

# Victoria Gold

VGX-TSX

Rating  
**Outperform**

Price: Mar-24  
**\$12.73**

Target  
**\$21.00**

Total Rtn  
**65%**

## Lined Up for a Strong 2021

### Bottom Line:

Victoria Gold released 2020 financials after the close Tuesday, March 23, and hosted a conference call on Wednesday, March 24. There were no material surprises after pre-releasing 2020 production and 2021 guidance. Commentary in the press release and on the conference call indicated that the materials handling modifications were completed in Q1 and the company had carried out some stacking to test these improvements. Victoria appears positioned for strong performance in 2021, and in our opinion the market will be watching for progress towards meeting guidance to revalue the shares.

### Key Points

- **Strong ending to 2020:** Q4 produced 42,436oz at AISC of 1,120/oz and the company exited the year at C\$56.1mm of cash and equivalents. This represented an improvement over Q3 (35,312oz at \$1,315/oz) and met or exceeded H2 2020 guidance. Importantly the company exited the year on solid financial footing for 2021.
- **2021 guidance in sight of 200,000+oz/yr design capacity:** 2021 guidance of 180,000-200,000oz was presented as weighted to the second half of the year. The planned limited stacking in Q1 reduces Q1 and, to some degree, Q2 production. Our valuation model is targeting the middle of the range of production and the upper end of AISC.
- **Some stacking in Q1:** The conference call confirmed that stacking has restarted as temperatures allow for testing and ramp-up of the upgraded materials handling systems. During Q1, the company completed previously discussed work on chutes and feeders, water liners, dust suppression and conveyors. On the conference call, management indicated that at temperatures above -20°C the mine had been successfully been carrying out stacking.
- **Stay tuned for Q1 results:** Within a couple of weeks the company will be delivering Q1 production results. While production will be down from Q4 due to the greatly reduced stacking rates, we will be looking for any further updates on the stacking rates achieved on exit from Q1 and the trend for the balance of the year. We are modeling 22,750oz for Q1.

### Key Changes

Estimates	Q1 / 21E	2021E	2022E
Revenue	\$54	\$463	\$539
Previous	\$48	\$502	\$541
EPS	\$(0.06)	\$0.12	\$0.71
Previous	\$(0.09)	\$0.28	\$1.17
CFPS	\$0.33	\$2.97	\$4.41
Previous	\$0.24	\$3.65	\$4.19

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Company Data			in C\$
Dividend	\$0.00	Shares O/S (mm)	62.1
Yield	0.0%	Market Cap (mm)	\$791
NAV	\$16.57	P/NAV	0.8x

BMO Estimates				in C\$
(FY-Dec.)	2021E	2022E	2023E	
Revenue	\$463↓	\$539↓	\$511↓	
EPS	\$0.12↓	\$0.71↓	\$2.09↓	
CFPS	\$2.97↓	\$4.41↑	\$3.16↑	
Gold Prod (oz)	190,600↓	223,800↓	216,800	

Consensus Estimates			
	2021E	2022E	2023E
EPS	\$0.90	\$1.95	\$1.64

Valuation			
	2021E	2022E	2023E
P/E	NM	18.0x	6.1x
P/CFPS	4.3x	2.9x	4.0x

QTR. EPS	Q1	Q2	Q3	Q4
2021E	\$(0.06)	\$(0.02)	\$0.06	\$0.14
2022E	\$(0.02)	\$0.14	\$0.20	\$0.38
2023E	\$0.02	\$0.43	\$0.73	\$0.89

### Our Thesis

Victoria's Eagle project declared commercial production on July 1, 2020, but has yet to complete a full ramp-up to meet the 2019 feasibility expectations. We see the company positioned to benefit from the strength in the precious metals sector as it aims to build an operational track record as a producer or potentially attract a takeover offer.

## Victoria Gold - Block Summary Model

Income Statement	2021E	2022E	2023E
Revenue	\$463	\$539	\$511
Operating Costs	210	204	200
SG&A	12	12	12
EBITDA	\$218	\$320	\$285
Depreciation	174	229	65
Tax	24	38	84
Adjusted Net Earnings	7	45	135
EPS	\$0.12	\$0.71	\$2.09
Cash Flow Statement	2021E	2022E	2023E
Cash Flow From Operations	185	278	204
Cash Flow From Investments	(61)	(28)	(26)
Cash Flow From Financing	(53)	(55)	(133)
Free Cash Flow	124	250	178
FCF/Share	\$1.99	\$3.98	\$2.76
Balance Sheet	2021E	2022E	2023E
Cash & Equivalents	128	323	368
Long-Term Debt	151	0	0
Total Assets	718	712	718
Total Liabilities	392	339	192
Total Shareholders' Equity	326	373	526
Key Metrics	2021E	2022E	2023E
Silver Price (US\$/oz)	27.38	26.49	23.50
Gold Price (US\$/oz)	1,873	1,865	1,822
Lead Price (US\$/lb)	3.38	2.72	2.68
Zinc Price (US\$/lb)	0.77	0.78	0.78
USD:CAD	1.295	1.285	1.280
Eagle - Gold Production (koz)	190,600	223,800	216,800
Eagle - AISC (US\$/oz)	1,128.37	804.82	817.13

