

W U T I S

KINROSS

Kinross Gold Corp. Equity Research

Target Price: \$ 9.05
Current Price: \$ 6.64
Upside Potential: + 36.26%

Recommendation: **STRONG BUY**

Investment Horizon: 1 Year

Vienna, June 11, 2020

Team Overview

Equity Research



**Sebastian
Hattinger**

**Head of
Equity Research**

- Task distribution
- Valuation



**Robert
Triulzi**

Associate

- Macro research
- Risk analysis



**Lukas
Hajdinjak**

Associate

- KPIs
- Valuation



**Samuel
Fuchs**

Associate

- Macro research



**Anna
Semeniuk-Ivaniuk**

Analyst

- Micro research



- BSc. (WU) – International Business Administration



- BSc. (WU) – 4th Semester



- BSc. (WU) – 8th Semester



- BSc. (WU) – 6th Semester



- BSc. (WU) – 4th Semester

Agenda

W U T I S

1	Executive Summary	5
2	Business Overview	6
3	Macroeconomy	12
4	Valuation	16
5	Risks & Catalysts	21
6	Appendix	25

Stock Price Performance

Kinross Gold remains strongly correlated with the gold price



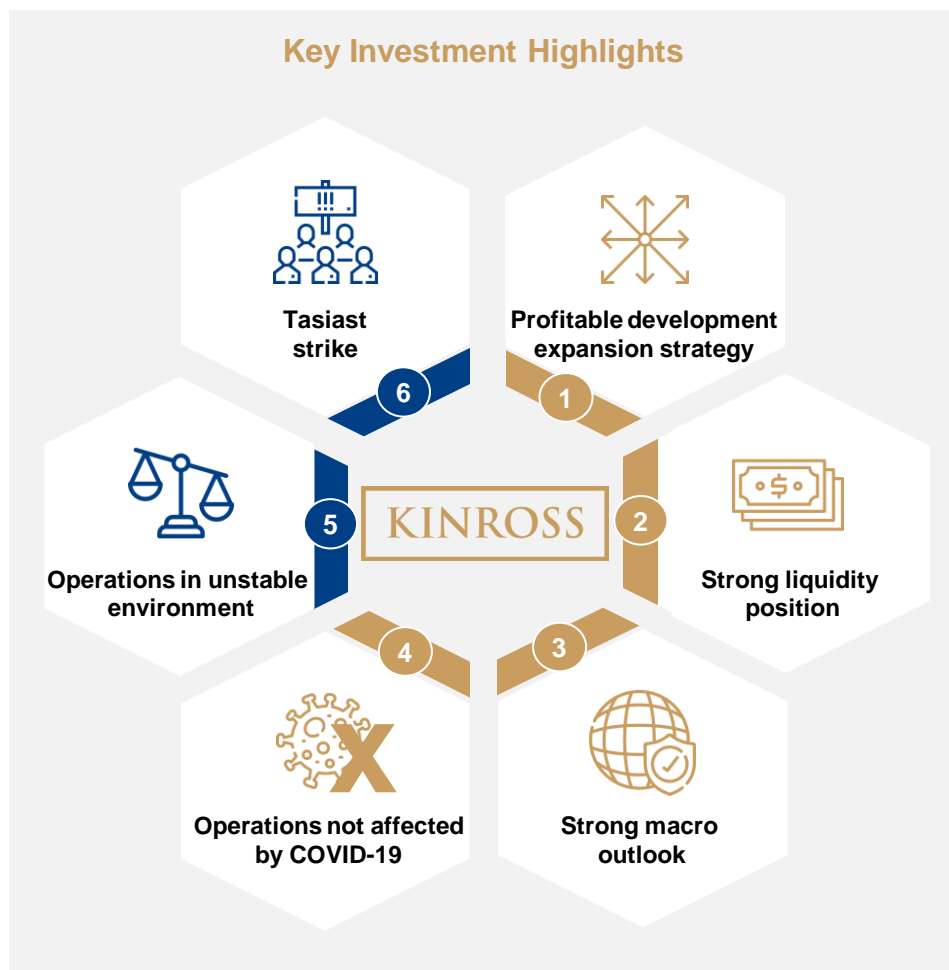
Share price – Major Events

- [1] 30. July 2010 – Kinross Gold misses Q2-Earnings Estimates
- [2] 25. March 2011 – Kinross Gold receives pre-approval to increase Kupol ownership to 100%
- [3] 12. April 2013 – Gold/Commodity flash crash
- [4] 1. December 2015 – Gold price falls to a 6-year low
- [5] 30. March 2020 – Uncertainty increase due to COVID-19

Executive Summary

Kinross Gold profits from favorable investments and continuation of strong gold price

Key Investment Highlights



1

Strong development of mining operations portfolio due to multiple favorable investments on the operation side

2

A strong cash balance paired with a Net debt/EBITDA ratio of 0,9 allows Kinross Gold to continue their expansion strategy

3

The current macroeconomic environment drives gold prices higher, directly impacting the company's revenues

4

The mining operations of Kinross Gold have been identified as essential business, leaving them unaffected by COVID-19 work restrictions

5

Kinross Gold operates in countries with unstable political and legal environment that might negatively affect its operations

6

Reignition of unionized workforce strike at Tasiast mine could lead to another operational slowdown



Business Overview

Company Overview

Kinross Gold is an established gold producer with a strong global portfolio

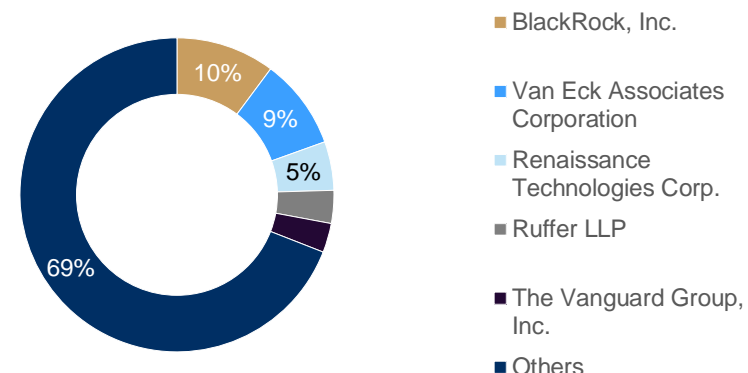
Business description

- Kinross Gold Corporation is a Canadian-based senior **gold mining company**
- Mining operations in South America, United States, Russia and West Africa
- Silver as a byproduct
- **Foundation:** in 1993
- **Headquarter:** Toronto, Canada
- **Employees:** 9,135
- **Market Cap:** CAD 10,500.8 bn
- **Ticker:** K(TSX), KGC (NYSE)
- **IPO:** Toronto Stock Exchange: June 3, 1993
- Strategic decision not to hedge the gold price
- Hedging oil and foreign currencies

Key financial metrics

In \$ millions	2016	2017	2018	2019
Revenue	3,472.0	3,303.0	3,212.6	3,497.3
% YoY growth	13.8%	(4.9%)	(2.7%)	8.9%
COGS	2,055.1	1,757.4	1,860.5	1,778.9
Gross Profit	1,416.9	1,545.6	1,352.1	1,718.4
% Margin	40.8%	46.8%	42.1%	49.1%
EBIT	80.4	67.9	174.8	869.9
% Margin	2.3%	2.1%	5.4%	24.9%
Net Profit	(139.4)	597.1	(31.6)	963.4
% Margin	(3.0%)	13.5%	(0.7%)	20.5%
Net debt (BV)	894.8	695.7	1,377.5	1,306.7
Equity (BV)	4,184.3	4,619.2	4,527.3	5,332.6

Shareholder structure



Senior leadership team



J. Paul Rollinson
President and
Chief Executive
Officer
(2012)



Geoffrey P. Gold
Executive VP,
Corporate
Development, External
Relations & Chief
Legal Office
(2016)



