

Recommendation: **Buy**
 Target Price: **\$22.00**

Victoria Gold Corporation

(VGCX - TSX)

Lower Costs Drive Q1/22 EPS Beat

Unless otherwise denoted, all figures shown in C\$

Current Price	\$13.28	Shares Outstanding (MM)	
52 Wk High	\$22.54	Basic	63.4
52 Wk Low	\$12.99	Diluted	66.8
Cash (MM)	\$40.7	Mgmt and Dir	1.9
Debt (MM)	\$229.9	Mkt Cap. (MM)	\$841.3
NAV	\$19.00	EV (MM)	\$1,030.5
P/NAV	0.70x	Reserves	3.3MMoz
NAV (spot)	\$19.40	Total Resource	5.3MMoz
P/NAV (spot)	0.68x		
Total Return	66%		

Fiscal YE Dec 31		2020A	2021A	2022E
Prod'n (000oz)	Q1	10.6	26.8	24.4A
	Q2	28.3	32.1	42.1
	Q3	35.3	55.8	56.6
	Q4	42.4	49.5	56.6
	FY	116.6	164.2	179.7
Cash Cost (\$/oz)		US\$789	US\$725	US\$833
AISC (\$/oz)		US\$1,209	US\$1,193	US\$1,263
Adj. EPS	Q1	\$0.01	\$0.15	\$0.23A
	Q2	\$0.01	\$0.12	\$0.32
	Q3	\$0.39	\$0.53	\$0.57
	Q4	\$0.49	\$0.70	\$0.58
	FY	\$0.92	\$1.51	\$1.70
P/E		14.5x	8.8x	7.8x
Adj. CFPS	Q1	\$(0.04)	\$0.52	\$0.58A
	Q2	\$(0.04)	\$0.49	\$0.62
	Q3	\$0.50	\$1.05	\$0.96
	Q4	\$0.79	\$0.93	\$0.96
	FY	\$1.24	\$3.00	\$3.12
P/CF		10.7x	4.4x	4.3x
FCF (MM)		\$19.7	\$24.1	\$(4.1)
FCF Yield		2.3%	2.9%	0.7%

NAV: Cormark deck is \$1,800/oz; spot gold is \$1,931/oz

Event:

Q1/22 financial results

Impact:

Positive

Commentary:

After pre-reporting Q1/22 production (note [HERE](#)), Victoria reported a significant beat on both EPS and CFPS. Adjusted EPS of \$0.23 came in well above our estimate of \$0.06 and consensus of \$0.07, primarily driven by a significant beat on costs (cash costs of US\$618/oz versus our US\$1,020/oz estimate), while CFPS (before working capital changes) of \$0.58 was above consensus of \$0.26 and our estimate of \$0.25.

FCF of -\$40.1 MM was below our estimate of -\$14.6 MM, with the miss attributable to an unfavourable \$36.9 MM working capital outflow. Capex of \$31.6 MM was slightly below our \$35.4 MM estimate and included \$18.4 MM of sustaining capital (scheduled rebuilds on mobile mining fleet, expansion to the heap leach pad, final construction on the truck shop, and construction of the water treatment facility), \$9.2 MM of capitalized stripping, and \$3.3 MM growth capital expenditures (growth exploration and mine expansion).

Cash and equivalents ended the quarter at \$40.7 MM (up from \$31.3 MM in Q4/21), as the negative FCF was more than offset by proceeds from the February 2022 equity financing (\$23.8 MM) and a draw on the company's debt facilities (\$20.4 MM).

Victoria pre-reported Q1/22 production of 24,358 oz, slightly above our prior 22,800 oz estimate at the time, but down as expected from Q4/21 production of 49,497 oz. AISC of US\$1,504/oz was better than our US\$1,800/oz estimate driven by the lower cash costs, as sustaining capex was in line with our estimates (\$20.3 MM vs. our estimate of \$19.0 MM). Guidance for the year was maintained at 165,000-190,000 oz at AISC of US \$1,225-1,425/oz.

