



Is Eldorado Gold Corp. a Bargain at Under \$4?

Description

The year 2016 has been a very good one for most gold-mining stocks. **Yamana Gold Inc.** shares are up more than 50% on the year. **Barrick Gold Corp.** shares are up 75%.

But one company has missed the party: **Eldorado Gold Corp.'s** ([TSX:ELD](#))([NYSE:EGO](#)) stock price is down just over 3% in 2016. We'll take a look at the company's background, its current situation, and if it is too cheap to pass up.

How we got here

Eldorado was once a darling in the gold-mining industry, consistently achieving high growth rates as it ventured into emerging markets. For instance, the company grew production by 74% in 2010 thanks to two mines in China.

More recently though, the company has fallen on hard times. Obviously, the collapse in gold prices is largely responsible, but there have also been some problems in Greece, where Eldorado's Skouries project is located.

Things took a turn for the worse in January 2014, when the left-wing Syriza party won Greece's national elections. Syriza has always been opposed to the Skouries project and made every effort to shut it down after getting elected, leading to several legal battles.

Fast forward to January of this year, and Eldorado shut down the Skouries project. But then in February the company received a favourable ruling from the Greek Supreme Court, which will allow the company to construct a processing plant for the project. That being the case though, Eldorado is not restarting the project as it awaits the "issuance of pending routine permits and licenses."

In the meantime, Eldorado reported a monstrous \$1.24 billion loss in the fourth quarter of 2015, all of which can be accounted for by write-downs in Greek assets. The company also suspended its semi-annual dividend.

Is this an opportunity?

There are some reasons to like Eldorado. The company has a reasonably strong balance sheet with nearly \$300 million in cash and another \$375 million in undrawn credit lines. Eldorado could strengthen its balance sheet further by selling its Chinese mines. There is also plenty of upside if the Skouries project gets developed, especially with the company's shares having lagged so much.

But at this point, an investment in Eldorado is very speculative—almost like a bet you'd make at a casino—and unless you have some sort of insider knowledge, you're better off looking elsewhere.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/23

Date Created

2016/03/28

Author

bensinclair

default watermark

default watermark