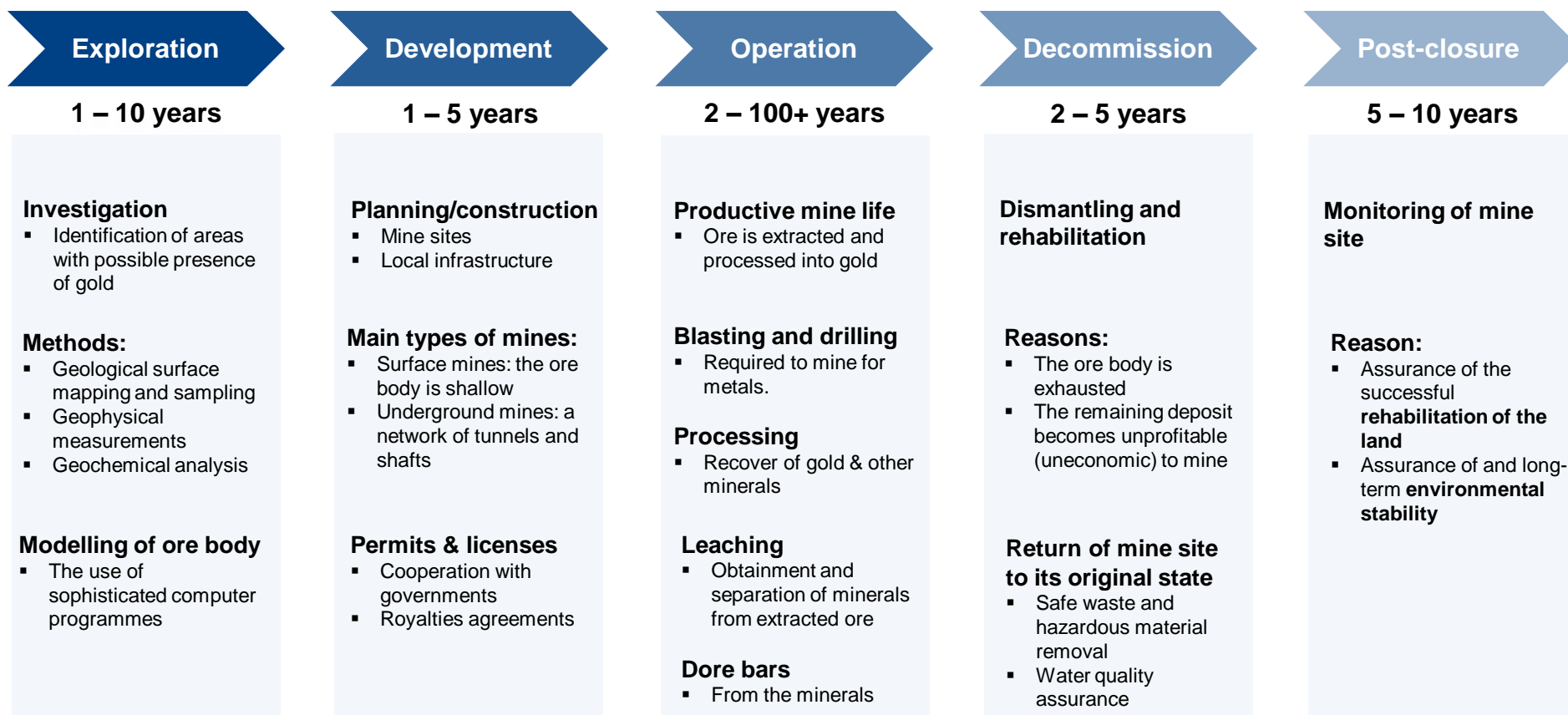
Paul B. Tomory
Executive Vice-
President and
Chief Technical
Officer
(2019)



Andrea S. Freeborough
Senior VP and
Chief Financial
Officer
(2019)

Gold Mine Lifecycle

The gold mining process consists of five main stages



Kinross Gold engages in all stages of the mining process while its focus lies on the acquisition and subsequent performance optimization of existing operations

Portfolio

Three mines act as main revenue drivers of a geographically diversified portfolio

Geography

● Operations

● Development Projects



Development Projects



Chulbatkan, Russia

- Acquisition of the project: Jan.2020
- Goal: open-pit gold mine
- Exploration: 2020-2025
- Estimated mine life: 2031



Tasiast 24k Project

- Announced: Sept. 2019
- Goal: increase of the plant capacity to 24,000 tonnes per day
- Result: 24% increase of mine production



Tasiast, Mauritania

- Lowest-cost producer in the portfolio
- Operation since 2007
- Mine life: 2033
- Gold Eq. Prod.: 391,097 oz.
- Prov. & Prob. Reserves: 6,783 Au koz.



Paracatu, Brazil

- Largest producer in the portfolio
- Operation since 1987
- Mine life: 2031
- Gold Eq. Prod.: 619,563 oz.
- Prov. & Prob. Reserves: 8,060 Au koz.

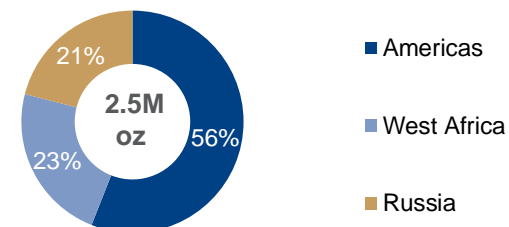


Kupol, Russia

- Operation since 2008
- Mine life: 2024
- Gold Eq. Prod.: 527,343 oz. (incl. Dvoinoye)
- Prov. & Prob. Reserves: 1,353 Au koz.



2019 Gold Equivalent Production



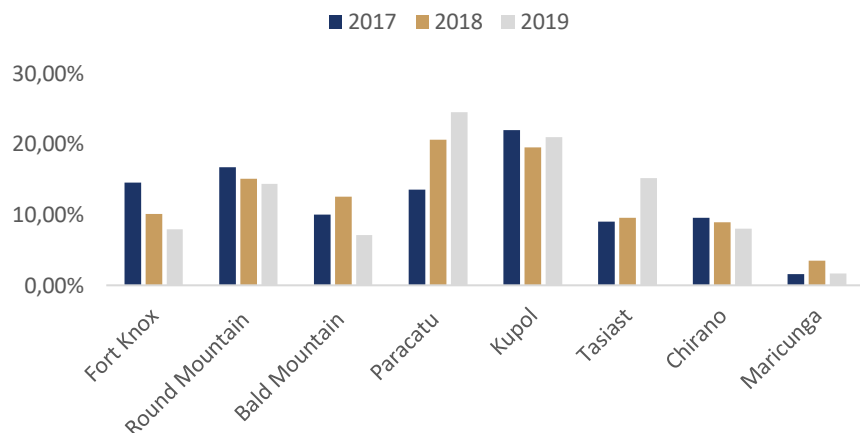
Main Operations

Key Performance Indicators

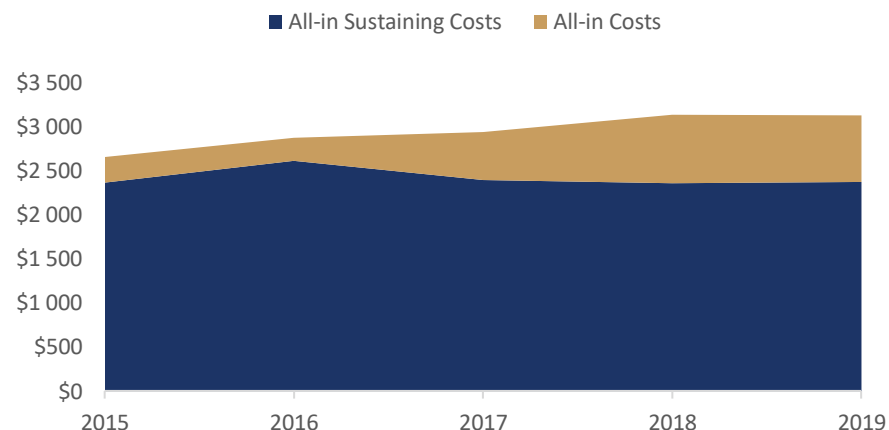
W U T I S

Stable cost levels enable Kinross Gold to capitalize on increases in gold prices

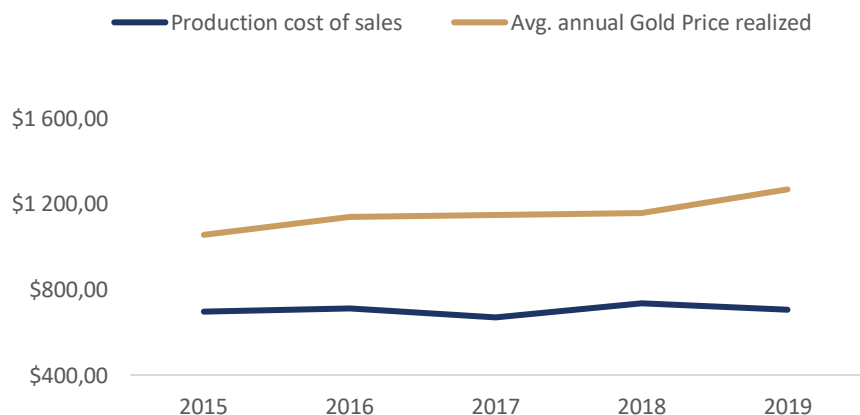
Revenue Split per Mine



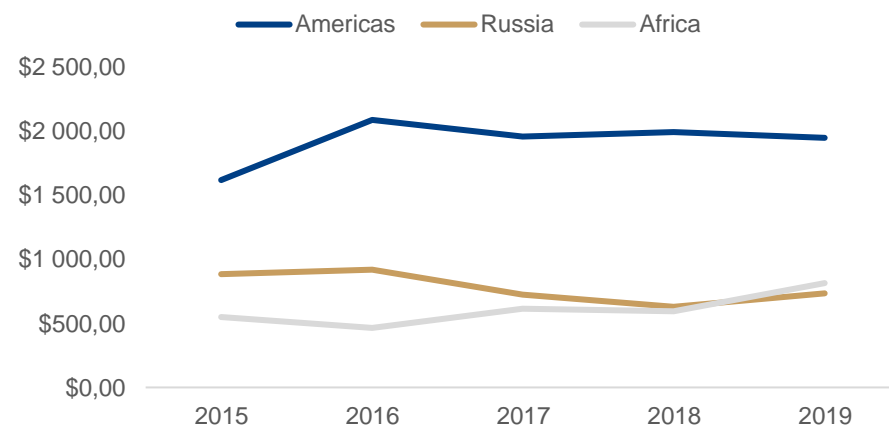
All-in Sustaining Costs and All-in Costs (mn)



