

Recommendation: **Buy**  
Target Price: **C\$25.00**

## Victoria Gold Corporation

(VGCX - TSX)

### Strong Q3/21 Financials

Unless otherwise denoted, all figures shown in US\$

Current Price	C\$18.13	Shares Outstanding (MM)	
52 Wk High	C\$22.54	Basic	62.6
52 Wk Low	C\$10.42	Diluted	66.0
Cash (MM)	C\$14.8	Mgmt and Dir	0.6
Debt (MM)	C\$227.4	Mkt Cap. (MM)	C\$1,135.2
NAV	C\$21.50	EV (MM)	C\$1,347.8
P/NAV	0.84x	Reserves	3.3MMoz
NAV (spot)	C\$22.50	Total Resource	5.3MMoz
P/NAV (spot)	0.81x		
Total Return	38%		

Fiscal YE Dec 31		2020A	2021E	2022E
Prod'n (000oz)	Q1	10.6	26.8A	30.0
	Q2	28.3	32.1A	62.7
	Q3	35.3	55.8A	62.7
	Q4	42.4	65.0	62.7
	FY	116.6	179.7	218.0
Cash Cost (\$/oz)		\$789	\$708	\$722
AISC (\$/oz)		\$1,209	\$1,147	\$910
Adj. EPS	Q1	C\$0.01	C\$0.15A	C\$0.31
	Q2	C\$0.01	C\$0.12A	C\$0.78
	Q3	C\$0.39	C\$0.53A	C\$0.78
	Q4	C\$0.49	C\$0.75	C\$0.79
	FY	C\$0.92	C\$1.56	C\$2.66
P/E		19.8x	11.6x	6.8x
Adj. CFPS	Q1	C\$(0.04)	C\$0.52A	C\$0.54
	Q2	C\$(0.04)	C\$0.49A	C\$1.19
	Q3	C\$0.50	C\$1.05A	C\$1.19
	Q4	C\$0.79	C\$1.15	C\$1.19
	FY	C\$1.24	C\$3.22	C\$4.12
P/CF		14.6x	5.6x	4.4x
FCF (MM)		C\$19.7	C\$46.1	C\$198.0
FCF Yield		1.7%	4.1%	17.4%

NAV: Cormark deck is \$1,800/oz; spot gold is \$1,864/oz

#### Event:

Q3/21 financial results (production pre-reported)

#### Impact:

Positive

#### Commentary:

Victoria reported Q3/21 EPS of C\$0.51. We calculate adjusted EPS of C\$0.53, which is above our estimate of C\$0.50 and consensus of C\$0.45. Cash costs of \$708/oz were slightly better than we were modelling (\$722/oz estimate). CFPS of C\$1.05 was also above consensus of C\$0.88 and our estimate of C\$0.80.

FCF of positive C\$32.2 MM was in line with our estimate of positive C\$30.5 MM. Capex of C\$21.9 MM was also relatively in line with our C\$16.1 MM estimate. Cash was flat QoQ at C\$14.8 MM (identical in Q2/21) due to the positive FCF being offset by debt repayment. Total debt stood at C\$227.4 MM (from C\$251.9 MM at the end of Q2/21).

Victoria pre-reported Q3/21 production of 55,827 oz (a record; note [HERE](#)) which was in line with our prior 55,000 oz estimate, and a 73% improvement from Q2/21 production. Management anticipates the gold production record to be short-lived as higher production is expected in Q4/21. We currently estimate 65,000 oz which would take total production for the year to approximately 180,000 oz, the low-end of the guidance range of 180,000-200,000 oz.

The Q3/21 AISC of \$961/oz was slightly below our estimate of \$1,027/oz. As detailed with the Q2/21 release, owing to the production increase in H2/21, unit costs are expected to fall materially in the back half of the year. However, costs are still trending toward the higher end of guidance (AISC of \$1,050-1,175/oz). We model AISC of \$958/oz in Q4/21 which would bring 2021 AISC to \$1,147/oz.

As announced with the Q1/21 production release (note [HERE](#)), Victoria has initiated 'Project 250' aimed at increasing the average annual gold production to 250,000 oz by 2023. We look forward to the completion of early engineering on the project expected this quarter.

Incorporating our revised C\$ exchange rate (to 0.82 from 0.80) into our model lowers our NAV to C\$21.50 (from C\$20.00). We maintain our target price of C\$25.00; however, as we roll forward the P/CF component of our target price calculation to 2022 (from 2021).

#### Investment Conclusion:

Victoria remains an undervalued producer in Canada trading at just 0.84x NAV and we expect FCF of C\$198.0 MM in 2022 which would represent an FCF yield of 17% (based on \$1,800/oz gold). With increased M&A interest in the space following the news last week that Newcrest is set to acquire Pretium at 1.16x NAV (note [HERE](#)), we believe now is an attractive time to accumulate shares in the name (1.16x NAV would equate to a 38% return from the current Victoria share price).

