



Eldorado Gold Corporation

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INDUSTRY OVERVIEW

In the Gold Mining Industry companies mine the Earth to extract precious metals. This is done through exploration techniques in underground mines, surface mines and volcanic mines. The companies process bullions and ship them out to customers.



Market Cap: 2.60B



Market Cap: 3.70B



Market Cap: 5.00B



Market Cap: 6.1B

Revenue Generation

Process

Exploration/Acquisition

- Mines from small company Mergers and Acquisitions
- Drill 100m to test the mine for resources 30m apart

Permits for Land

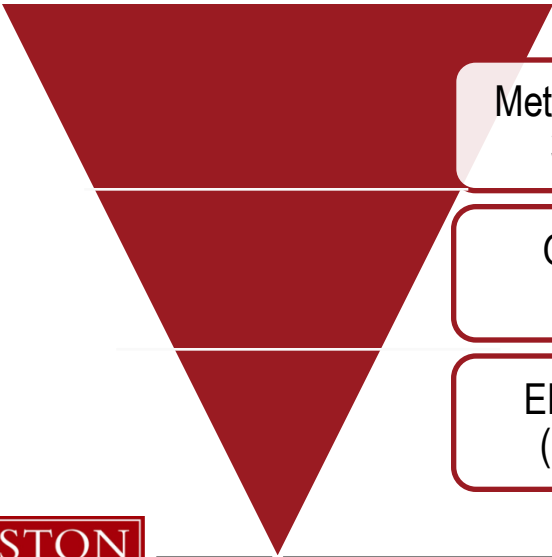
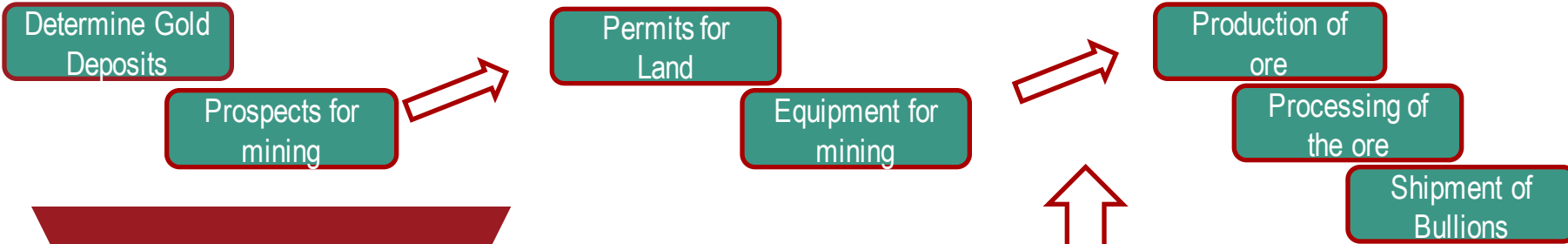
- Government relations help secure land
- Contract local labor force

Metals Mining

- Less precious metals are mined in addition
- Underground, Aboveground mines, and New Volcanic Mines

