

## Coeur Mining Summary

Date of report: Nov 6, 2020  
Stock: Coeur Mining (CDE)  
Sector: Materials  
Subsector: Mining

P/E ratio for CDE: 69.91  
Forward P/E ratio for industry: 21.50  
Price target: \$6.33  
Current price: \$7.69

**Recommendation: SELL**



### Company Summary

Coeur Mining, Inc. is a well-diversified growing precious metals producer with five operations in North America. Coeur's wholly-owned operations include the Palmarejo gold-silver complex in Mexico, the Rochester silver-gold mine in Nevada, the Kensington gold mine in Alaska, the Wharf gold mine in South Dakota and the Silvertip silver-zinc-lead mine in British Columbia. In addition, the Company has interests in several precious metals exploration projects throughout North America. Coeur's headquarters are located in Chicago, IL.


### Industry Outlook

The operations most adversely affected by the pandemic are underground mines in regions where currencies have not depreciated against the dollar like Australia, China, and the United States, or operations with a higher share of costs denominated in US dollars, because of falling fossil fuel/energy prices and gas being tied with the US dollar. Over the short term, the mining companies that most successfully avoid or contain the spread of the virus throughout their operations while maintaining production levels will emerge with a stronger cash position as they take advantage of high price levels and strong margins. In the longer term, the strong price of gold provides a window for mergers and acquisitions to consolidate the industry, because the acquisition price per ounce of resources and reserves of an operating gold mine is far below the current spot price. That offers high rates of return.

All of Coeur's active mines continue to operate. Each site has developed rigorous screening, education and modifications to work procedures to limit COVID-19 exposure and transmission. Coeur has not encountered any significant delays in the shipment and sales of their ore or concentrates. Critical supply chain elements have also been evaluated with no material disruptions experienced to date. We remain in close contact with our critical vendors, customers and transportation providers and establishing alternative back-up arrangements to mitigate the impact of any disruptions related to COVID19.

## Cash Flow History & Forecasts

Our earnings forecast for Coeur Mining was completed using the same methodology as our previous Stock Valuation 2 calculations for forecasting quarterly earnings out to YE2020. We compared the recent Q3 earnings report with our previous calculations to determine any adjustments that needed to be made to our forecasting assumptions. Coeur recently posted their highest quarterly financial results in nearly a decade and experienced a stronger rebounding from COVID-19 production contraction than initially anticipated.

									
Income Statement	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	709,598	625,904	711,502	770,742	832,401	898,994	1,033,843	1,116,550	1,205,874
<b>COSTS AND EXPENSES</b>									
Amortization	146,549	128,473	178,876	170,872	183,128	197,779	227,445	245,641	265,292
General and administrative	33,616	31,345	34,493	44,895	41,620	44,950	51,692	55,827	60,294
Impairment of Long-Lived Assets Held-for-use	-	-	250,814	56,430	-	-	-	-	-
Pre-development, reclamation, and other	18,936	20,043	18,421	478,066	416,201	449,497	29,154	31,487	34,006
Other expenses	470,571	466,347	573,708	122,847	494,020	533,542	613,573	662,659	715,671
Total costs and expenses	669,672	646,208	1,056,312	873,111	1,134,969	1,225,767	921,865	995,614	#####
<b>OTHER INCOME (EXPENSE), NET</b>									
Loss on debt extinguishments	(9,342)	-	(1,281)	(3,583)	-	-	-	-	-
Fair value adjustments, net, pretax	(864)	3,638	16,030	(28,156)	-	-	-	-	-
Interest expense, net of capitalized interest	(16,440)	(24,364)	(24,771)	(2,429)	(972)	(13,795)	(13,266)	(11,047)	(8,302)
Other, net	26,643	(24,705)	(3,193)	(34,168)	(972)	(13,795)	(13,266)	(11,047)	(8,302)
Total other income (expense), net	(3)	(45,431)	(13,215)	9,926	(12,181)	(15,225)	(7,674)	(6,288)	(10,342)
Total	39,923	(65,735)	(358,025)	(10,772)	(98,652)	(133,296)	(150,186)	(98,227)	(120,090)
Income and mining tax (expense) benefit	(28,998)	16,780	11,129	1,847	190	7,486	5,163	3,671	4,128
Income (loss) from continuing operations	10,925	(48,955)	(346,896)	16,618	17,199.42	17,801.40	19,581.54	21,539.70	23,693.67
Income (loss) from discontinued operations	(12,244)	550	5,693	-	-	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>(1,319)</b>	<b>(48,405)</b>	<b>(341,203)</b>	<b>16,618</b>	<b>17,199.42</b>	<b>17,801.40</b>	<b>19,581.54</b>	<b>21,539.70</b>	<b>23,693.67</b>
Revenue Growth (y/y)		-12%	14%	8%	8%	8%	15%	8%	8%
Amortization as % of Revenue	20.7%	20.5%	25.1%	22.2%	22%	22%	22%	22%	22%
SG&A as % of Revenue	4.7%	5.0%	4.8%	5.8%	5%	5%	5%	5%	5%
Pre-development as % of Revenue	2.67%	3.20%	2.59%	62.03%	50.00%	50.00%	2.82%	2.82%	2.82%
Total costs & expenses as % of revenue	94%	103%	148%	113%	120%	105%	105%	105%	105%
Other expenses as % of Revenue	66%	75%	81%	16%	59%	59%	59%	59%	59%