#### Company Description:

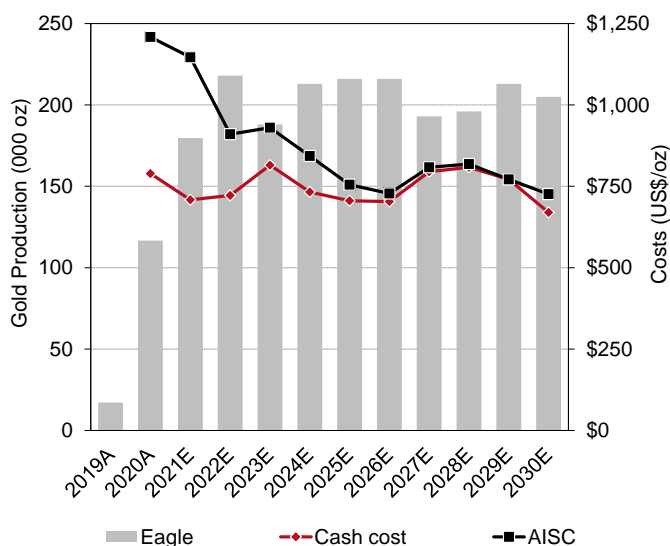
Victoria Gold is a single asset producer that operates the 100%-owned Eagle Gold Mine in the Yukon. Eagle poured its first gold in Q3/19 and achieved commercial production on July 1, 2020.

Figure 1 - Quarterly Results & Estimate Changes

		Q3/20A	Q4/20A	Q1/21A	Q2/21A	Q3/21A	2020A	2021E	2022E	2023E
<b>UPDATED</b>										
Gold production	000 oz	35.3	42.4	26.8	32.1	55.8	116.6	179.7	218.0	188.0
Cash costs	\$/oz	n/a	n/a	\$713	\$775	\$708	\$789	\$708	\$722	\$815
AISC	\$/oz	n/a	n/a	\$1,586	\$1,485	\$961	\$1,209	\$1,147	\$910	\$930
Adjusted EPS	C\$/share	\$0.39	\$0.49	\$0.15	\$0.12	\$0.53	\$0.92	\$1.56	\$2.66	\$1.91
Adjusted CFPS	C\$/share	\$0.50	\$0.79	\$0.52	\$0.49	\$1.05	\$1.24	\$3.22	\$4.12	\$3.15
Capital spending	C\$ MM	\$44.1	\$22.4	\$31.1	\$25.7	\$21.9	\$80.3	\$94.7	\$50.0	\$26.4
Free cash flow	C\$ MM	\$21.5	\$12.8	(\$21.0)	(\$18.3)	\$32.2	\$19.7	\$46.1	\$198.0	\$164.1
<b>PREVIOUS</b>										
Gold production	000 oz	35.3	42.4	26.8	32.1	55.8		179.7	218.0	188.0
Cash costs	\$/oz	n/a	n/a	\$713	\$775	\$722		\$708	\$707	\$798
AISC	\$/oz	n/a	n/a	\$1,586	\$1,485	\$1,027		\$1,161	\$891	\$910
Adjusted EPS	C\$/share	\$0.39	\$0.49	\$0.15	\$0.12	\$0.50		\$1.55	\$2.83	\$2.05
Adjusted CFPS	C\$/share	\$0.50	\$0.79	\$0.52	\$0.49	\$0.80		\$3.00	\$4.29	\$3.29
Capital spending	C\$ MM	\$44.1	\$22.4	\$31.1	\$25.7	\$16.1		\$89.1	\$50.0	\$26.4
Free cash flow	C\$ MM	\$21.5	\$12.8	(\$21.0)	(\$18.3)	\$30.5		\$46.5	\$210.5	\$174.2

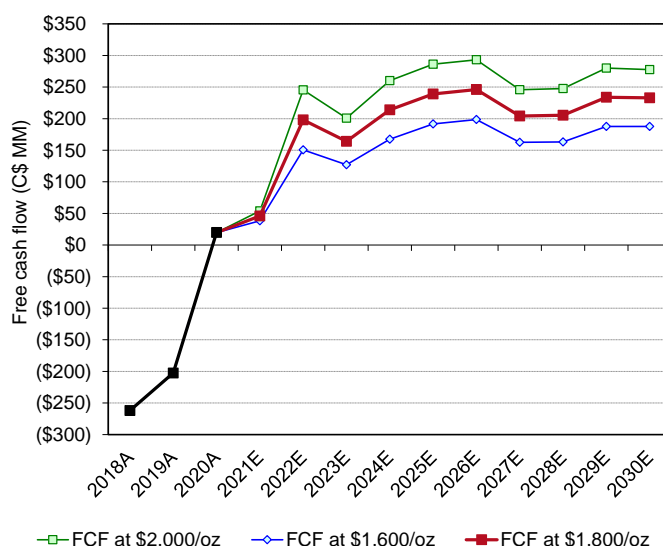
Source: Cormark Securities Inc.

Figure 2 - Production & Cost Profile



Source: Cormark Securities Inc.

Figure 3 - Free Cash Flow Profile



Source: Cormark Securities Inc.

Updated November 15, 2021

**Price Chart and Disclosure Statement**

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



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**Market Perform** expected to perform with its peer group

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**Tender** clients are advised to tender their shares to a takeover bid

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