

Eldorado Gold

2024 guidance fine, but Skouries delay lowers 2025 production, capex up 9%

Maintain Rating: UNDERPERFORM | PO: 10.00 USD | Price: 11.27 USD

Overall, a disappointing update

Earlier, Eldorado Gold (EGO) reported Q4'23 financial results, 2024 guidance, a 4-year outlook, and provided a Skouries update. Overall, we view results negatively, particularly given the downwards revision in production guidance for 2025, stemming from lower production at Skouries, the flagship project currently being constructed. Project capex was also increased 9%. Owing to certain project characteristics, and a broadly challenging building environment, we think further negative updates may come about. 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.

Q4'23 adj EPS beats, non-op vs. BofAe

EGO reported Q4'23 adjusted EPS of \$0.24, that was a beat versus BofAe at \$0.21, Bloomberg consensus at \$0.19, and Visible Alpha (VA) consensus also at \$0.21. Q4'23 production was already pre-reported ([see report](#)). Q4'23 cash costs (C1) were reported at \$716 per ounce (/oz), 3% higher versus BofAe at \$697/oz. All-in sustaining costs (AISC) were reported at \$1,207/oz also higher versus BofAe at \$1,186/oz, though well below Bloomberg consensus at \$1,321/oz, and VA consensus at \$1,309/oz. Versus our estimates, the beat on adj. EPS was driven by non-operational factors. Q4'23 free cash flow (FCF) was \$28mn, better-than-expected vs. BofAe and consensus. As at 31-Dec-23, EGO had net debt of \$96mn (vs. \$120mn as at 30-Sept-23)

2024 guidance mostly fine

EGO reported 2024 production guidance of 505-555 thousand ounces (koz), largely in-line with prior guidance, and also consensus. On a mine-by-mine basis, lower production is expected at Kisladag (vs. prior guide) offset by higher production at Olympias (vs. prior guide). Total cash costs were guided to \$840-940/oz. At midpoint, this is 1% below BofAe at \$903/oz though 4% above Bloomberg consensus at \$856/oz. 2024 AISC is guided to \$1,190-1,290/oz, 8% above BofAe at \$1,147/oz, though only 2% above Bloomberg consensus at \$1,216/oz. Total capex was guided to \$632-729mn, in-line with consensus at midpoint, though 11% above BofAe. Total capex includes \$135-160mn of sustaining spend, and \$497-569mn of development capex.

Skouries delay causes lower production; capex up 9%

EGO provided updated 4-year production guidance (vs. previously a 5 years) Notable highlights of include a 7% reduction in 2025 production guidance to 545-595koz (from previously 585-635koz). This is largely the result of lower production at Skouries, now expected to be 50-60koz (from 80-90koz). First production is delayed to Q3'25 (vs. prior mid-2025). EGO raised the Skouries capital cost estimate by 9% to \$920mn (from \$845mn). EGO cited higher labour rates/more labour hours as the cause of the increase.

22 February 2024

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Stock Data

Price (NYS / TOR)	11.27 USD / 15.22 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)	2,306 USD
Free Float	99.1%
Average Daily Value	15.43 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

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Timestamp: 22 February 2024 08:01PM EST

Q4'23 results overview

Exhibit 1: EGO Q4'23 Financial Results

EGO reported adj. EPS of \$0.24, above BofAe and consensus, though vs. BofAe, largely due to non-operational factors.

Q4'23 Results	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	Q4'23E	Δ%	Consensus	Δ%	Consensus	Δ%
Sales (US\$m)	304.0	246.2	24%	245.3	24%	298.2	2%	300.0	1%	306.2	-1%
EBITDA (US\$m)	147.2	94.6	56%	107.0	38%	138.9	6%	148.9	-1%	148.0	-1%
Depreciation (US\$m)	72.3	75.4	-4%	63.0	15%	61.7	17%	76.6	-6%	72.0	0%
Adjusted net earnings (US\$m)	37.6	36.2	4%	(8.0)	nm	42.2	-11%	40.1	-6%	45.3	-17%
Adjusted EPS (US\$/sh)	0.24	0.14	77%	0.17	41%	0.21	17%	0.19	26%	0.21	13%
Cash flow before w/c (US\$m)	136.8	86.4	58%	97.4	40%	111.5	23%	NA	nm	117.9	16%
FCF (US\$m)	28.3	41.0	-31%	(19.4)	nm	(15.0)	nm	(40.8)	nm	(27.8)	nm
(Net debt)/net cash (US\$m)	95.6	214.7	-55%	119.9	-20%	137.3	-30%	NA	nm	199.2	-52%
Gold Production (oz)											
Kisladag	46,291	40,307	15%	37,219	24%	46,291	0%	51,462	-10%	47,400	-2%
Lamaque	56,619	51,349	10%	43,821	29%	56,619	0%	49,962	13%	54,400	4%
Efemcukuru	22,374	21,362	5%	21,142	6%	22,374	0%	22,093	1%	22,400	0%
Olympias	17,882	15,435	16%	18,848	-5%	17,882	0%	18,031	-1%	18,100	-1%
Total	143,166	128,453	11%	121,030	18%	143,166	0%	141,549	1%	142,300	1%
Cash costs (\$/oz) - C1											
Kisladag	623	709	-12%	622	0%	716	-13%	NA	nm	NA	nm
Lamaque	580	541	7%	624	-7%	569	2%	NA	nm	NA	nm
Efemcukuru	816	738	11%	817	0%	835	-2%	NA	nm	NA	nm
Olympias	1,224	1,325	-8%	885	38%	892	37%	NA	nm	NA	nm
Total	716	741	-3%	698	3%	697	3%	NA	nm	714	0%
Average all-in sustaining costs (US\$/oz)	1,207	1,246	-3%	1,177	3%	1,186	2%	1,321	-9%	1,309	-8%

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

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Exhibit 2: EGO 2024 Guidance vs. BofAe and Consensus

2024 guidance generally fine versus consensus expectations. Versus BofAe, all-in sustaining costs higher-than-expected and capex also higher-than-expected.

