

Is Eldorado Gold Corp. the Top Gold Stock to Own Today?

Description

Eldorado Gold Corp. ([TSX:ELD](#))([NYSE:EGO](#)), one of the world's leading low-cost gold producers, announced fourth-quarter earnings after the market closed on February 19, and its stock responded by rising over 3.5% in the trading session that followed. Let's take a closer look at the quarterly results and the company's outlook on fiscal 2015 to determine if this could be the beginning of a sustained rally higher, or if we should wait for a better entry point in the trading sessions ahead.

The results that enabled the rally

Here's a summary of Eldorado's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Earnings Per Share	\$0.02	(\$0.96)
Revenue	\$259.0 million	\$231.7 million

Source: Eldorado Gold Corp.

In the fourth quarter of fiscal 2014, Eldorado reported net income of \$13.9 million, or \$0.02 per share, compared to a net loss of \$687.5 million, or \$0.96 per share, in the year-ago period, as its revenue increased 11.8%. These very strong results can be attributed to a 27.2% increase in the amount of gold sold by the company to 203,952 ounces, its total revenue from the sale of gold increasing 20.6% to \$244.5 million, and its total cash costs decreasing 3.5% to \$557 per ounce, all of which more than offset the negative impact of the realized price of gold decreasing 5.1% to \$1,199 per ounce during the quarter.

Here's a quick breakdown of eight other important statistics from the report compared to the year-ago period:

1. Total gold production increased 18.2% to 199,572 ounces
2. Cash operating cost decreased 4% to \$505 per ounce
3. Gross profit from gold mining operations increased 9.9% to \$84.5 million
4. Cash flow from operating activities increased 47.5% to \$77.3 million
5. Total assets increased 2.2% to \$7.39 billion
6. Total shareholder equity increased 1% to \$5.27 billion
7. Ended the quarter with \$876.3 million in total liquidity, a decrease of 12.3%
8. Ended the quarter with \$501.3 million in cash, a decrease of 19.7%

Eldorado also provided its outlook on fiscal 2015, calling for the production of 640,000-700,000 ounces of gold and total cash operating costs of \$570-\$615 per ounce.

Should you buy shares of Eldorado Gold today?

Eldorado Gold is one of the leading low-cost gold producers in the world, and increased sales and decreased expenses led it to a very strong fourth-quarter performance, and its stock responded by rising over 3.5%.

Even after the large post-earnings pop in Eldorado's stock, I think it represents an attractive long-term investment opportunity, because it still trades at low forward valuations, including just 22.3 times fiscal 2015's estimated earnings per share of \$0.29 and a mere 10.6 times fiscal 2016's estimated earnings per share of \$0.61, both of which are very inexpensive compared to its five-year average price-to-earnings multiple of 36.9.

With the inexpensive valuations above in mind, I think Eldorado Gold represents a great long-term investment opportunity. Foolish investors should take a closer look and strongly consider initiating long-term positions today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

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