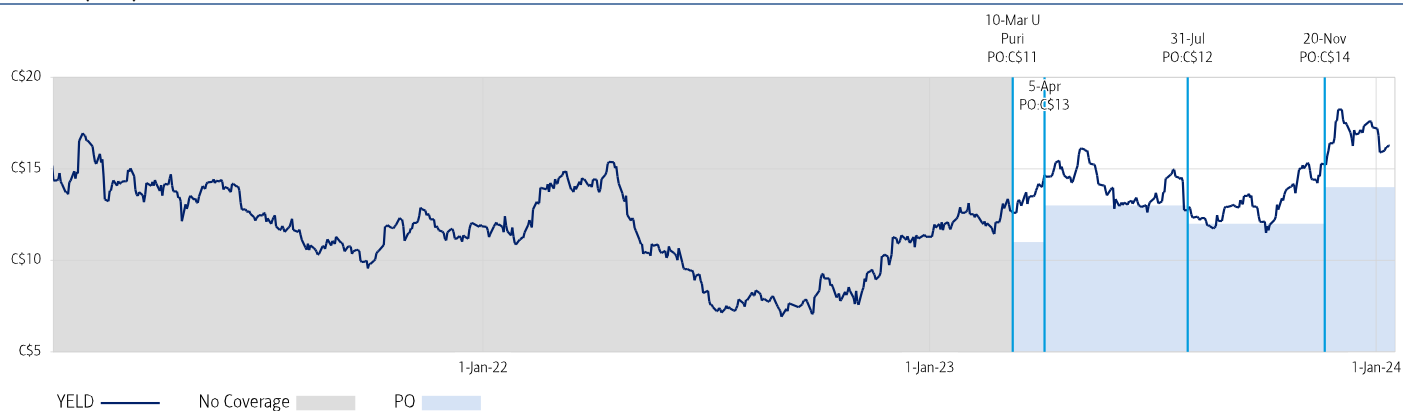
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### Eldorado Gold (EGO) Price Chart



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.

### Eldorado Gold (YELD) Price Chart



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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 <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>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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