Production Cost of Sales vs. Gold Price (per oz)



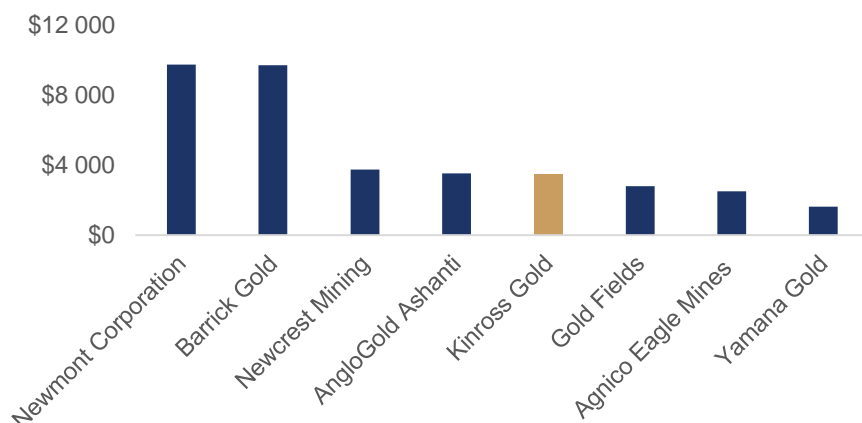
Geographical Distribution of Revenues (mn)



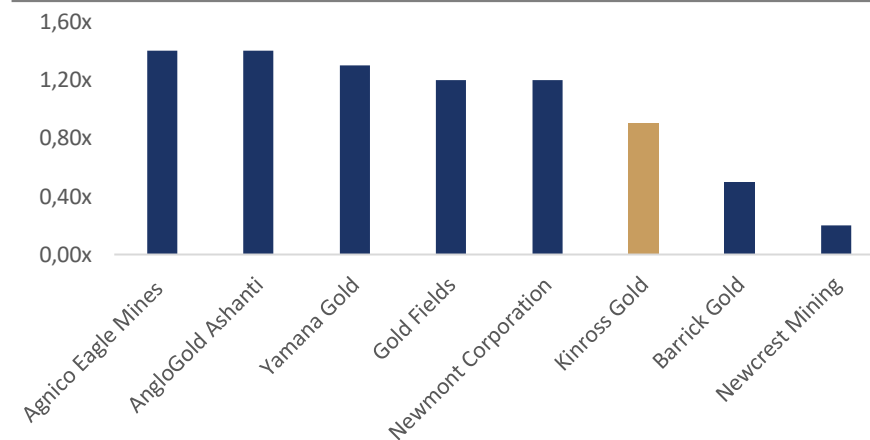
Competitor Benchmarking

Compared to its peers Kinross offers a relatively low-risk capital structure

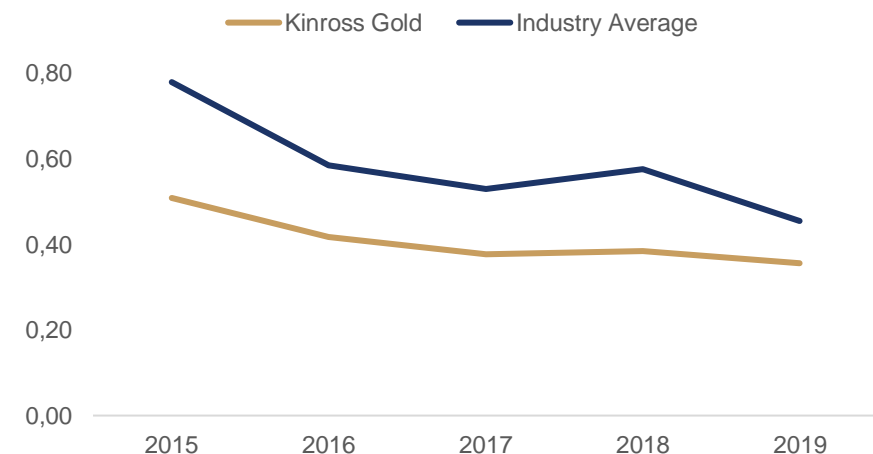
Revenue (mn)



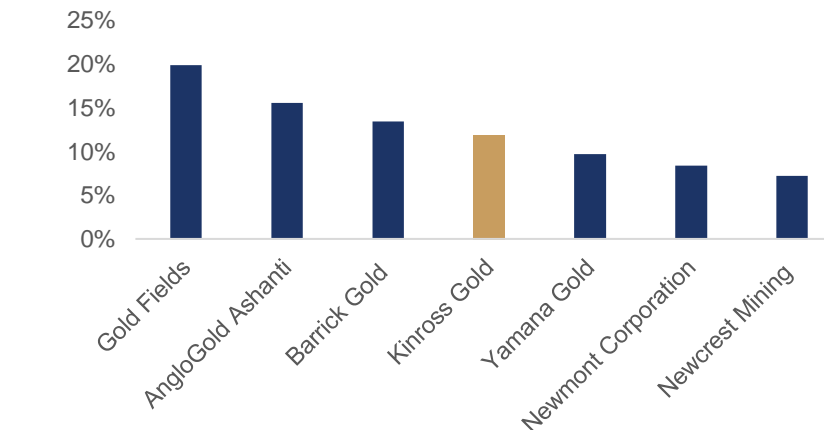
Net Debt/EBITDA ratio



Debt to Equity Ratio



Average Sustaining CAPEX/Revenue (Last 3 years)





Macro Overview

W U T I S

The diagram illustrates the factors influencing the profitability of Kinross Gold, specifically focusing on the Gold Price. It is structured into three main horizontal sections: Revenue, All-in Costs, and Gold Price.

Revenue: Represented by a blue bar on the left.

All-in Costs: Represented by a green bar on the left.

Gold Price: Represented by a red bar on the left. A bracket indicates that Gold Price is the main influence on profitability for Kinross Gold.

Gold demand flowchart:

- Upward arrow icon.
- Gold demand (text).
- Icon of a gold bar with an upward arrow.
- Uncertainty (text in a downward-pointing chevron).
- Higher demand (text in a downward-pointing chevron).
- Higher gold price (text in a downward-pointing chevron).

U.S. Dollar flowchart:

- Upward arrow icon.
- U.S. Dollar (text).
- Icon of a dollar sign (\$).
- Lower U.S. Dollar demand (text in a downward-pointing chevron).
- Weaker U.S. Dollar (text in a downward-pointing chevron).
- Higher gold price (text in a downward-pointing chevron).

Additional profitability drivers are the oil price and foreign exchange rates.

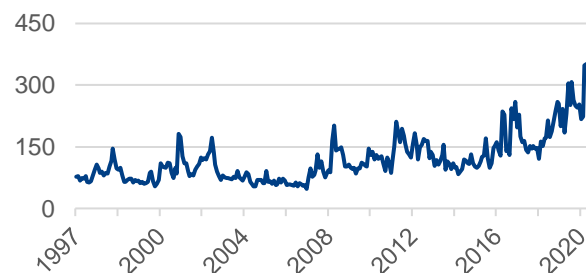
Gold Demand

Global uncertainty increases gold demand and pushes the gold price higher

Current uncertainty factors

COVID-19	Political tensions
Social unrest	High indebtedness

Global Economic Uncertainty Index (1997 – 2020)



Monetary policy results in low yielding assets

- Unprecedented printing of money
- Low/negative interest rates
- Low yielding assets

Net inflows into Gold ETFs and ETCs in 2020

	Net inflow (in mn)	Change in AUM (in %)
SPDR Gold TRUST	\$12,890	+26.8
iShares Gold Trust	\$4,646	+23.7
Ishares Physical Gold ETC	\$4,270	+54

Gold Price Development (2016 – 2020)



Continuing uncertainty due to fear of a second COVID-19 wave, the long-term impact of high joblessness, current monetary policy, worldwide political tensions and trade wars **will continue driving the gold price up.**

U.S. Dollar Strength

An anticipated weaker U.S. Dollar puts upward pressure on the gold price

Recent History of the U.S. Dollar Index (DXY)



U.S. Dollar outlook

What's currently happening?

