



## Eldorado Gold Corp.'s Q2 Earnings Sent Shares Soaring: Could the Rally Continue?

### Description

**Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)), one of the world's leading low-cost gold producers, announced better-than-expected second-quarter earnings results after the market closed on July 30, and its stock responded by soaring over 11% in the trading session that followed. Let's take a closer look at the results to determine if a rally of this magnitude was warranted, and then decide if we should buy or avoid the stock today.

### The results that enabled the rally

Here's a summary of Eldorado's second-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
Adjusted Earnings Per Share	\$0.02	\$0.01	\$0.05
Revenue	\$214.19 million	\$213.45 million	\$265.50 million

Source: *TheStreet*

Eldorado's adjusted earnings per share decreased 60% and its revenue decreased 19.3% compared with the second quarter of fiscal 2014. These year-over-year declines can be attributed to three primary factors.

First, gold prices have fallen over the last year, which led to the company's average realized gold price decreasing 7.5% to \$1,201 per ounce. Second, its all-in sustaining cash cost per ounce of gold sold increased 8.6% to \$900. Third, the company's sales volume of gold decreased 10.8% to 170,056 ounces. All three of these factors led to Eldorado's revenue from the sale of gold decreasing 17.5% to \$204.2 million and its gross profit from gold mining operations decreasing 39.9% to \$61.4 million.

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

1. Gold production decreased 9.7% to 181,160 ounces
2. Cash operating costs per ounce of gold sold increased 16.4% to \$569
3. Total cash cost per ounce of gold sold increased 12.6% to \$618
4. Cash flow from operating activities before changes in non-cash working capital decreased 32.9% to \$61.9 million
5. Ended the quarter with \$446.13 million in cash and cash equivalents, an increase of 0.1% from the beginning of the quarter

Eldorado also declared a dividend of CDN\$0.01 per share that will be paid out on August 26 to shareholders of record at the close of business on August 17.

### **What should you do with Eldorado's stock today?**

It was solid quarter overall for Eldorado, so I think its stock reacted correctly by moving higher, but I think the rally of more than 11% was a bit overdone. However, I do think the stock represents an attractive long-term investment opportunity because it still trades at favourable forward valuations, including 30 times fiscal 2016's estimated earnings per share of \$0.15, which is inexpensive compared with its five-year average price-to-earnings multiple of 36.1.

I think Eldorado's stock could consistently command a fair multiple of at least 35, which would place its shares around \$5.25 by the conclusion of fiscal 2016, representing upside of more than 16% from today's levels.

With all of the information provided above in mind, I think Eldorado Gold is one of the top turnaround plays in the gold industry today. Foolish investors should take a closer look and consider beginning to slowly scale in to long-term positions over the next couple of weeks.

### **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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