Making Bullions

- Metals like Gold and silver are refined into Bullions - 99.99% pure



Metals and Mining
38,964.1 B

Gold Mining
2,274.0 B

Eldorado Gold
(EGO) 2.7 B



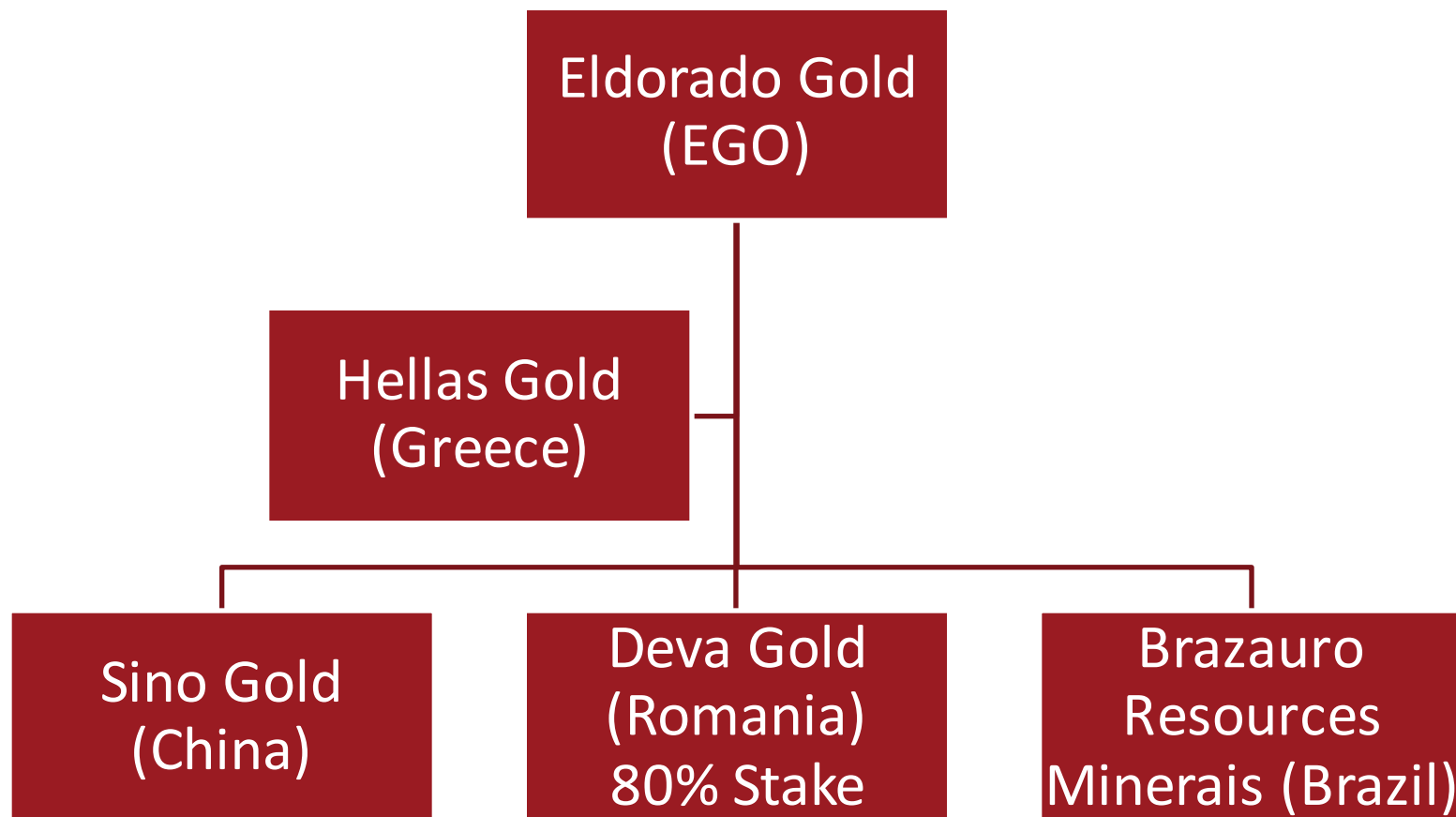
Why Eldorado?

- Eldorado is a Canadian based gold miner that operates in three different continents.
 - Operates in Turkey, China and Greece
 - Expanding their operations into Romania and Brazil
- Since gold is a homogeneous good it is important for the company to maintain low cost when mining to maximize their profit margins.
- Eldorado has the lowest cash operating costs of all the competitors in the industry.
 - Has diversified its projects throughout the world and the operation cycle



Additional Production of Developed mines(oz)				
	2015	2016	2017	2018
Gold (Au)	70000	254000	244000	244000
Silver (Ag)		830000	830000	830000

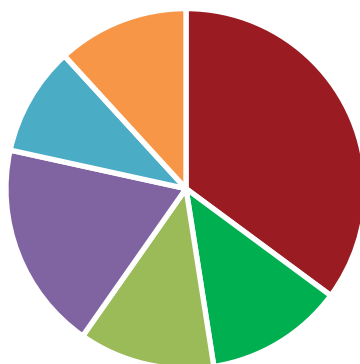
Eldorado Gold and Subsidiaries



Eldorado Gold Company Snapshot

Company	EGO
Recommendation	BUY
Current Price	\$3.68
1yr Target Price	\$4.48
%Upside	21.3%