- Companies reopen
- Lockdown comes to an end
- Hopes for a vaccine
- Stock markets regaining strength

Scenario 1: Weakening Dollar

- Investors seek riskier, higher yielding assets like equities and gold
- FED's monetary policy contributes to the Dollar's weakening
- Economic uncertainty partly fades

Scenario 2: Strengthening Dollar

- Second COVID-19 wave
- Turmoil due to market correction

↕ A weaker U.S. Dollar puts upward pressure on the gold price

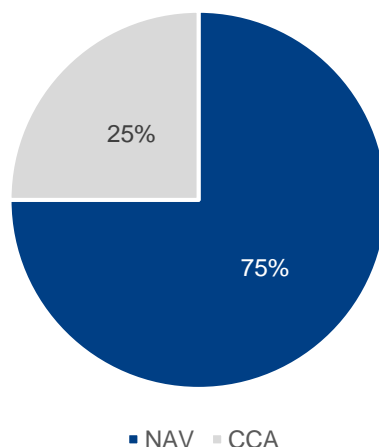


Valuation

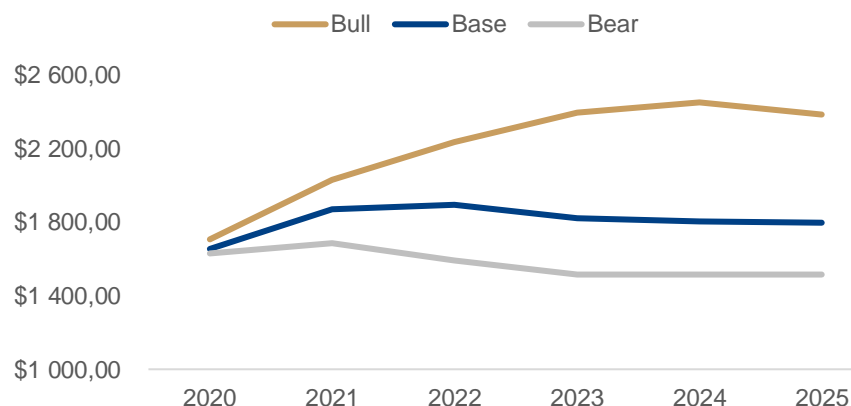
Valuation Summary

According to our NAV Model Kinross's base case fair value is \$ 8.53

Valuation distribution



Gold price scenarios



Outcome different cases on gold price development



+ 95,54 %

The bullish case scenario is mainly driven by factors such as the continuation of the current monetary policies, a global increase in inflation and growing uncertainty.



+ 28,50 %

Kinross Gold's base case scenario is based in the continuation of the current economical and political trends worldwide



- 5,36 %

The bearish case scenario assumes a strengthening of the US dollar and no global inflation

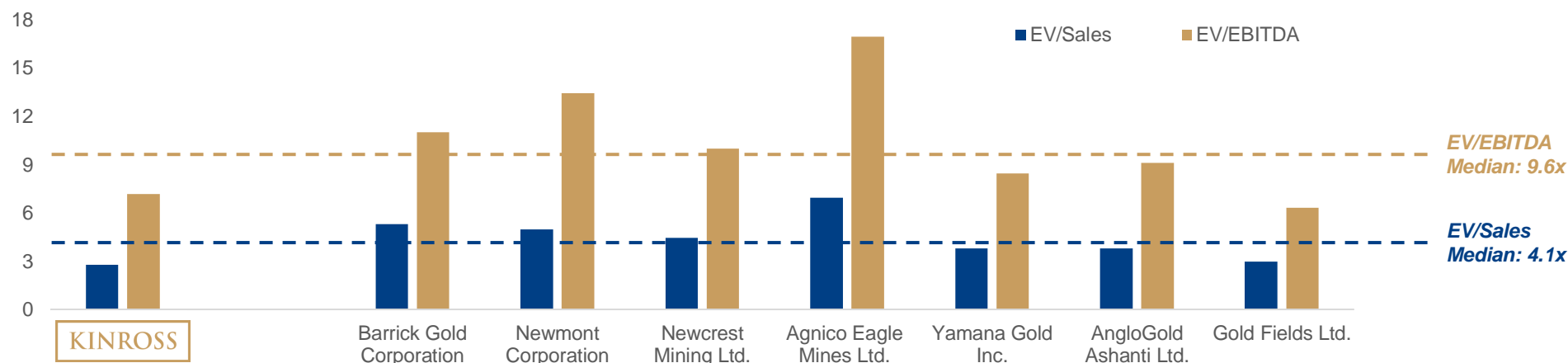
Valuation approach

- Kinross Gold's **intrinsic valuation** is based on a **Net Asset Value (NAV) model**
- The **main differences to a traditional DCF** (for non-mining companies) is that there is **no Terminal Value** because the **mine life is predictable and finite**
- **Each of the company's assets** (mines) had been forecasted **individually** by using industry metrics such as Ore mined, Recovery and the grade of the materials mined
- Subsequently, the **financial results of each mine**, had been **consolidated** and modelled to FCFF
- After arriving at the consolidated FCFF, they were **valued on a per share basis**

CCA - Valuation I

W U T I S

Comparable Companies Analysis shows significant upside potential



Peer Companies	Country	Currency	Description	Enterprise Value (mn)	EV / EBITDA	EV / Sales
Kinross Gold Corp.	CAN	USD	Gold mining company	9,753	7.2x	2.8x
Barrick Gold Corporation	CAN	CAD	Gold mining company	68,250	11.0x	5.3x
Newmont Corporation	USA	USD	Gold mining company	48,596	13.4x	5.0x
Newcrest Mining Ltd.	AUS	AUD	Gold mining company	24,638	10.0x	4.5x
Agnico Eagle Mines Ltd.	CAN	CAD	Gold mining company	22,979	16.9x	6.9x
Yamana Gold Inc.	CAN	CAD	Gold mining company	8,138	8.5x	3.8x
AngloGold Ashanti Ltd.	ZAF	ZAR	Gold mining company	200,550	9.1x	3.8x
Gold Fields Ltd.	ZAF	ZAR	Gold mining company	131,220	6.3x	3.0x
Median					4.1x	9.6x
Average					4.4x	10.3x

CCA - Valuation II

W U T I S

A trading multiple valuation set the target price for Kinross at \$ 10.59

Implied Share price for Kinross using trading multiple valuation

Kinross EV calculated with EV/Sales '19A	Enterprise Value	Equity Value	Number of shares	Price per share
25% Quartil	13 277 961 741.00	11 540 961 740.75	1 273 545 232	9.06
Median	16 127 596 893.59	14 390 596 893.59	1 273 545 232	11.30
75% Quartil	18 524 038 623.75	16 787 038 623.75	1 273 545 232	13.18

Kinross EV calculated with EV/Sales '20E	Enterprise Value	Equity Value	Number of shares	Price per share
25% Quartil	11 147 094 772.74	9 410 094 772.74	1 273 545 232	7.39
Median	16 310 804 256.05	14 573 804 256.05	1 273 545 232	11.44
75% Quartil	17 411 614 793.22	15 674 614 793.22	1 273 545 232	12.31

Kinross EV calculated with EV/EBITDA '19A	Enterprise Value	Equity Value	Number of shares	Price per share
25% Quartil	11 514 954 314.83	9 777 954 314.83	1 273 545 232	7.68
Median	14 637 661 079.88	12 900 661 079.88	1 273 545 232	10.13
75% Quartil	18 285 559 908.76	16 548 559 908.76	1 273 545 232	12.99

Kinross EV calculated with EV/EBITDA '20E	Enterprise Value	Equity Value	Number of shares	Price per share
25% Quartil	10 510 028 849.92	8 773 028 849.92	1 273 545 232	6.89
Median	15 526 405 329.08	13 789 405 329.08	1 273 545 232	10.83
75% Quartil	18 498 573 996.79	16 761 573 996.79	1 273 545 232	13.16

