

Recommendation: Buy
Target Price: C\$25.00

Victoria Gold Corp. (VGCX-TSX)

Guidance Reduced Due to Eagle Teething Issues

Current Price	C\$13.29	Shares Outstanding (MM)	
52 Wk High	C\$21.04	Basic	61.8
52 Wk Low	C\$4.02	Diluted	65.1
Cash (MM)	C\$40.0	Mgmt. & Dir.	0.6
Debt (MM)	C\$282.2		
NAVPS	C\$25.00	Market Cap.	C\$821.9
P/NAV	0.53x	EV	C\$1,064.1
NAV (spot)*	C\$24.35		
P/NAV (spot)*	0.55x	Reserves	3.26 MMoz
Target Return	88.1%	Total Resource	5.30 MMoz

Assumes FYE Dec. 31	2019A	2020E	2021E
Production (000 oz)	Q1 0	11 A	38
	Q2 0	28 A	42
	Q3 0	35 A	50
	Q4 17	38	55
	FY 17	113	185
Cash Cost (\$/oz)	FY n/a	\$869	\$736
AISC (\$/oz)	FY n/a	\$1,241	\$899
EPS, adj.	Q1 \$(0.18)	\$0.01 A	\$0.24
	Q2 \$0.05	\$0.01 A	\$0.35
	Q3 \$(0.02)	\$0.39 A	\$0.69
	Q4 \$0.06	\$0.32	\$0.66
	FY \$(0.07)	\$0.75	\$1.94
P/E	n/a	17.8x	6.8x
CFPS, adj.	Q1 \$(0.07)	\$(0.04) A	\$0.48
	Q2 \$(0.03)	\$(0.04) A	\$0.62
	Q3 \$0.07	\$0.50 A	\$1.02
	Q4 \$(0.07)	\$0.57	\$1.02
	FY \$(0.09)	\$1.02	\$3.13
P/CF	n/a	13.1x	4.2x

* Cormark deck is \$1,900/oz; spot gold is \$1,875/oz

Unless otherwise denoted, all figures shown in US\$

Event:

Q3/20 financial results & guidance update

Impact:

Negative

Commentary:

Victoria reported adjusted EPS of C\$0.39 in Q3/20, well above our estimate of C\$0.03 due to a higher realized gold price, lower cash costs and lower G&A expenses than we were modeling for the first quarter of commercial production. Positive FCF of C\$21.5 MM was above our estimate of C\$6.8 MM as higher cash flow (C\$30.7 MM vs our C\$18.5 MM) and significant inflows from working capital (C\$41.9 MM) offset higher capex (C\$44.1 MM vs our estimate of C\$11.6 MM). The cash balance increased to C\$40.0 MM (from C\$30.4 MM at the end of Q2/20) as the positive FCF offset C\$15.4 MM in debt repayments. Total debt is C\$282.2 MM.

Victoria's Q3/20 production of 35,312 oz was previously reported and was below our 41,000 oz estimate at the time. Cash costs of \$804/oz and AISC of \$1,315/oz compare to our estimates of \$1,012/oz and \$1,168/oz, respectively.

The company lowered its H2/20 guidance to 72,000-77,000 oz at AISC of \$1,175-1,275/oz (from 85,000-100,000 oz at AISC of \$950-1,100/oz previously). This now implies Q4/20 production of 37,000-42,000 oz, compared with our previous estimate of 50,000 oz. Management cited several teething issues at the Eagle mine that have impacted production in H2/20:

- Feeder/feed chute design reconfiguration due to liner wear and belt damage
- Increased downtime for liner wear due to higher ore abrasion
- Under designed motor capacity for mobile conveyor stacking system
- COVID travel restrictions continue to limit availability of specialists to site

Investment Conclusion:

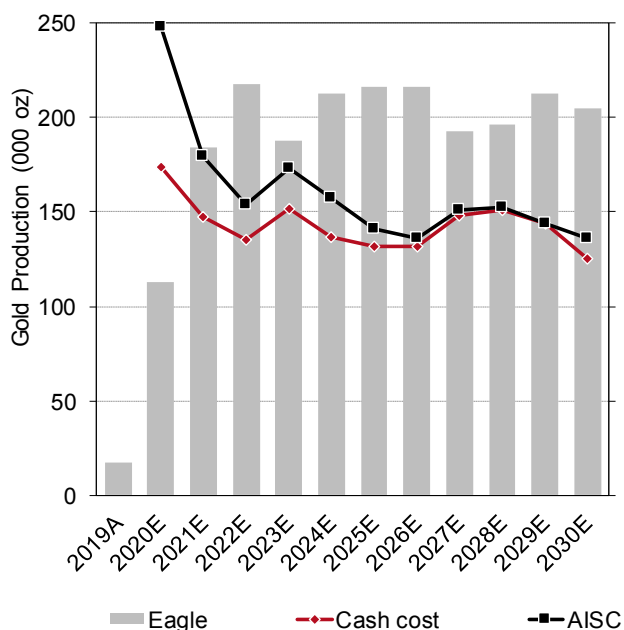
We have reduced our expectations for Q4/20 and 2021 (Figure 1) as a result of the lower guidance and the expectation that the ramp-up to full production could continue in H2/21, especially considering the planned six-week shutdown in Jan-Feb during the heavy winter period. Our NAV declines to C\$25.00 (from C\$26.00) and our target price is reduced to C\$25.00 (from C\$28.00). That said, we see these operational issues as short-term in nature and continue to view Victoria as an undervalued (0.53x NAV) single-asset producer with an FCF yield of 18% in 2021.