Top 5 mines Eldorado



■ Kisladag ■ Efemcukuru ■ Tanjianshan ■ Jinfeng ■ White Mountain ■ Other

Operating Highlights:

Average Realized Gold Price: \$1168

Cash Cost per ounce: \$552

Gross Profit per ounce: \$616

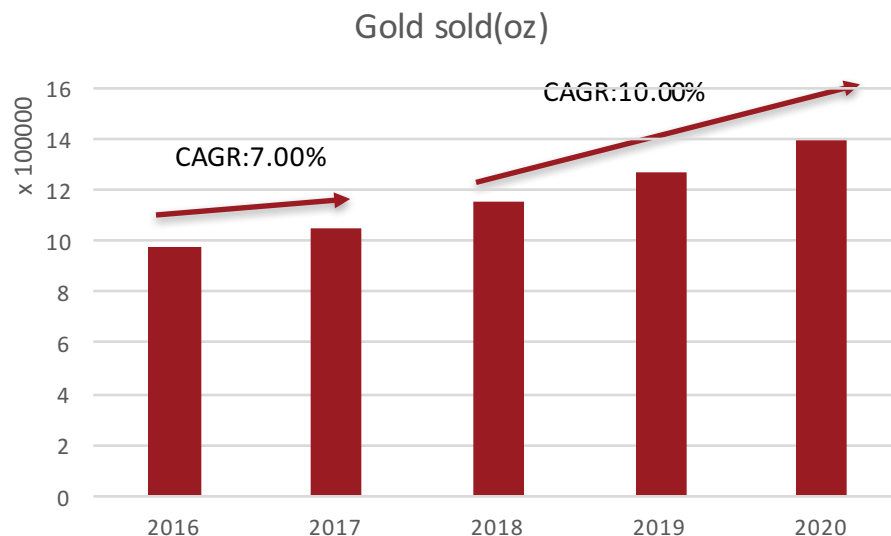
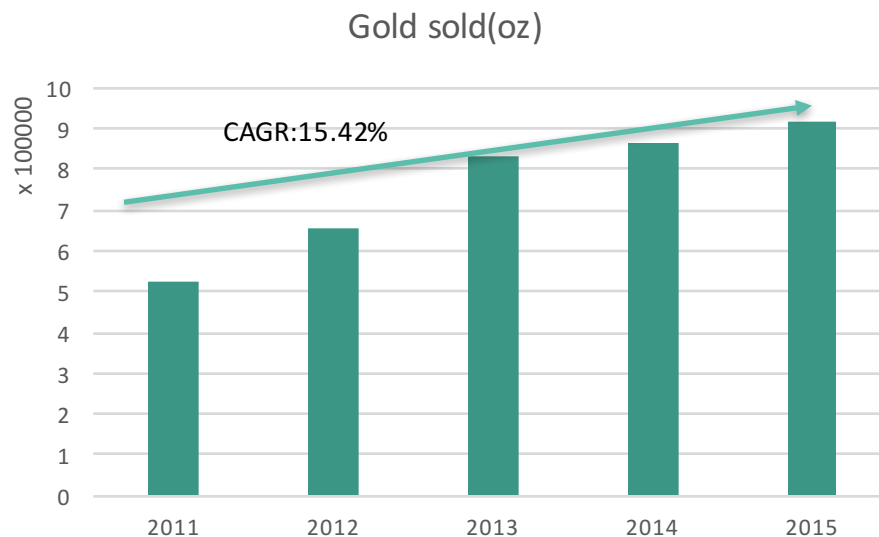
Company Specific Trends



Gold mined is set to increase with new mines opening up

- Over the past 5 years the gold production has been growing at an average CAGR of 15.42%
- With many mine closures we expect the production to increase but at a smaller rate of 7%
- After all the costs are realized we have a conservative estimate of 10% growth from then on
- Producing close to 800,000 oz of gold a year and estimate of 1,000,000 oz supposed to be reached in 2017