Weighted Share Price

10.59



Company	Ticker	Currency	EV (mn)	EV/Sales				EV/EBITDA			
				2019A	2020E	2021E	2022E	2019A	2020E	2021E	2022E
Barrick Gold Corporation	ABX:CN	CAD	68 249.72	5.30x	4.20x	4.11x	4.16x	11.00x	8.73x	7.93x	8.12x
Newmont Corporation	NEM:US	USD	48 595.79	4.99x	4.28x	3.72x	3.92x	13.44x	9.41x	7.43x	8.26x
Newcrest Mining Ltd.	NCM:AU	AUD	24 638.40	4.46x	4.49x	4.22x	4.17x	10.00x	9.89x	8.39x	8.34x
Agnico Eagle Mines Ltd.	AEM:CN	CAD	22 979.34	6.95x	5.65x	4.53x	4.64x	16.95x	12.56x	8.45x	8.90x
Yamana Gold Inc.	YRI:CN	CAD	8 137.46	3.81x	4.01x	3.53x	3.83x	8.46x	7.47x	6.17x	7.03x
AngloGold Ashanti Ltd.	ANG:SJ	ZAR	200 550.00	3.80x	2.87x	2.55x	2.60x	9.13x	5.62x	4.65x	5.14x
Gold Fields Ltd.	GFI:SJ	ZAR	131 220.00	2.98x	2.30x	2.01x	2.02x	6.32x	4.42x	3.48x	3.59x
Min				2.98x	2.30x	2.01x	2.02x	6.32x	4.42x	3.48x	3.59x
25% Quartil				3.80x	2.87x	2.55x	2.60x	8.46x	5.62x	4.65x	5.14x
Median				4.46x	4.20x	3.72x	3.92x	10.00x	8.73x	7.43x	8.12x
Mean				4.61x	3.97x	3.52x	3.62x	10.76x	8.30x	6.64x	7.05x
75% Quartil				5.30x	4.49x	4.22x	4.17x	13.44x	9.89x	8.39x	8.34x
Max				6.95x	5.65x	4.53x	4.64x	16.95x	12.56x	8.45x	8.90x



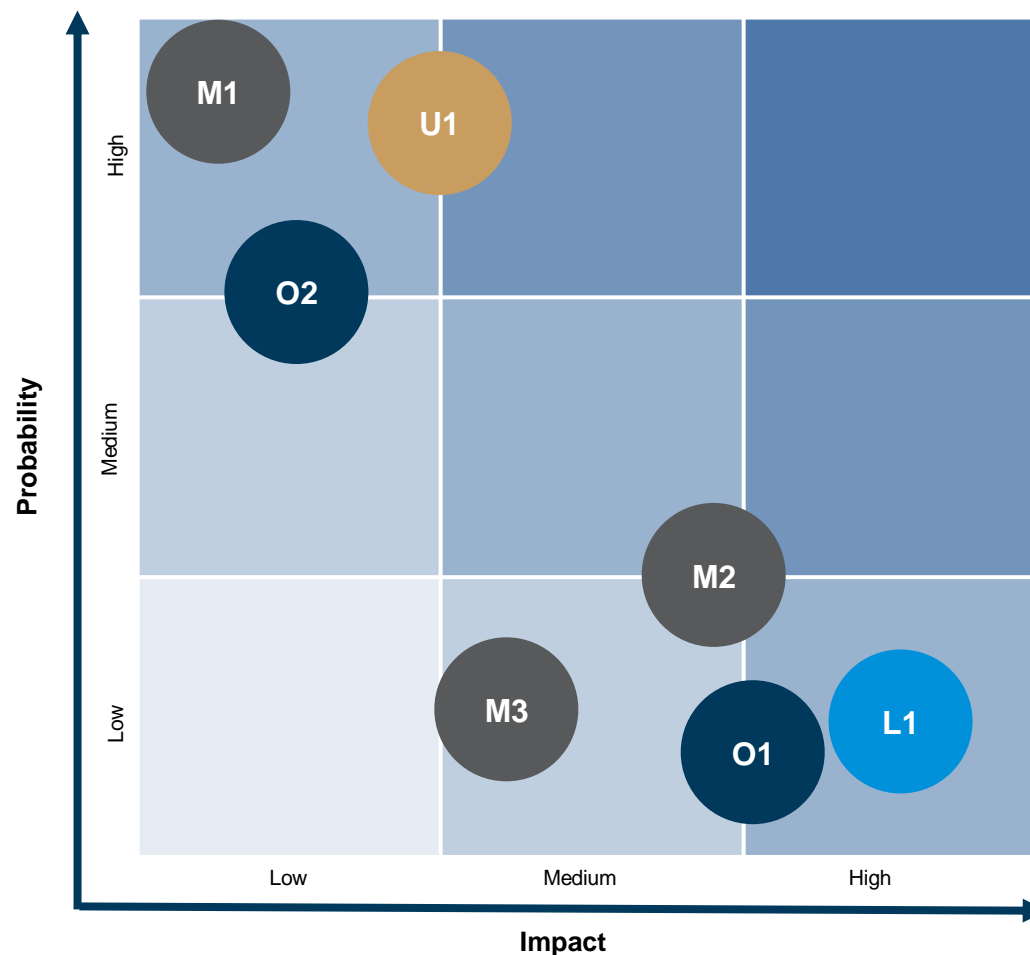
Risks & Catalysts

Company Specific Risks

Different risks could potentially impede Kinross' profitability

O1	Failure to explore and establish new mining operations will result in insufficient reserve replacement rates
O2	Minor decrease in output due to unionized worker strikes at Tasiast, Mauritania
M1	Decrease in revenue linked to a decline in worldwide Gold prices
M2	Changes in political and legal environment might strongly impact mining operations
M3	A hike in interest rates making outstanding debt increasingly demanding
L1	Anti-Bribery legislations making KGC liable in Canada & US for possible charges against its subsidiaries
U1	An on-site infection or a possible second wave of COVID-19 could force operations to slow down

Operations (O) – Market (M) – Legislation (L) – Uncategorized (U)



Catalysts

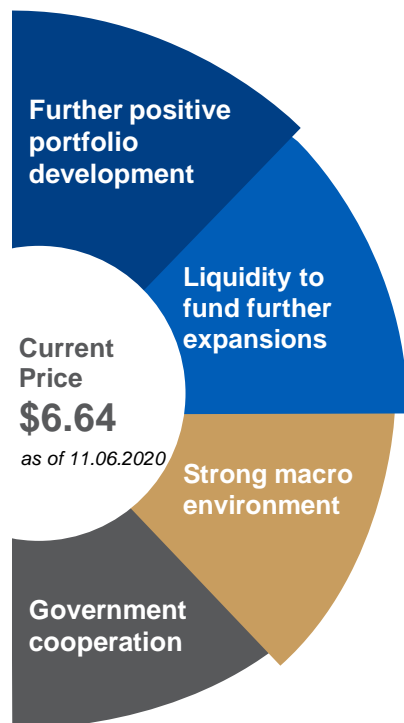
Variety of events which might influence KGC's share price performance

Catalyst	Type	Influenced factor	Estimated impact on share price
30 th of July 2020 – Second Quarter 2020 Results – meeting internal guidelines	Hard	Gain of investors trust	Strong – Kinross meeting their guidelines in Q2 would proof to investors that mining operations have not been impacted by the virus
Early summer 2020 – Feasibility study in Lobo Marte, Chile	Hard	Increase in mine reserves	Strong – The feasibility study in Lobo Marte, Chile is expected to deliver positive results regarding the profitability of the project
Agreement with unionized workers at Tasiast, Mauritania	Soft	Increase in operation output at Tasiast	Medium – An agreement with the workforce union at Tasiast mine will reduce the risk of future strikes and operation stops
Initiation of a new mining project	Soft	Increase in future mining output	Strong – The establishment of new mining projects will strongly impact future cashflows as output increases
Upward correction of reserve estimates	Soft	Increase in lifetime of mine	Medium – An appreciation of reserves at existing mining locations will increase overall lifetime of mine
Strong gold price movement	Soft	Direct increase in company revenues	Strong – A move in the price of gold will have a direct impact on the company's revenues

Conclusion

W U T I S

Kinross Gold is significantly undervalued with an upside potential of 36.26%





Appendix

Mine Profiles

W U T I S

Operation	Country	Ownership	Expected Life of Mine	2019 Proven and Probable Reserves	2019 Gold Equivalent Production
Paracatu	Brazil	100% Kinross	2031	8,060 Au koz.	619,563 oz.
Fort Knox	The USA	100% Kinross	2030	2,801 Au koz	200,263 oz.
Round Mountain, Nevada	The USA	100% Kinross	2027	2,421 Au koz.	361,664 oz.
Bald Mountain, Nevada	The USA	100% Kinross	2023	1,277 Au koz.	187,961 oz.
Tasiast,	Mauritania	100% Kinross	2033	6,783 Au koz.	391,097 oz.
Chirano	Ghana	90% Kinross 10%:Government	2022	528 Au koz.	201,296 oz.
Kupol	Russia	100% Kinross	2024	1,353 Au koz.	527,343 oz.
Dvoinoye	Russia	100% Kinross	2021	336 Au koz.	527,343 oz.

