



## Why Eldorado Gold Corp Plunged 20% Today

### Description

**What:** Shares of **Eldorado Gold Corp** ([TSX:ELD](#))([NYSE:EGO](#)) dropped as much as 20% in early Wednesday trading. While the company posted strong fourth-quarter results, management's 2015 guidance left a lot to be desired.

**So what:** This morning, Eldorado posted solid numbers for shareholders. Fourth-quarter gold production came in at 200,000 ounces, roughly in line with what the street was looking for. Eldorado's full-year gold output totaled 789,000 ounces, a new annual record for the miner.

However, all of this good news was overshadowed by weak guidance. Management now expects production will decline 15% in 2015. Even worse, cash costs are projected to rise 17% next year.

With guidance effectively in line at most of the company's projects, the miss can be credited almost entirely to the company's flagship Kisladag mine in Turkey. Ore grades were expected to fall as the mine transitions to a new pit phase. But nobody saw this coming.

For 2015, Kisladag grade is expected to average 0.70g/t. That's down significantly from the 1.01g/t averaged in 2014 and well below the street's expectations. Furthermore, costs at Kisladag are projected to rise 40% next year.

Eldorado is also being forced to dial back its growth ambitions thanks to falling gold prices. In the company's press release, management announced that they have put expansion plans at the Kisladag mine on hold for now. As a result, investors can expect more reserve write-downs in upcoming quarters.

Needless to say, the combination of lower production and rising costs sent off a wave of analyst downgrades. Eldorado was rerated at **Credit Suisse** from "outperform" to "neutral" in a note issued to investors on Wednesday. Separately, analysts at **Barclays** lowered their price target on shares of Eldorado from US\$8.00 to US\$7.00 and set an "equal weight" rating on the stock.

**Now what:** In short, there was nothing in this report that we haven't heard from other gold producers. As I have said time and time again, mining is a *terrible* business that rarely pans out. And even when

it does, it's so capital intensive that the company almost never makes much money.

For Eldorado, shareholders now face the prospect of declining production through 2015 and no significant growth until 2017. Furthermore, the pending Greek general elections pose another big risk factor near-term. Given that the company sports one of the highest valuations in the industry, it's hard to get excited about this stock.

All things considered, long-term Eldorado investors should be alarmed by today's drop.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. NYSE:EGO (Eldorado Gold Corporation)
2. TSX:ELD (Eldorado Gold Corporation)

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