Key Takeaway: With many production mines coming into operation in the coming year there is going to be an inflow of more gold to sell



Company Specific Trends

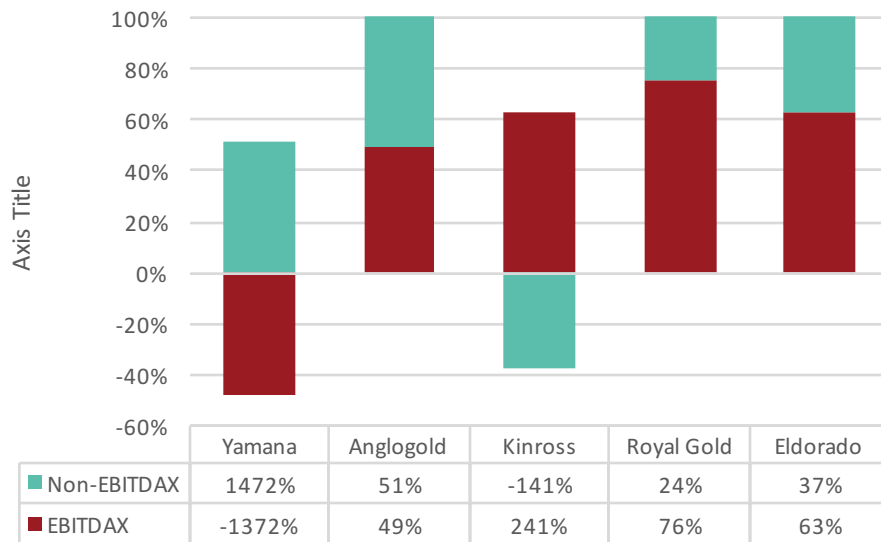
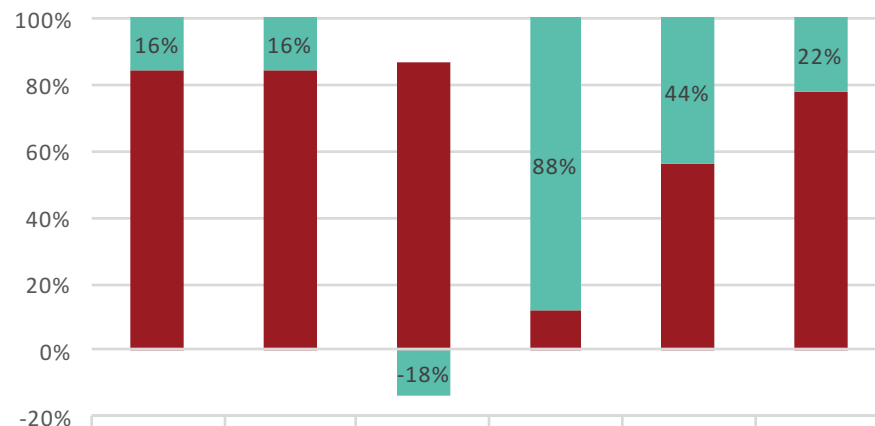


Gross Margin compared to its competitors

- Eldorado is the company within the comparable that shows a very high Gross Margin
- Able to utilize their technology to attain very high mining efficiency
- The forecast shows the company is going to keep operating at the same margins for years to come.
- Able to extract the same amount of gold as its competitors but for less labor and land with new forms of technology

Key Takeaway: It is important in the industry to keep the costs low and increase your margin. Eldorado beat the averages and handles its costs well.

