# TMAC Resources(TMR:TSE)

Basic Materials: Gold



Overall Rating Undervalued by 49.4%	
Valuation Models	Analyst Consensus: \$7.77 (CAD)
(in order of importance)	Multiples: \$7.59 (CAD)
Valuation Methods	This company is:
Cash Flow:	Overvalued on a Cash Flow Valuation
Comparable Company:	Undervalued on a Comparable Valuation
Asset:	Undervalued on an Asset Valuation

My name is Michael El-khoury, I am a Student at the University of New Brunswick, majoring in Finance and I am just starting an internship here at StockCalc for the summer. One of my tasks is to do reports on companies using StockCalc's useful tool and external resources

This Stock is	Technically		
Fundamentally	Buy	Sell	
Under Valued	Buy the Stock	Buy or Wait on Technical	Wait on Technical
Fairly Valued	Buy or Wait on Fundamental	Wait on Both Indicators for Direction	Sell or Wait on Technical
Over Valued	Wait on Fundamental	Sell or Wait on Fundamental	Sell the Stock

#### Recommendation

My recommendation for TMAC Resources Inc is a BUY. I looked at the provided information from StockCalc, TMR is fundamentally undervalued noted in the valuation detail section. Taking a deeper look into TMAC, I can see a prosperous future considering a new board member, their excellent T1 returns and Gold forecast for later 2019.

Price       5.15         Range       4.70 - 5.17         52 week       3.57 - 7.21         Open       4.75         Vol / Avg.       110440/125196         Mkt cap       581.65M         P/E       0.00         Div/yield       0.00/0.00         EPS       -0.43         Shares       112.94M         Beta       0.00		Company Overview (TMR:TSE CAD)	
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Div/yield         0.00/0.00           EPS         -0.43           Shares         112.94M	Mkt cap		581.65M
EPS         -0.43           Shares         112.94M	P/E		0.00
Shares 112.94M	Div/yield		0.00/0.00
	EPS		-0.43
Beta 0.00	Shares		112.94M
	Beta		0.00

### Material Payload

TMAC has three gold deposit sites; Doris, Madrid and Boston all located in Hope Bay. Doris is the only site who is currently in production, Boston and Madrid are still in the Exploration and Evaluation (E&E) stage. At Doris, TMAC process 1600 tonnes of ore per day resulting an average grade of 10.3 grams of gold per tonne (g/t). T3 ending results of 2019 show that TMAC has a record of 40,050 ounces of gold valuing at a market price of 69,737,863.50\$ which is 18% more than the previous quarter. TMAC's mine has a life index of 21.1 years remaining of production also has declining AISC trend and a rising Gold trend compared to last year (table 1). TMAC also has a target for 2,000 TPD and 90% recovery, during Q1 they hit 1,600 TPD with 84% recovery and 10.3 G/T.

### Company Description

TMAC Resources Inc is an industrial metals and materials company. The business acquires, explores, and evaluates mineral properties. Its lone business segment is Mining; this segment is engaged in the exploration and development of precious metal resources, primarily gold. The company generates the vast majority of its revenue in Canada. TMAC Resources' primary mine is located in Hope Bay, in the Kitikmeot region of the western Nunavut Territory. TMAC mines for gold resources and inferred mineral resources in this region.

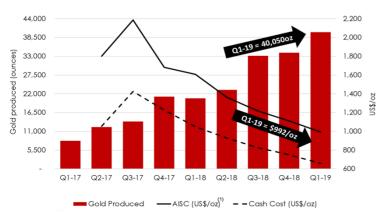
## Company Latest News

As of May 9th, 2019 TMAC Recourses Inc added a new member to their board of directors. Jacques Perron was appointed the new role, he has over 35 years of experience in the mining and exploration industry. Also has been on many boards during his long career, Mr. Perron will be chairing as the Technical Committee on the board. He will benefit TMAC Recourses in key areas such as M&A and balance sheet management that will drive the company to a patch of success. As of April 30th TMAC as signed an amendment with the credit union "Sprott Lenders", the amendment will remove all principal payments until April 1st, 2020, with an outstanding principal of US\$117 million.

### Gold Price Forecast

Exploration mines rely on the price of the material their mining to generate income and future cash flows. In the case of TMAC Recourses Inc, the future of their operation depends on the price of Gold. As of date the current price of Gold per ounce is 1305.99\$ as of May 31, 2019. Gold prices have been in a decline trend in May, but expected to remain steady in June and see a spike in July and August during the wedding season in China where gold is gifted. Gold prices also rely on four main drivers; the US dollar, economic conditions (inflation), price momentum and supply and demand of gold. On June 2<sup>nd</sup> comments from Fed chair Jerome Powell in regards of inflation in the US and economic expansion spike Gold prices up to by 1330.24\$, these comments may indicate a rate cut which would increase inflation and bring gold prices even higher in the near future.

