



Should Eldorado Gold Corp. Be Atop Your Long-Term Buy List?

Description

Eldorado Gold Corp. ([TSX:ELD](#))([NYSE:EGO](#)), one of the world's leading low-cost gold producers, announced first-quarter earnings results after the market closed on April 30 and its stock responded by rising over 2% in the trading session that followed. Even after this slight rally, Eldorado's stock still sits more than 36% below its 52-week high, so let's take a closer look at the results to determine if we should consider initiating long-term positions today, or if we should look elsewhere for an investment instead.

The results that sent its shares higher

Here's a summary of Eldorado's first-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.03	\$0.02	\$0.05
Revenue	\$238.31 million	\$226.10 million	\$279.87 million

Source: *Eldorado Gold Corp.*

Eldorado's adjusted earnings per share decreased 40% and its revenue decreased 14.8% compared with the first quarter of fiscal 2014. The company's steep decline in earnings per share can be attributed to its adjusted net income decreasing 47.7% to \$19.5 million, led lower by \$10.24 million in foreign exchange losses and \$499 million in mine standby costs.

Its double-digit percentage decline in revenue can be attributed to two primary factors. First, Eldorado sold just 181,820 ounces of gold during the quarter, a decrease of 4.6% from the year-ago period. Second, the average realized price of gold decreased 5.2% year over year to \$1,232 per ounce. These two factors led to its total gold sales decreasing 9.5% to \$224 million.

Here's a quick breakdown of six other notable statistics from the report compared with the year-ago period:

1. Gold produced decreased 3.6% to 189,414 ounces
2. All-in sustaining cash costs decreased 7.3% to \$729 per ounce of gold
3. Gross profit from gold mining operations decreased 20.4% to \$77.1 million
4. Operating profit decreased 58.8% to \$30.41 million
5. Cash flow from operating activities before changes in non-cash working capital decreased 37.8% to \$58.9 million
6. Ended the quarter with \$445.61 million in cash and cash equivalents, a decrease of 10.6% from the beginning of the quarter

Should you buy Eldorado Gold today?

Even though I do not think the post-earnings pop in Eldorado's stock was warranted, I do think it represents an intriguing long-term investment opportunity today. I think this because it trades at favourable forward valuations, including just 30.8 times next year's estimated earnings per share of \$0.20, which is very inexpensive compared with its five-year average price-to-earnings multiple of 36.9.

I think Eldorado's stock could consistently command a fair multiple of at least 35, which would place its shares upwards of \$7 by the conclusion of fiscal 2016, representing upside of more than 13.5% from current levels.

With all of the information provided above in mind, I think Eldorado Gold represents a great long-term investment opportunity today. All Foolish investors should take a closer look and consider initiating positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. TSX:ELD (Eldorado Gold Corporation)

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