Margin on Revenue	Yamana	Anglogold	Kinross	Royal Gold	Eldorado
EBITDAX Margin	-147%	9%	-30%	65%	15%



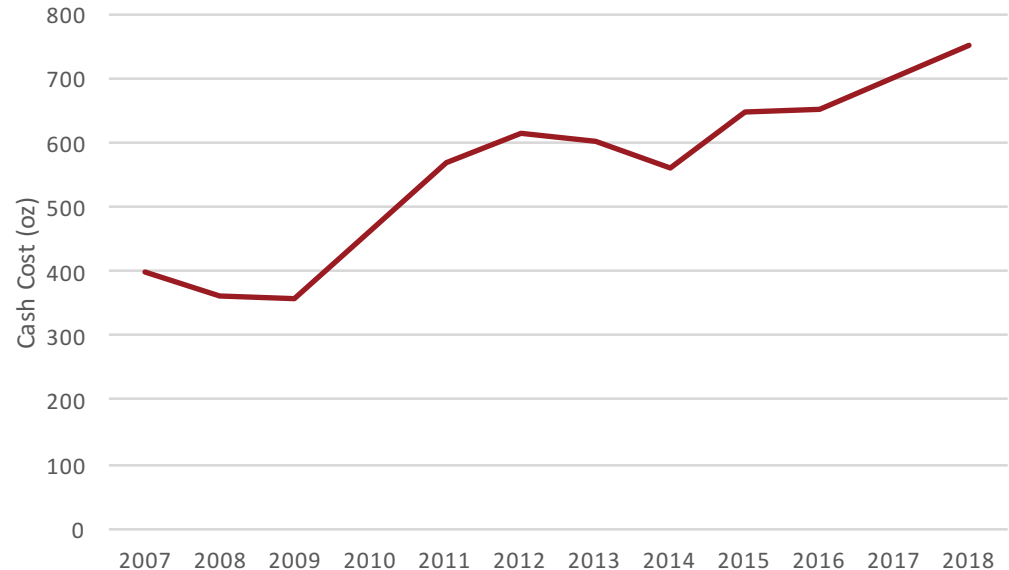
Company Specific Trends



The costs of mine increase as its lifetime decreases

- The cost of a mine increases as the mine gets older.
- Cash costs of the mine for Eldorado is around \$500 per oz
- The costs rise up to \$700 oz for “Care and Maintenance” for recovering the land to the environment
- “Care and Maintenance” happens from year 3 of the mine lifetime
- Average age of a mine in Eldorado is 12.46 years.

Tanjianshan Mine Operating Costs



Key Takeaway: With many production mines getting out of “care and maintenance” phase there will be less cost associated with the mine maintenance in future years.

Average Mine Lifetime			
2015	2016	2017	2018
10.20	12.46	11.46	13.09

Risk Factors of Mining

- **Gold Prices**

- Since the gold prices change day to day we need to pay attention to how the commodities market is doing so the company can sell the gold in within a reasonable price to what the market is offering

- **Foreign currency exposure**

- Eldorado Gold relies on the price fixed by London Metals Exchange (LME) which uses dollars to fix the prices. All the sales are recorded in dollars while the operating costs are looked at in the local currencies. They need to monitor the economic environments and see how the foreign exchange rates change.

- **No form of currency and gold hedges**

- Eldorado Gold has no hedging techniques in place to protect against the downturns of the gold market or fluctuation in currency. They are still in the process of analyzing the gold market to impose financial restrictions

Valuations on the DCF and Comps

Valuation Summary

Discounted Cash Flows

Perpetuity Growth Model	\$5.00	35%
Multiples Method	\$4.89	35%

Comparable Analysis

EV/EBITDA	\$3.37	15%
EV/Revenue	\$2.85	10%
Target Price	\$4.39	100%

- 70% weight on the DCF
 - Better fit for how the company is handling its costs
 - Takes into account the uncertainty of Gold Prices in the future
- 30% weight on the Comparable
 - The industry has very different revenue methods
 - Some companies have little to no COGS in some years as per royalties

Perpetuity Growth and Multiples Model Outputs

Perpetuity Growth Model

Growth Rate	2.50%
Undiscounted TEV	\$ 4,839.61
Discounted TEV	\$ 3,397.79
DCF Value	\$ 3,960.59
Equity Value	\$ 3,671.49
Share Price	\$ 5.00
Implied Exit Multiple	7.69x