### Valuation Details



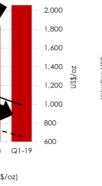




Table 1 Source: <a href="https://www.tmacresources.com/investors/">https://www.tmacresources.com/investors/</a>

# Discounted Cash Flow and Sensitivity Analysis for TMR:TSE

Using a discounted cash flow model we generated an intrinsic value of (\$1.59) (CAD) for TMR:TSE

# Comparables Model

We also generated a valuation of \$13.48 (CAD) using other metrics and comparables. The comparable companies were and Novagold Resources (NG:TSE).

Company TMR:TSE	End Date Value
Earnings/Share	(\$0.21) (CAD)
Book Value/Share	\$8.03 (CAD)
Sales/Share	\$2.07 (CAD)
Cash Flow/Share	\$0.45 (CAD)
EBITDA/Share	\$0.20 (CAD)

Price Based on Comps	Adjustment Factor (%)
\$0.00 (CAD)	0.0
\$0.00 (CAD)	0.0
\$0.00 (CAD)	0.0
(\$1.62) (CAD)	0.0
\$0.00 (CAD)	0.0

TMR:TSE	Ratios Used	Average Values	NG:TSE
0.00	PE Ratio	0.00	0.00
0.64	PB Ratio	7.87	7.87
2.49	PS Ratio	0.00	0.00
11.48	PCF Ratio	0.00	0.00
12.59	EV to EBITDA	0.00	0.00

# Multiples

Using a multiples approach we generated a valuation of \$7.59 (CAD) for TMR:TSE

Company TMR:TSE	End Date Value
Earnings/Share	(\$0.21) (CAD)
Book Value/Share	\$8.03 (CAD)
Sales/Share	\$2.07 (CAD)
Cash Flow/Share	\$0.45 (CAD)
EBITDA/Share	\$0.20 (CAD)

Price Based on Comps	Adjustment Factor
\$0.00 (CAD)	0
\$7.84 (CAD)	0
\$8.16 (CAD)	0
\$8.18 (CAD)	0
\$6.18 (CAD)	0

Ratios	Ratio Average
PE Ratio	81.49
PB Ratio	0.98
PS Ratio	3.94
PCF Ratio	18.23
EV to EBITDA	30.55

# Adjusted Book Value versus Historical Price to Book

The average the Price to Book ratio for TMR:TSE for the last 4 years was 0.98. We ran the Adjusted Book Value for TMR:TSE and generated a book value of \$8.05 (CAD). By multiplying these we get an adjusted valuation of \$7.87 (CAD)

# Analyst Data

In the Stockcalc database there are 10 analysts that provide a valuation for TMR:TSE. The 10 analysts have a consensus valuation for TMR:TSE for 2019 of \$7.77 (CAD).

Analyst Recommendation					
Buy	Hold	Sell	Rating (of 5)	Guidance	As Of
2	2	0	4.0000	Outperform	2019-5-23

Current Price: 5.15 CAD

Analyst Consens	sus		
CAD Millions	2019	2020	2021
Mean EPS	0.29	0.54	0.66
# EPS Analysts	9	9	8
Mean Revenue	293.90	324.90	330.2 0
# Revenue Analysts	7	7	6
Mean Target Price	7.77		
Mean Cash Flow	1.04	1.30	1.41
Mean EBITDA			
Mean Net Income			
Mean Debt Outstanding			
Mean Tax Rate			
Mean Growth Rate			

Mean Capital Expenditure

### **Explanation of Valuation Models**

We have up to 6 valuation points for each company in the database.

The Discounted Cash Flow (DCF) valuation is a cash flow model where cash flow projections are discounted back to the present to calculate value per share. DCF is a common valuation technique especially for companies undergoing irregular cash flows such as resource companies (mining, forestry, oil and gas) going though price cycles or smaller companies about to generate cash flow (junior exploration companies, junior pharma, technology firms...).

The Price Comparables valuation is the result of valuing the company we are looking at on the basis of ratios from selected comparable companies: Price to Earnings, Price to Book, Price to Sales, Price to Cash Flow, Enterprise Value (EV) to EBITDA. Each of these ratios for the selected companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

We have included the Other Comparables as a way to value companies that cannot be valued using Earnings based ratios. This technique is very useful for companies still experiencing negative cash flows such as mining exploration firms. We use Cash/Share, Book Value/Share, MarketCap, 1 Year Return, NetPPE as the ratios here. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

Multiples are similar to Price comparables where we look at current or historic ratios for the company in question to assess what it should be worth today based on those historic ratios. We use the same 5 ratios as in the price comparables and value the company with its historic averages.

With Adjusted Book Value (ABV) we calculate the book value per share for the company based on its balance sheet and multiply that book value per share by its historical price to book ratio to calculate a value per share.

If we have Analyst coverage for the company we use the consensus target price here.

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