Mining, crushing, irrigation of ore on the heap leach pad and gold production are all expected to operate at full capacity during 2022. Stacking of ore on the heap leach pad was paused for six weeks in Q1/22 (late-January through early-March) for regularly scheduled maintenance activities. Gold production, which lags stacking activities in heap leach operations, will have a seasonal bias due to the winter scheduled maintenance program which will result in lower gold production in H1/22 and higher production in H2/22, similar to 2021.

Investment Conclusion:

Trading at just 0.70x NAV (at \$1,800/oz), we believe Victoria offers significant value. We continue to like the name and believe the investments made in 2022 will set Victoria up for a very strong 2023.

Company Description:

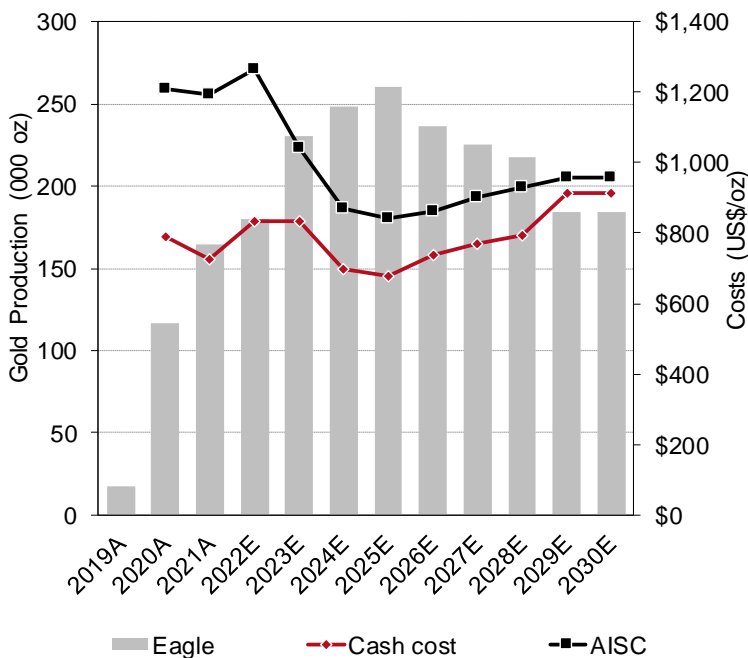
Victoria Gold is a single asset producer that operates the 100%-owned Eagle Gold Mine in the Yukon. Eagle poured its first gold in Q3/19 and achieved commercial production on July 1, 2020.

Figure 1: Quarterly Results & Changes to Estimates

		Q1/21A	Q2/21A	Q3/21A	Q4/21A	Q1/22A	2020A	2021A	2022E	2023E	2024E
UPDATED											
Gold production	000 oz	26.8	32.1	55.8	49.5	24.4	116.6	164.2	179.7	230.4	248.3
Cash costs	\$/oz	\$713	\$775	\$708	\$718	\$618	\$789	\$725	\$833	\$835	\$697
AISC	\$/oz	\$1,586	\$1,485	\$961	\$1,052	\$1,504	\$1,209	\$1,193	\$1,263	\$1,041	\$868
Adjusted EPS	C\$/share	\$0.15	\$0.12	\$0.53	\$0.70	\$0.23	\$0.92	\$1.51	\$1.70	\$2.12	\$3.04
Adjusted CFPS	C\$/share	\$0.52	\$0.49	\$1.05	\$0.93	\$0.58	\$1.24	\$3.00	\$3.12	\$3.64	\$4.55
Capital spending	C\$ MM	\$31.1	\$25.7	\$21.9	\$20.1	\$31.6	\$80.3	\$98.8	\$172.2	\$85.4	\$79.1
Free cash flow	C\$ MM	(\$21.1)	(\$18.3)	\$32.3	\$31.1	(\$40.1)	\$19.7	\$24.1	(\$4.1)	\$139.1	\$210.9
PREVIOUS											
Gold production	000 oz	26.8	32.1	55.8	49.5	24.4			179.7	230.4	248.3
Cash costs	\$/oz	\$713	\$775	\$708	\$718	\$1,020			\$888	\$835	\$697
AISC	\$/oz	\$1,586	\$1,485	\$961	\$1,052	\$1,800			\$1,311	\$1,041	\$868
Adjusted EPS	C\$/share	\$0.15	\$0.12	\$0.53	\$0.70	\$0.06			\$1.24	\$2.12	\$3.04
Adjusted CFPS	C\$/share	\$0.52	\$0.49	\$1.05	\$0.93	\$0.25			\$2.49	\$3.64	\$4.55
Capital spending	C\$ MM	\$31.1	\$25.7	\$21.9	\$20.1	\$35.4			\$172.2	\$85.4	\$79.1
Free cash flow	C\$ MM	(\$21.1)	(\$18.3)	\$32.3	\$31.1	(\$14.6)			\$6.8	\$139.1	\$210.9