Projects And Exploration

Project	Country	Phase	Announcement	Goal
Tasiast 24k	Mauritania	Operation	September 2019	<ul style="list-style-type: none"> ▪ Increase of throughput capacity at Tasiast mine to 24,000 tonnes per day
Chulbatkan	Russia	Exploration	January 2020	<ul style="list-style-type: none"> ▪ Exploration: 2020-2025 ▪ Initial Mine Life Estimate: 2025-2031 ▪ Potential synergies with Dvoinoye
Fort Knox Gilmore	The USA	Operation	December 2017	<ul style="list-style-type: none"> ▪ Mine life extension to 2030 ▪ Strengthening of long-term U.S. production profile
La Coipa Restart	Chile	Development	February 2020	<ul style="list-style-type: none"> ▪ Restart of operation ▪ Mine life extension through satellite deposits
Lobo-Marte	Chile	Development	Early 2019	<ul style="list-style-type: none"> ▪ Synergies with La Coipa ▪ Long-term production in Chile ▪ Mine life extension +10 years

COVID-19 Impact

Operation/Project	Location	Status	Government Decree
Round Mountain	Nevada, U.S.A.	Operating	Mining considered essential
Bald Mountain	Nevada, U.S.A	Operating	Mining considered essential
Fort Know	Alaska, U.S.A	Operating	Mining considered essential
Paracatu	Minas Gerais, Brazil	Operating	Mining considered essential
Tasiast	Mauritania	Operating	Government allowed continuation
Kupol – Dvoinoye	Chukotka, Russia	Operating	Mines not required to close as part of working stoppage
Chirano	Ghana	Operating	Government allowed continuation
Fort Know Gilmore	Alaska, U.S.A.	Ongoing	Mining considered essential
Tasiast 24k	Mauritania	Ongoing	Government allowed continuation
Chulbatkan	Khabarovska, Russia	Ongoing	Mines not required to close as part of working stoppage
La Coipa Restart	Atacama region, Chile	Ongoing	Mining projects not required to halt

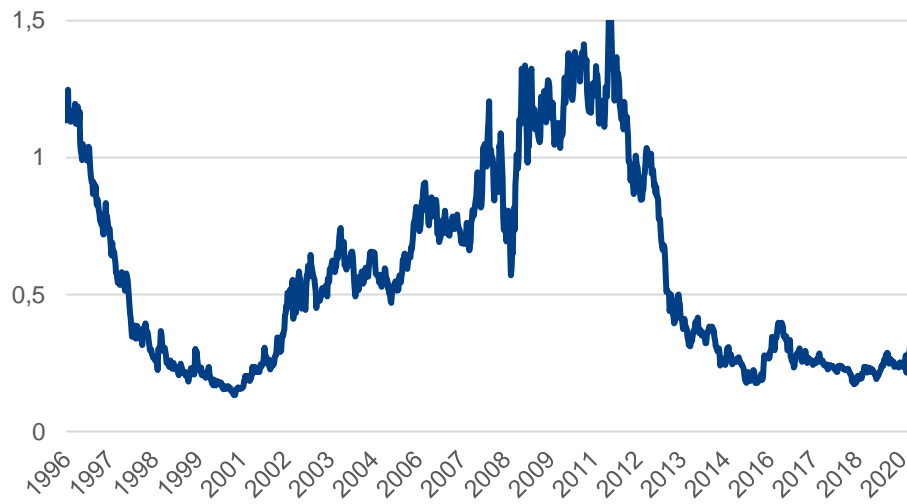
Historical Gold Prices

W U T I S

	EUR	USD	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2003	-0.5%	19.6%	7.9%	-10.5%	-2.2%	19.5%	7.9%	7.0%	13.5%	6.9%
2004	-2.7%	5.3%	-2.3%	1.8%	-1.9%	5.3%	0.7%	-3.4%	0.6%	0.5%
2005	36.8%	20.0%	33.0%	28.9%	15.4%	17.0%	37.6%	37.8%	24.2%	26.1%
2006	10.6%	23.0%	8.1%	13.7%	23.0%	19.1%	24.3%	14.1%	20.9%	17.2%
2007	18.4%	30.9%	29.2%	18.3%	12.1%	22.3%	22.9%	21.7%	16.5%	21.7%
2008	10.5%	5.6%	43.2%	31.3%	30.1%	-2.4%	-14.4%	-0.1%	28.8%	15.5%
2009	20.7%	23.4%	12.7%	-3.0%	5.9%	23.6%	26.8%	20.1%	19.3%	16.5%
2010	38.8%	29.5%	34.3%	13.5%	22.3%	24.9%	13.0%	16.7%	23.7%	25.2%
2011	14.2%	10.1%	10.5%	10.2%	13.5%	5.9%	4.5%	11.2%	31.1%	11.2%
2012	4.9%	7.0%	2.2%	5.4%	4.3%	6.2%	20.7%	4.2%	10.3%	7.5%
2013	-31.2%	-28.3%	-29.4%	-16.2%	-23.0%	-30.2%	-12.8%	-30.1%	-18.7%	-24.1%
2014	12.1%	-1.5%	5.0%	7.7%	7.9%	1.2%	12.3%	9.9%	0.8%	6.2%
2015	-0.3%	-10.4%	-5.2%	0.4%	7.5%	-6.2%	-10.1%	-9.9%	-5.9%	-3.8%
2016	12.4%	9.1%	30.2%	10.5%	5.9%	16.8%	5.8%	10.8%	11.9%	12.3%
2017	-1.0%	13.6%	3.2%	4.6%	6.0%	6.4%	8.9%	8.1%	6.4%	6.3%
2018	2.7%	-2.1%	3.8%	8.5%	6.3%	3.5%	-4.7%	-1.2%	6.6%	2.6%
2019	22.7%	18.9%	14.2%	19.3%	13.0%	20.3%	17.7%	17.1%	21.6%	18.3%
2020 ytd	17.6%	14.3%	24.4%	22.7%	23.0%	17.0%	13.2%	14.8%	22.0%	18.7%
Average	9.7%	10.7%	12.0%	9.5%	10.0%	9.7%	10.1%	7.8%	13.0%	10.3%

Market Imbalance

Gold Miners vs SPX



Gold Miners vs Gold



NAV - Valuation

W U T I S

Base Case scenario shows significant boost in revenue and FCF over the next years

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue								
Metal sales	3 303.00	3 212.60	3 497.30	4 705.63	5 182.98	5 702.79	4 995.87	4 176.01
YoY growth (%)	-4.87%	-2.74%	8.86%	34.55%	10.14%	10.03%	-12.40%	-16.41%
Production cost of sales	1 754.40	1 860.50	1 778.90	2 001.98	1 798.69	1 834.26	1 633.44	1 369.64
Depreciation, depletion and amortization	819.40	772.40	731.30	1 129.35	1 243.91	1 368.67	1 199.01	1 002.24
	-24.81%	-24.04%	-20.91%	-24.00%	-24.00%	-24.00%	-24.00%	-24.00%
Total cost of sales	2 552.30	2 632.90	2 148.40	3 131.33	3 042.60	3 202.93	2 832.44	2 371.89
As margin of sales (%)	77.27%	81.96%	61.43%	66.54%	58.70%	56.16%	56.70%	56.80%
Gross profit	750.70	579.70	1 348.90	1 574.31	2 140.38	2 499.86	2 163.43	1 804.12
Exploration and business development	106.00	109.20	113.50	272.28	299.90	329.98	289.08	241.64
As margin of sales (%)	6.04%	5.87%	6.38%	5.79%	5.79%	5.79%	5.79%	5.79%
SG&A w/o D&A	132.60	133.00	135.80	289.04	290.59	322.97	287.61	246.30
As margin of cost of sales (%)	5.20%	5.05%	6.32%	6.14%	5.61%	5.66%	5.76%	5.90%
Other operating expense	129.60	137.00	108.50	168.03	163.27	171.88	152.00	127.28
	5.08%	5.20%	5.05%	5.37%	5.37%	5.37%	5.37%	5.37%
Operating earnings	382.50	200.50	991.10	844.95	1 386.61	1 675.03	1 434.74	1 188.90
As margin of sales (%)	11.58%	6.24%	28.34%	17.96%	26.75%	29.37%	28.72%	28.47%
Other Expenses (-)/Income (+)	188.10	3.20	72.60	53.22	67.92	77.01	54.79	65.11
EBIT	570.60	203.70	1 063.70	898.17	1 454.54	1 752.04	1 489.54	1 254.01
Financial income(-)/expense(+)	104.30	90.20	100.00	144.55	161.27	171.17	148.40	125.40
	-3.16%	-2.81%	-2.86%	-3.07%	-3.11%	-3.00%	-2.97%	-3.00%
EBT	466.30	113.50	963.70	753.62	1 293.27	1 580.87	1 341.14	1 128.61
Tax Expenses	188.50	126.90	115.10	113.04	193.99	237.13	201.17	169.29
Effective tax rate	40.42%	111.81%	11.94%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
Net Income	277.80	13.40	848.60	640.58	1 099.28	1 343.74	1 139.97	959.32
EBITDA	1 390.00	976.10	1 795.00	2 027.52	2 698.45	3 120.71	2 688.54	2 256.25
DD&A	819.40	772.40	731.30	1 129.35	1 243.91	1 368.67	1 199.01	1 002.24
EBIT	570.60	203.70	1 063.70	898.17	1 454.54	1 752.04	1 489.54	1 254.01
Tax Expenses	188.50	126.90	115.10	113.04	193.99	237.13	201.17	169.29
Effective tax rate	-40.42%	-111.81%	-11.94%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
NOPAT	382.10	76.80	948.60	785.12	1 260.55	1 514.91	1 288.36	1 084.72
Change in Accounts receivables	36.00	10.10	28.80	43.44	17.61	19.18	26.09	30.25
Change in Inventories	107.50	42.30	1.80	56.34	125.18	45.86	168.68	162.03
Other current assets	136.20	654.30	196.20	599.07	125.76	136.95	186.25	216.00
Change in Payables	17.80	16.70	3.40	115.24	0.48	49.30	56.54	79.43
Contribution NWC	189.90	669.80	223.40	814.09	269.04	251.30	100.20	163.66
As margin of sales (%)	-5.75%	20.85%	-6.39%	17.30%	5.19%	4.41%	-2.01%	-3.92%
CAPEX	687.20	1 387.00	1 026.60	1 174.10	1 099.22	1 028.05	765.52	543.91
As margin of sales (%)	-20.81%	-43.17%	-29.35%	-24.95%	-21.21%	-18.03%	-15.32%	-13.02%
DD&A	819.40	772.40	731.30	1 129.35	1 243.91	1 368.67	1 199.01	1 002.24
As margin of sales (%)	24.81%	24.04%	20.91%	-24.00%	-24.00%	-24.00%	-24.00%	-24.00%
FCFF	324.40	132.00	429.90	1 554.46	1 674.28	2 106.83	1 621.65	1 379.39