Figure 1: Quarterly Results & Estimate Changes

		Q4/19A	Q1/20A	Q2/20A	Q3/20A	Q4/20E	2019A	2020E	2021E	2022E	2023E
UPDATED											
Gold production	000 oz	17.2	10.6	28.3	35.3	38.5	17.2	112.7	184.5	218.0	188.0
Cash costs	\$/oz	\$0	\$0	\$0	\$804	\$929	\$0	\$869	\$736	\$676	\$760
AISC	\$/oz	\$0	\$0	\$0	\$1,315	\$1,173	\$0	\$1,241	\$899	\$770	\$865
Adjusted EPS	\$/share	\$0.06	\$0.01	\$0.01	\$0.39	\$0.32	(\$0.07)	\$0.75	\$1.94	\$3.43	\$2.40
Adjusted CFPS	\$/share	(\$0.07)	(\$0.04)	(\$0.04)	\$0.50	\$0.57	(\$0.09)	\$1.02	\$3.13	\$4.84	\$3.61
Capital spending	C\$ MM	\$27.3	\$10.5	\$7.7	\$44.1	\$15.0	\$298.2	\$77.3	\$49.9	\$27.5	\$26.4
Free cash flow	C\$ MM	\$59.6	(\$5.8)	(\$8.7)	\$21.5	\$20.1	(\$202.5)	\$27.1	\$143.9	\$271.5	\$197.0
PREVIOUS											
Gold production	000 oz	17.2	10.6	28.3	35.3	51.3	125.5	200.0	218.0	188.0	188.0
Cash costs	\$/oz	\$0	\$0	\$0	\$1,012	\$792	\$580	\$719	\$676	\$760	\$760
AISC	\$/oz	\$0	\$0	\$0	\$1,168	\$969	\$724	\$834	\$770	\$865	\$865
Adjusted EPS	\$/share	\$0.06	\$0.01	\$0.01	\$0.03	\$0.52	\$0.58	\$2.29	\$3.43	\$2.40	\$2.40
Adjusted CFPS	\$/share	(\$0.07)	(\$0.04)	(\$0.04)	\$0.30	\$0.80	\$1.05	\$3.58	\$4.84	\$3.61	\$3.61
Capital spending	C\$ MM	\$27.3	\$10.5	\$7.7	\$11.6	\$11.5	\$41.4	\$40.5	\$27.5	\$26.4	\$26.4
Free cash flow	C\$ MM	\$59.6	(\$5.8)	(\$8.7)	\$6.8	\$37.8	\$30.8	\$181.1	\$271.5	\$197.0	\$197.0

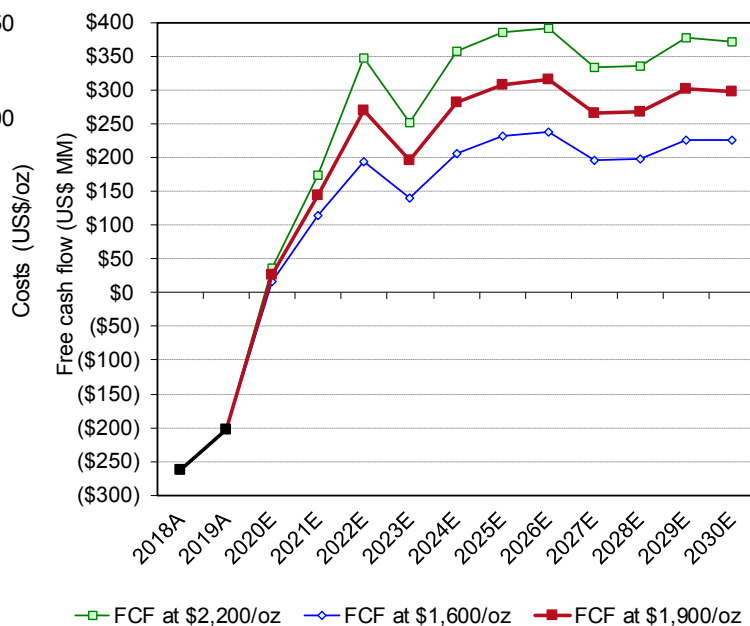
Source: Cormark Securities Inc., Company reports

Figure 2: Production & Cost Profile



Source: Cormark Securities Inc.

Figure 3: FCF Profile



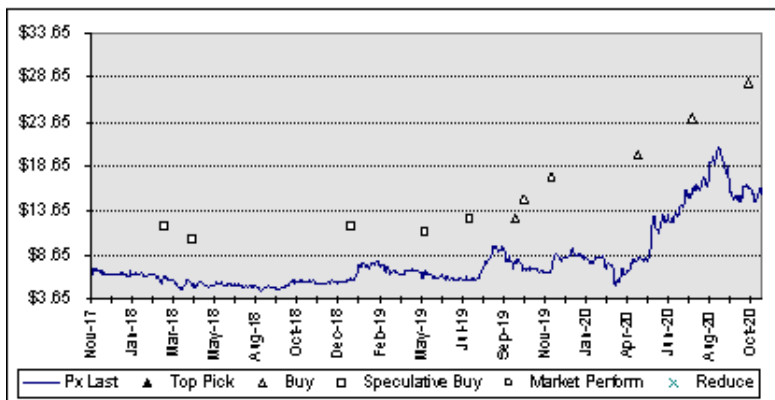
Source: Cormark Securities Inc.

Victoria Gold Corp.

Updated November 13, 2020

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



Recommendation / Target Chg	Date	C\$
	19-Oct-20	28.00 (B)
	20-Jul-20	24.00 (B)
	20-Apr-20	20.00 (B)
	03-Dec-19	17.50 (B)
	18-Oct-19	15.00 (B)
	03-Oct-19	12.75 (B)
	22-Jul-19	12.75 (B-S)
	08-May-19	11.25 (B-S)
	07-Jan-19	12.00 (B-S)
	23-Apr-18	10.50 (B-S)

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