Multiple Method

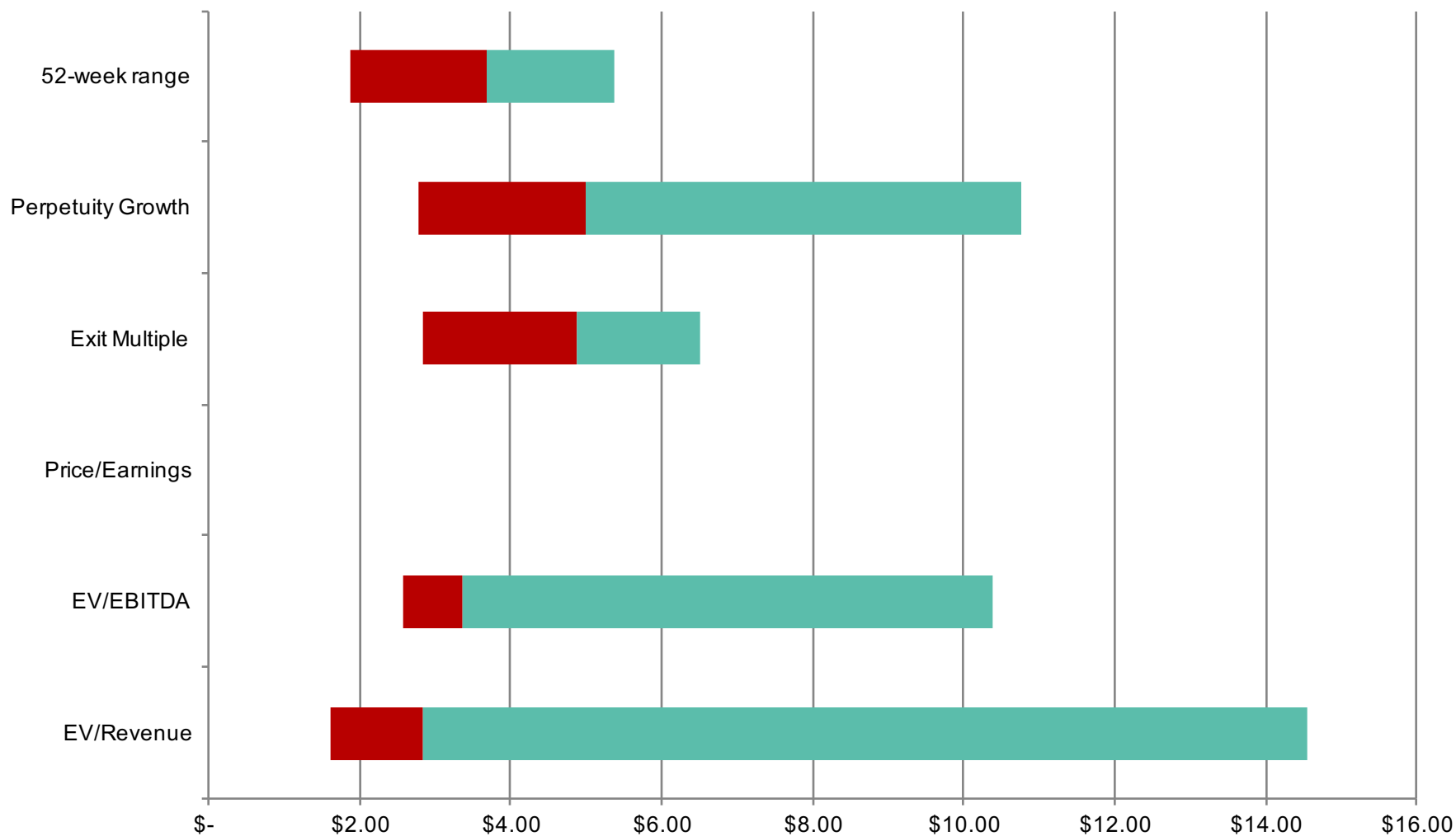
EBITDA Multiple	7.50x
Undiscounted TEV	\$ 4,723.04
Discounted TEV	\$ 3,315.95
DCF Value	\$ 3,878.75
Equity Value	\$ 3,589.65
Share Price	\$ 4.89
Implied Growth Rate	2.39%