Discount rate	5%
NPV 2020-2031	12 455.23
Minority Interest	49
Cash&Cash equivalent	1138.6
ST financial Debt	78.2
Long term financial debt	2715.7
Net Debt	1655.3
Equity Value	10750.93
Share count	1260
per share	8.53
Current	6.64
Upside potential	28.50%

Valuation

Bull Case

W U T I S

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue								
Metal sales	3 303.00	3 212.60	3 497.30	4 847.80	5 626.44	6 725.98	6 574.24	5 668.27
YoY growht (%)	-4.87%	-2.74%	8.86%	38.62%	16.06%	19.54%	-2.26%	-13.78%
Production cost of sales	- 1 754.40 -	- 1 860.50 -	- 1 778.90 -	- 2 001.98 -	- 1 798.69 -	- 1 834.26 -	- 1 633.44 -	- 1 369.64
Depreciation, depletion and amortization	- 819.40 -	- 772.40 -	- 731.30 -	- 1 163.47 -	- 1 350.35 -	- 1 614.24 -	- 1 577.82 -	- 1 360.38
	-24.81%	-24.04%	-20.91%	-24.00%	-24.00%	-24.00%	-24.00%	-24.00%
Total cost of sales	- 2 552.30 -	- 2 632.90 -	- 2 148.40 -	- 3 165.45 -	- 3 149.03 -	- 3 448.50 -	- 3 211.25 -	- 2 730.03
As margin of sales (%)	77.27%	81.96%	61.43%	65.30%	55.97%	51.27%	48.85%	48.16%
Gross profit	750.70	579.70	1 348.90	1 682.35	2 477.41	3 277.49	3 362.98	2 938.24
Exploration and business development	- 106.00 -	- 109.20 -	- 113.50 -	- 280.51 -	- 325.56 -	- 389.18 -	- 380.40 -	- 327.98
As margin of sales (%)	6.04%	5.87%	6.38%	5.79%	5.79%	5.79%	5.79%	5.79%
SG&A w/o D&A	- 132.60 -	- 133.00 -	- 135.80 -	- 297.78 -	- 315.45 -	- 380.92 -	- 378.48 -	- 334.32
As margin of cost of sales (%)	5.20%	5.05%	6.32%	6.14%	5.61%	5.66%	5.76%	5.90%
Other operating expense	- 129.60 -	- 137.00 -	- 108.50 -	- 169.86 -	- 168.98 -	- 185.05 -	- 172.32 -	- 146.50
	5.08%	5.20%	5.05%	5.37%	5.37%	5.37%	5.37%	5.37%
Operating earnings	382.50	200.50	991.10	934.20	1 667.41	2 322.33	2 431.78	2 129.44
As margin of sales (%)	11.58%	6.24%	28.34%	19.27%	29.64%	34.53%	36.99%	37.57%
Other Expenses (-)/Income (+)	188.10	3.20	72.60	53.22	67.92	77.01	54.79	65.11
EBIT	570.60	203.70	1 063.70	987.42	1 735.34	2 399.34	2 486.57	2 194.55
Financial income(-)/expense(+)	- 104.30 -	- 90.20 -	- 100.00 -	- 148.91 -	- 175.06 -	- 201.89 -	- 195.28 -	- 170.21
	-3.16%	-2.81%	-2.86%	-3.07%	-3.11%	-3.00%	-2.97%	-3.00%
EBT	466.30	113.50	963.70	838.51	1 560.27	2 197.45	2 291.29	2 024.33
Tax Expenses	- 188.50 -	- 126.90 -	- 115.10 -	- 125.78 -	- 234.04 -	- 329.62 -	- 343.69 -	- 303.65
Effective tax rate	40.42%	111.81%	11.94%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
Net Income	277.80	13.40	848.60	712.73	1 326.23	1 867.83	1 947.60	1 720.68
EBITDA	1 390.00	976.10	1 795.00	2 150.89	3 085.68	4 013.57	4 064.39	3 554.93
DD&A	- 819.40 -	- 772.40 -	- 731.30 -	- 1 163.47 -	- 1 350.35 -	- 1 614.24 -	- 1 577.82 -	- 1 360.38
EBIT	570.60	203.70	1 063.70	987.42	1 735.34	2 399.34	2 486.57	2 194.55
Tax Expenses	- 188.50 -	- 126.90 -	- 115.10 -	- 125.78 -	- 234.04 -	- 329.62 -	- 343.69 -	- 303.65
Effective tax rate	-40.42%	-111.81%	-11.94%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
NOPAT	382.10	76.80	948.60	861.65	1 501.29	2 069.72	2 142.88	1 890.90
Change in Accounts receivables	36.00 -	10.10 -	28.80	48.69	28.73	40.57 -	5.60 -	33.43
Change in Inventories	- 107.50	42.30 -	1.80	45.47	105.54	13.01	144.07	175.14
Other current assets	- 136.20	654.30 -	196.20	636.53	205.14	289.69	39.98	238.69
Change in Payables	17.80 -	16.70	3.40	121.60	14.57	77.47 -	27.91 -	81.45
Contribution NWC	- 189.90	669.80	223.40	852.29	353.99	420.75	70.59	178.43
As margin of sales (%)	-5.75%	20.85%	-6.39%	17.58%	6.29%	6.26%	1.07%	-3.15%
CAPEX	- 687.20	- 1 387.00	- 1 026.60	- 1 209.57	- 1 193.27	- 1 212.50	- 1 007.37	- 738.27
As margin of sales (%)	-20.81%	-43.17%	-29.35%	-24.95%	-21.21%	-18.03%	-15.32%	-13.02%
DD&A	- 819.40	- 772.40	- 731.30	- 1 163.47	- 1 350.35	- 1 614.24	- 1 577.82	- 1 360.38
As margin of sales (%)	24.81%	24.04%	20.91%	-24.00%	-24.00%	-24.00%	-24.00%	-24.00%
FCFF	324.40	132.00	429.90	1 667.83	2 012.35	2 892.21	2 783.91	2 334.58

Discount rate	5%
NPV 2020-2031	18 063.89
Minority Interest	49
Cash&Cash equivalent	1138.6
ST financial Debt	78.2
Long term financial debt	2715.7
Net Debt	1655.3
Equity Value	16359.59
Share count	1260
per share	12.98
Current	6.64
Upside potential	95.54%