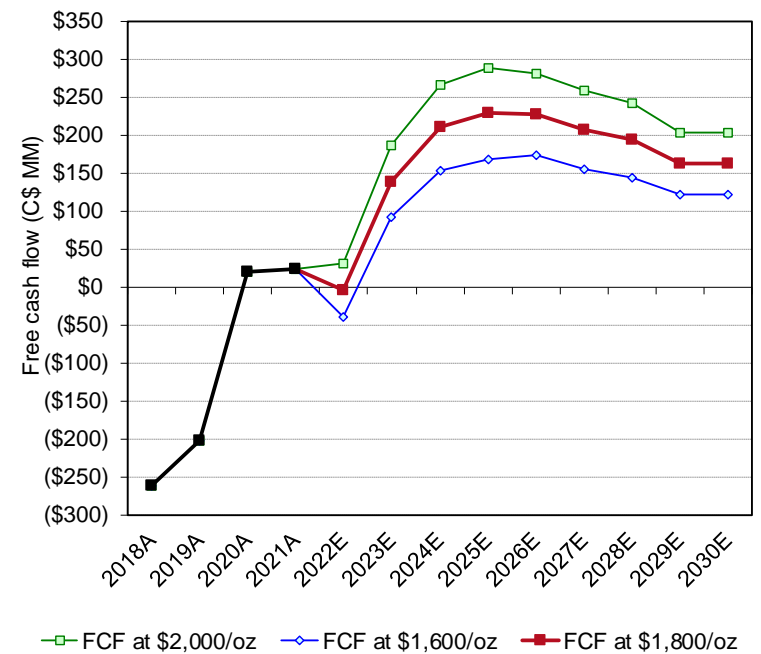
Source: Cormark Securities Inc.

Figure 2: Production & Cost Profile



Source: Cormark Securities Inc.

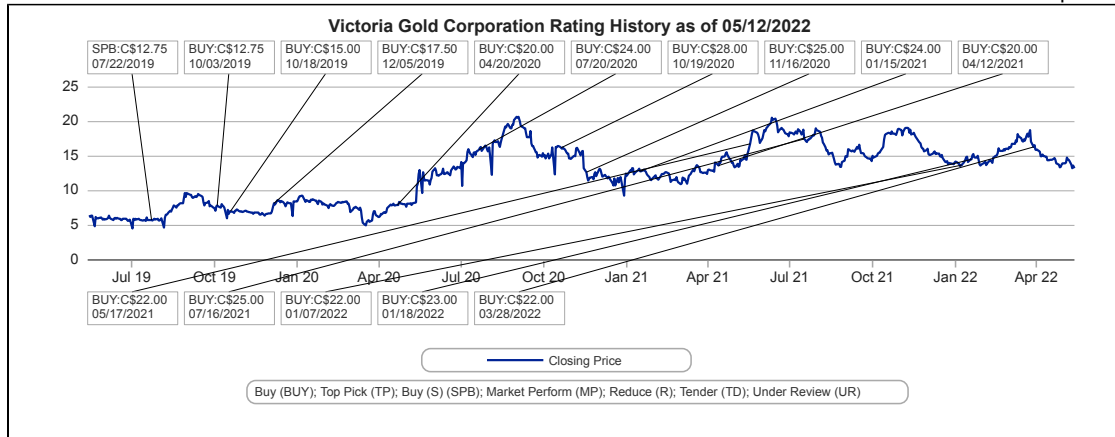
Figure 3: FCF Profile



Source: Cormark Securities Inc.

Price Chart and Disclosure Statement

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



* Cormark has this percentage of its universe assigned as the following:

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