Forecasted Revenue to Year 2020

	2016	2017	<u>Forecasted</u> 2018	2019	2020
Volume	0.9	1.0	1.2	1.3	1.4
Price	1,333.5	1,247.5	1,152.3	978.8	984.5
Total	1,210.8	1,305.9	1,326.8	1,239.1	1,371.7

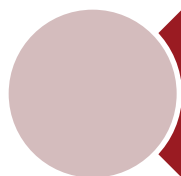
- Predicting the Gold prices for the future was hard but to have conservative estimates, under predicted price past 2018
- The volume was based on every mine in operation and analyzing the estimates and historical production

The Valuation Football Field

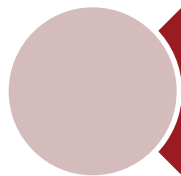


Recommendation Summary Eldorado Gold

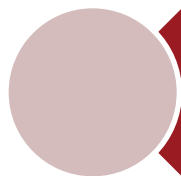
Company	EGO
Recommendation	BUY
Current Price	\$3.68
1yr Target Price	\$4.48
%Upside	21.3%



Increase in production on gold in coming years with production mines opening up



Able to sustain when gold prices are low with good margins



Lowering the maintenance cost for future year by taking mines of "Care and Maintenance

Thank You

Back Up Slides



CEO

Paul Wright

20 years at Eldorado
Previously VP and
COO of Eldorado.
Over 30 years of
experience with open
pit and underground
gold mines



CFO

Fabiana Chubbs

9 years at Eldorado
23 years experience
in accounting, tax,
and advisory
services