## Valuation

In our Valuation calculations for Coeur, we used a long-term growth rate of 3.50% and referred to [www.yardeni.com](http://www.yardeni.com) for the most current Industry Forward P/E ratio in order to come up with a discount rate (Cost of Equity) of 8.15%. Capital Expenditures, Change to Net Working Capital, and Change to Debt for 2020 through 2024 were all calculated using rolling averages for the year-over-year changes from YE2016 through YE2019.

<b>Valuation</b>						
Year	2020	2021	2022	2023	2024	
Net Income	16,618	17,199	17,801	19,582	21,540	
Add: Depreciation and amortization	170,872	183,128	197,779	227,445	245,641	
Less: CapEx	(125,764)	(122,108)	(86,535)	(61,325)	(43,459)	
Less: Change in NWC	(91,456)	(97,500)	(101,824)	(96,927)	(98,751)	
Less: Change in Debt	(24,500)	(6,837)	(41,957)	(24,431)	(24,408)	Terminal Value
FCFE	(54,230)	(26,117)	(14,736)	64,344	100,563	2,237,775
Sum of Discount FCFE	30,875					
Discounted Terminal Value	1,512,378					
Equity Value	1,543,254					
Shares Outstanding	243,730					
<b>Target Price</b>	<b>\$ 6.33</b>					
Current Price	\$ 7.69					
Analyst Target Price (Low, Avg., High)	8.5, 9.58, 11					
52 Week High	9.25					
Est. Return	-18%					
Industry Forward P/E	21.5					
Discount	8.15%					
Long Term Growth Rate	3.5%					
<b>Recommendation: SELL</b>						

## Sensitivity Analysis

In our sensitivity analysis you can see the effects of altering the discount rate (Cost of Equity) by (+/-) 1.5% and the residual effects on the Valuation calculations and final price target.

Sum of Discount FCFE	36,662
Discounted Terminal Value	2,394,766
Equity Value	2,431,428
Shares Outstanding	243,730
<b>Target Price</b>	<b>\$ 9.98</b>
Current Price	\$ 7.69
Analyst Target Price (Low, Avg., High)	8.5, 9.58, 11
52 Week High	9.25
Est. Return	30%
Industry Forward P/E	21.5
Discount	6.65%
Long Term Growth Rate	3.5%

Sum of Discount FCFE	25,599
Discounted Terminal Value	1,067,726
Equity Value	1,093,325
Shares Outstanding	243,730
<b>Target Price</b>	<b>\$ 4.49</b>
Current Price	\$ 7.69
Analyst Target Price (Low, Avg., High)	8.5, 9.58, 11
52 Week High	9.25
Est. Return	-42%
Industry Forward P/E	21.5
Discount	9.65%
Long Term Growth Rate	3.5%

### Conclusion

Based on the Valuation calculations completed above, it is our recommendation that we sell our position in Coeur Mining. We believe that Coeur Mining is currently overvalued by 18% base on our target price of \$6.33 and the current price of 7.69. CDE has proved to be an overwhelming positive addition to the fund since our initial investment in April 2020. However, from a value investing perspective, and based on the results from our other calculated price targets, KRA and ADES represent the better short term investments with the highest likelihood of gaining a return greater than that 20% threshold we are striving for in our investment strategy.