Source: BMO Capital Markets, Company Reports

## Scenarios

**Valuation**

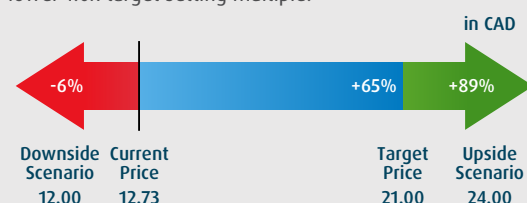
Our target is based on a 1.25x NAV5% multiple, which is toward the top of the range of developers approaching commercial production and appropriate for the quality of the Eagle mine and the jurisdiction.

**Upside Scenario** **\$24.00**

Our upside scenario is based on year-round stacking at Eagle to accelerate production.

**Downside Scenario** **\$12.00**

Our downside scenario is based on lower gold recovery (-15%) realized compared with the 2019 feasibility and a lower 1.0x target setting multiple.


**Key Catalysts**

2020: Quarterly production progress and exploration updates

**Company Description**

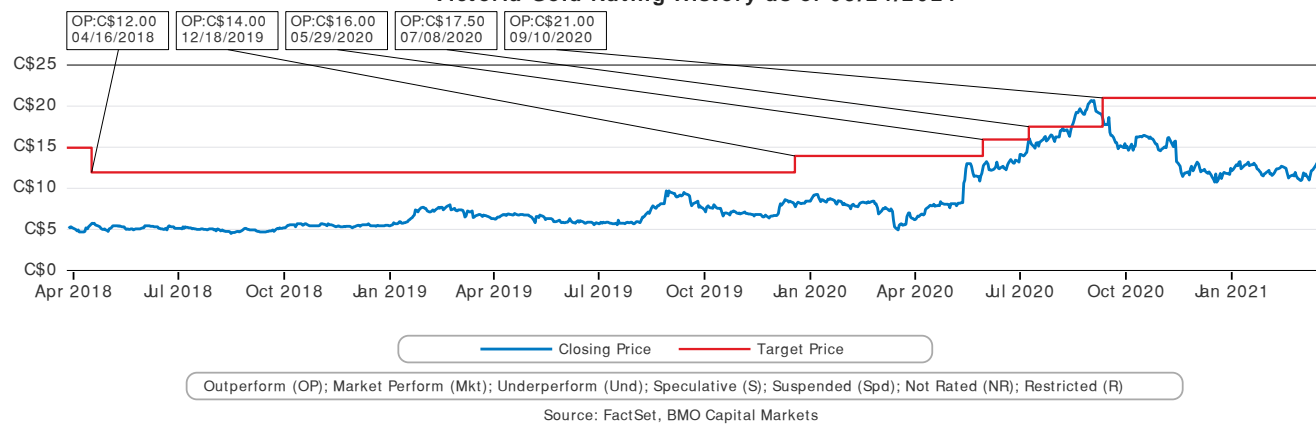
Victoria Gold is in ramp-up of the Eagle Gold mine in the Yukon toward H2/20 guidance of 72,000-77,000oz at an AISC between US\$1,175 and US\$1,275/oz. The December 2019 feasibility defined a +210,000oz/year production capacity at a low all-in sustaining cost of <US\$800/oz.


 VGCC-TSX  
Research


Glossary


 Company  
Models

**Victoria Gold Rating History as of 03/24/2021**



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**Methodology and Risks to Target Price/Valuation for Victoria Gold (VGCX-TSX)**

**Methodology:** Our target is based on a NAV valuation directly reflecting the updated feasibility results from December 2019 and reflecting construction activities completed in October. We model \$125mm of exploration upside to reflect a portion of the value from zones not included in the current mine plan below the pit or in satellites. We use a P/NAV target setting multiple in line with operating peers.

**Risks:** The largest risk exposure for Eagle project is in ramp-up and execution; Eagle has advantages of road and power infrastructure in place to minimize any unexpected issues. Financing risk has been reduced, with a financing package delivered. Jurisdictional, technical, and metallurgical risk are low due to the extensive technical work backing up the recent feasibility update and the mining-friendly jurisdiction of the Yukon.

## Distribution of Ratings (March 24, 2021)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	50.9 %	27.2 %	52.2 %	52.7 %	57.5 %	57.7%
Hold	Market Perform	46.6 %	25.1 %	44.2 %	44.6 %	39.6 %	37.5%
Sell	Underperform	2.3 %	33.3 %	2.9 %	2.4 %	2.0 %	4.8%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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~ As of April 1, 2019.

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