COO

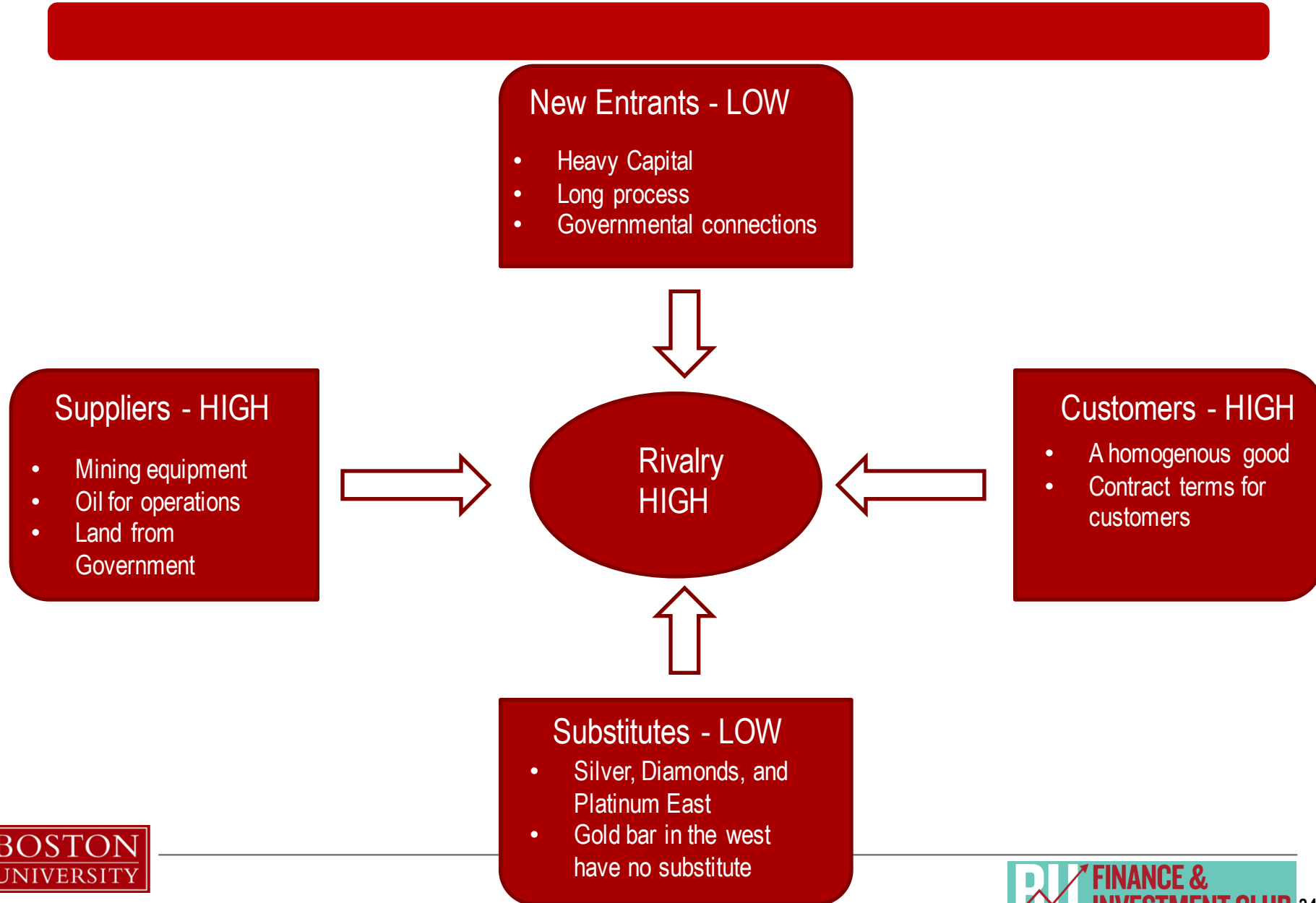
Paul Skayman

11 years at
Eldorado
25 years
experience in
mining and mining
operations

Forecasted Cash Flow

	2016		2017		2018		2019		2020
EBIT	\$	392.55	\$	430.85	\$	435.86	\$	393.83	\$ 452.62
- Taxes		(98.14)		(107.71)		(108.97)		(98.46)	(113.16)
	\$	294.41	\$	323.14	\$	326.90	\$	295.37	\$ 339.47
+ D&A		103.65		108.99		113.57		115.35	117.41
- CAPEX		(199.22)		(358.66)		(327.80)		(198.25)	(214.00)
- Δ in NWC		(100.70)		(10.64)		(2.35)		9.79	(14.81)
Unlevered FCF	\$	98.14	\$	62.83	\$	110.32	\$	222.25	\$ 228.07
Net Present Value		\$562.80							

Porters Five Forces



DCF Calculation off CAPM, WACC and Cost of Debt

Beta	0.70	Cost of Debt	5.42%
Risk-free Rate	1.90%	% Weight	18%
Base Risk Premium	6.70%		
Market Cap	\$ 2,709.23	Cost of Equity	7.75%
Size Premium	1.17%	% Weight	82%
CAPM	7.75%	WACC	7.33%

Debt Tranche	Value	% of Total	Coupon	Yield	Maturity	Seniority
Eldorado Gold		600	100%	6.1%	8.34%	12/1/2020 SNR Unsec

Total Value of Debt	600.0
Cost of Debt	8.34%

Comparable Companies Analysis

Company	Ticker	EV	Market Cap	Revenue	EBITDA	Net Income	P/E	EV/EBITDA	EV/Revenue
Eldorado	EGO	2,450.0	2,240.0	923.0	329.9	(289.0)	0.0x	7.4x	2.7x
Yamana	AUY	4,550.0	2,930.0	1,820.0	506.5	(2,100.0)	0.0x	9.0x	2.5x
Anglogold	AU	7,820.0	5,570.0	4,020.0	1,180.0	31.0	0.0x	6.6x	1.9x
Randgold Resources	GOLD	8,250.0	8,440.0	1,020.0	344.4	188.7	0.0x	24.0x	8.1x
Kinross Gold	KGC	4,870.0	3,990.0	3,050.0	625.4	(984.5)	0.0x	7.8x	1.6x
Royal Gold	RGLD	3,800.0	3,370.0	319.9	226.6	9.9	0.0x	16.8x	11.9x