Valuation

Bear Case

W U T I S

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue								
Metal sales	3 303.00	3 212.60	3 497.30	4 634.55	4 670.22	4 784.93	4 158.65	3 505.07
YoY growht (%)	-4.87%	-2.74%	8.86%	32.52%	0.77%	2.46%	-13.09%	-15.72%
Production cost of sales	- 1 754.40 -	- 1 860.50 -	- 1 778.90 -	- 2 001.98 -	- 1 798.69 -	- 1 834.26 -	- 1 633.44 -	- 1 369.64
Depreciation, depletion and amortization	- 819.40 -	- 772.40 -	- 731.30 -	- 1 112.29 -	- 1 120.85 -	- 1 148.38 -	- 998.08 -	- 841.22
	-24.81%	-24.04%	-20.91%	-24.00%	-24.00%	-24.00%	-24.00%	-24.00%
Total cost of sales	- 2 552.30 -	- 2 632.90 -	- 2 148.40 -	- 3 114.27 -	- 2 919.54 -	- 2 982.64 -	- 2 631.51 -	- 2 210.86
As margin of sales (%)	77.27%	81.96%	61.43%	67.20%	62.51%	62.33%	63.28%	63.08%
Gross profit	750.70	579.70	1 348.90	1 520.28	1 750.68	1 802.28	1 527.14	1 294.21
Exploration and business development	- 106.00 -	- 109.20 -	- 113.50 -	- 268.17 -	- 270.23 -	- 276.87 -	- 240.63 -	- 202.81
As margin of sales (%)	6.04%	5.87%	6.38%	5.79%	5.79%	5.79%	5.79%	5.79%
SG&A w/o D&A	- 132.60 -	- 133.00 -	- 135.80 -	- 284.68 -	- 261.84 -	- 270.99 -	- 239.41 -	- 206.73
As margin of cost of sales (%)	5.20%	5.05%	6.32%	6.14%	5.61%	5.66%	5.76%	5.90%
Other operating expense	- 129.60 -	- 137.00 -	- 108.50 -	- 167.12 -	- 156.67 -	- 160.06 -	- 141.21 -	- 118.64
	5.08%	5.20%	5.05%	5.37%	5.37%	5.37%	5.37%	5.37%
Operating earnings	382.50	200.50	991.10	800.32	1 061.94	1 094.37	905.88	766.03
As margin of sales (%)	11.58%	6.24%	28.34%	17.27%	22.74%	22.87%	21.78%	21.85%
Other Expenses (-)/Income (+)	188.10	3.20	72.60	53.22	67.92	77.01	54.79	65.11
EBIT	570.60	203.70	1 063.70	853.54	1 129.87	1 171.38	960.67	831.13
Financial income(-)/expense(+)	- 104.30 -	- 90.20 -	- 100.00 -	- 142.36 -	- 145.31 -	- 143.62 -	- 123.53 -	- 105.25
	-3.16%	-2.81%	-2.86%	-3.07%	-3.11%	-3.00%	-2.97%	-3.00%
EBT	466.30	113.50	963.70	711.18	984.55	1 027.75	837.15	725.88
Tax Expenses	- 188.50 -	- 126.90 -	- 115.10 -	- 106.68 -	- 147.68 -	- 154.16 -	- 125.57 -	- 108.88
Effective tax rate	40.42%	111.81%	11.94%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
Net Income	277.80	13.40	848.60	604.50	836.87	873.59	711.57	617.00
EBITDA	1 390.00	976.10	1 795.00	1 965.83	2 250.72	2 319.76	1 958.75	1 672.35
DD&A	- 819.40 -	- 772.40 -	- 731.30 -	- 1 112.29 -	- 1 120.85 -	- 1 148.38 -	- 998.08 -	- 841.22
EBIT	570.60	203.70	1 063.70	853.54	1 129.87	1 171.38	960.67	831.13
Tax Expenses	- 188.50 -	- 126.90 -	- 115.10 -	- 106.68 -	- 147.68 -	- 154.16 -	- 125.57 -	- 108.88
Effective tax rate	-40.42%	-111.81%	-11.94%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
NOPAT	382.10	76.80	948.60	746.86	982.18	1 017.22	835.10	722.25
Change in Accounts receivables	36.00 -	10.10 -	28.80	40.82	1.32	4.23 -	23.11 -	24.12
Change in Inventories	- 107.50	42.30 -	1.80	61.77	155.03	67.42	158.50	149.02
Other current assets	- 136.20	654.30 -	196.20	580.34	9.40	30.22 -	165.00 -	172.20
Change in Payables	17.80 -	16.70	3.40	112.05 -	20.00	29.34 -	53.90 -	72.28
Contribution NWC	- 189.90	669.80	223.40	794.99	145.74	131.21	83.52	119.57
As margin of sales (%)	-5.75%	20.85%	-6.39%	17.15%	3.12%	2.74%	-2.01%	-3.41%
CAPEX	- 687.20	- 1 387.00	- 1 026.60	- 1 156.37	- 990.48	- 862.58	- 637.23	- 456.52
As margin of sales (%)	-20.81%	-43.17%	-29.35%	-24.95%	-21.21%	-18.03%	-15.32%	-13.02%
DD&A	- 819.40	- 772.40	- 731.30	- 1 112.29	- 1 120.85	- 1 148.38	- 998.08	- 841.22
As margin of sales (%)	24.81%	24.04%	20.91%	-24.00%	-24.00%	-24.00%	-24.00%	-24.00%
FCFF	324.40	132.00	429.90	1 497.78	1 258.30	1 434.23	1 112.43	987.38

Discount rate 5%

NPV 2020-2031 9 622.52

Minority Interest 49

Cash&Cash equivalent 1138.6

ST financial Debt 78.2

Long term financial debt 2715.7

Net Debt 1655.3

Equity Value 7918.22

Share count 1260

per share 6.28

Current 6.64

Upside potential -5.36%

Disclaimer



This document is being made available by WUTIS Trading and Investment Society, acting through its society ("WUTIS"), for information purposes only and for the sole and exclusive use of the addressee in connection with the matter or possible transaction to which this document relates. This document is incomplete without reference to, and should be assessed solely in conjunction with, the oral briefing provided by WUTIS.

This document is strictly confidential and remains the property of WUTIS. You agree that you shall only use this document for the purpose of evaluating and considering the matter or possible transaction to which this document relates. This document may not be distributed, published, reproduced, or disclosed, in whole or in part, to any other person, nor relied upon by you or any other person, nor used for any other purpose at any time, in each case without the prior written consent of WUTIS.

This document does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or any of the businesses or assets described herein or an offer or recommendation to enter into any transaction described herein nor does this document constitute an offer or commitment to provide, arrange or underwrite any financing. You are responsible for making your own independent investigation and appraisal of the risks, benefits, appropriateness and suitability of any transaction or matter contemplated by this document and WUTIS is not making any recommendation (personal or otherwise) or giving any investment advice and will have no liability with respect thereto. The decision to proceed with any transaction or action contemplated by this document must be made by you in the light of your own commercial assessments and WUTIS will not be responsible for such assessments.

Neither WUTIS nor any of its subsidiaries or affiliates, nor any of their respective officers, directors, employees or agents (WUTIS together with such persons being the "WUTIS Group") accepts any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this document or its contents or any reliance on the information contained herein. WUTIS Group is not responsible for any specialist advice, including legal, regulatory, accounting, model accounting, tax, actuarial or other advice.

This document was prepared on the basis of information and data, obtained from publicly available sources and, where applicable, from you and/or any other entity that may be involved in any transaction or matter contemplated by this document (and/or any of your or the aforementioned entities' affiliates), in each case prior to or on the date hereof. The information in this document has not been independently verified by WUTIS. WUTIS has relied on any information provided by you or from third party or public sources as complete, true, fair, accurate and not misleading. With respect to any financial or operating forecasts and analyses provided to it, WUTIS has assumed that they are achievable and have been reasonably and properly prepared on bases reflecting the best currently available information, estimates and judgments as to the future financial performance of the entity(ies) to which they relate and that such forecasts or analyses would be realised in the amounts and time periods contemplated thereby. No member of the WUTIS Group, makes any warranty or representation, express or implied, as to the accuracy, completeness or reasonableness of the information (including projections and assumptions) contained in this document whether obtained from or based upon third party or public sources or otherwise.

This document is given as at the date hereof, may not be final, is based on information available to WUTIS as at the date hereof, is subject to any assumptions set out therein and is subject to change without notice. Accordingly, this document may be based on (a) data and information that may no longer be current and (b) estimates that may involve highly subjective assessments. It should be understood that subsequent developments may affect this document and the WUTIS Group does not undertake any obligation to provide any additional information or to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent. Any data or information regarding, or based on, past performance is no indication of future performance.

Members of the WUTIS Group are involved in a wide range of commercial banking, investment banking and other activities out of which conflicting interests or duties may arise. In the ordinary course of its business, the WUTIS Group may provide services to any other entity or person whether or not a member of the same group as you (a "Third Party"), engage in any transaction (whether on its own account, on behalf of any Third Party or otherwise, and including any transaction or matter contemplated by this document), notwithstanding that such services, transactions or actions may be adverse to you or any member of your group, and the WUTIS Group may retain for its own benefit any related remuneration or profit. The WUTIS Group operates in accordance with a conflicts of interest policy which identifies conflicts of interest it faces in the ordinary course of its business, and establishes organisational and procedural measures to manage those conflicts where it is reasonably able to do so. Neither WUTIS nor any other part of the WUTIS Group shall have any duty to disclose to you or utilise for your benefit any non-public information acquired in the course of providing services to any other person, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business. WUTIS' research analysts and research departments are independent and are subject to certain regulations and internal policies. WUTIS research analysts may hold opinions and make statements or investment recommendations and/or publish research reports with respect to any company referred to herein, the transactions contemplated herein or any person or entity involved therein or related thereto that differ from or are inconsistent with the views or advice communicated by WUTIS.