	2024 Guidance	BofAe	BB. Cons.	VA Cons.	Δ% vs. BofAe	Δ% vs. BB	Δ% vs. VA
Gold production (koz)	505 - 555	538	533	537	-2%	0%	-1%
Cash costs (\$/oz)	840 - 940	903	856	N/A	-1%	4%	nm
AISC (\$/oz)	1,190 - 1,290	1,147	1,216	1,256	8%	2%	-1%
Capex	632 - 729	615	679	656	11%	0%	4%
Sustaining	135 - 160	87	N/A	N/A	69%	nm	nm
Development	497 - 569	527	N/A	N/A	1%	nm	nm

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

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Exhibit 3: EGO 4-Year Production Outlook

2025 production guidance now 7% lower largely owing to delays at Skouries.

	EGO Guidance (Midpoint)					EGO Guidance (Midpoint) (Old)					Δ% New vs. Old			
	2024G	2025G	2026G	2027G	2028G	2024G	2025G	2026G	2027G	2028G	2024E	2025E	2026E	2027E
Gold production (koz)	530	570	663	705	N/A	535	610	660	705	N/A	-1%	-7%	0%	0%

Source: BofA Global Research, Company Reports

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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.

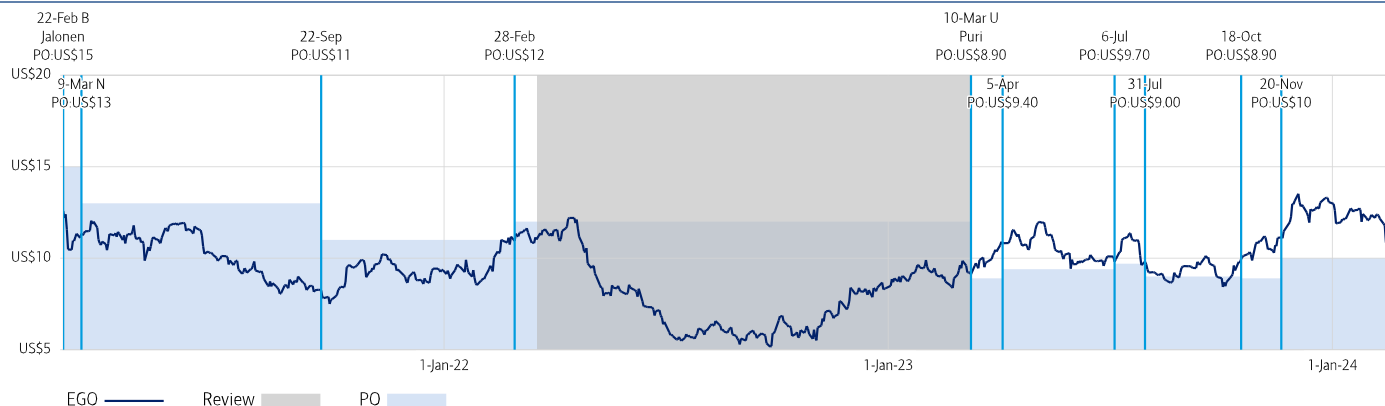
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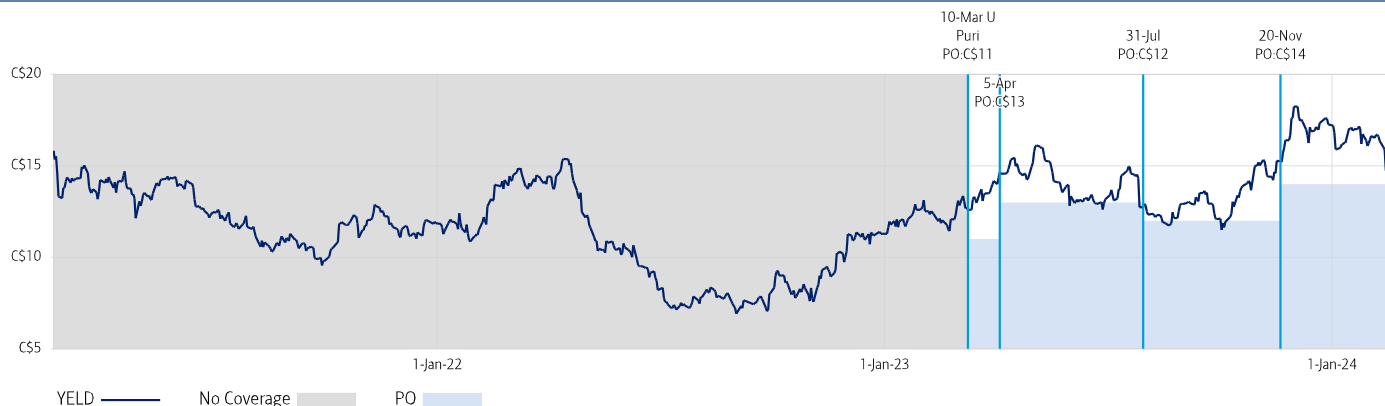
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Eldorado Gold (EGO) Price Chart



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Eldorado Gold (YELD) Price Chart



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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%

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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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