

Torex Gold Resources Inc. (TSX:TXG)

Development Update

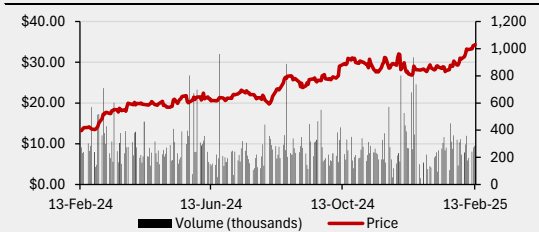
Increasing Our Target As Gold's Meteoric Rise Continues

February 14, 2025

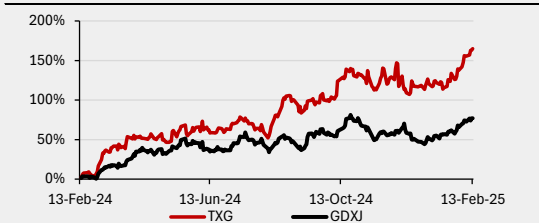
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$34.11
Rating	BUY
Target (C\$/sh)	\$42.00
Return to Target	23%
52 Week Low / High (C\$/sh)	\$12.93 / \$34.62
CAPITALIZATION	
	Basic Diluted
Shares Outstanding (M)	86.0 87.1
Market Capitalization (C\$M)	\$2,932.9
Enterprise Value (C\$M)	\$2,851.2
Cash and Cash Equivalents (C\$M)	\$164.8
Total Debt (C\$M)	\$83.0

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	(\$M)	(\$/sh)
Morelos Complex	\$2,523.9	\$42.1
Resources	\$226.1	\$3.8
Corp. adjustments	\$47.0	\$0.8
Total NAV	\$2,796.9	\$46.6

RELATIVE VALUATION	Ev/oz AuEq (US\$)	P/NAV
Torex Gold Resources Inc.*	\$479.1	0.74x
Peers**	\$692.7	1.19x

*Torex P/NAV as per RCS estimates

**S&P Capital IQ & Company Reports

MAJOR SHAREHOLDERS

BlackRock, Inc. (13.8%), Van Eck Associates Corp. (9.3%), Dimensional Fund (4.3%), CC&L (3.5%), Acadian (3.2%), Vanguard (3.0%), RBC Asset Management (2.8%)

DISCLOSURE CODE: 1,2

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

COMPANY DESCRIPTION

Torex Gold Resources Inc. operates as an intermediate gold producer in Mexico. It primarily holds a 100% interest in the Morelos Gold property, including Morelos Complex, which includes the El Limón Guajes Mine Complex; the Media Luna Project, a processing plant; and related infrastructure that covers an area of 29,000 hectares located southwest of Mexico City. It also mines for silver, copper, and carbon deposits. The company was formerly known as Gleichen Resources Ltd. and changed its name to Torex Gold Resources Inc. in April 2010. Torex Gold Resources Inc. was incorporated in 1980 and is headquartered in Toronto, Canada.

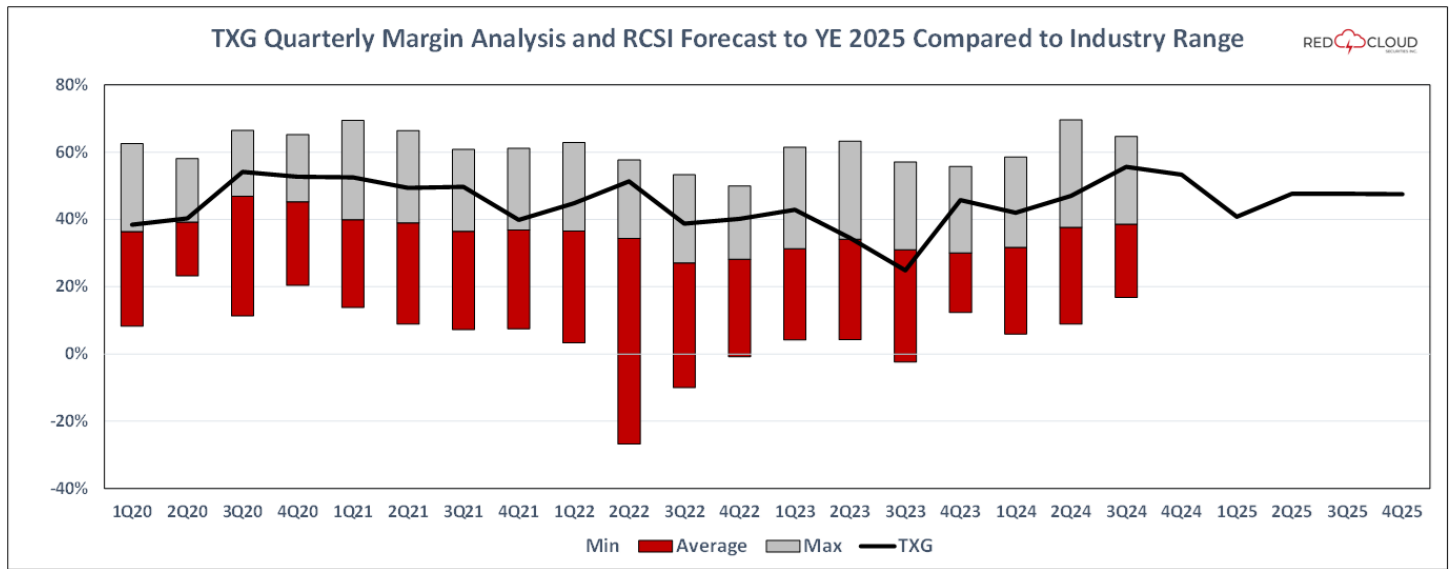
Torex is nearing the completion of the development work at its Media Luna underground mine, part of its Morelos Complex in Mexico ([read note](#)). The commissioning, expected in Q1/25, coincides with meteoric rise in gold price, making Torex a prime candidate to benefit from both the rising commodity price and a major de-risking event associated with the tie-in of the copper concentrate circuit with the gold circuit. **We have updated our model to adjust our short-term gold price forecast and align our production and cost estimates in line with the most recent guidance released by the company last month. We increase our target price to C\$42.00/sh (was C\$38.00/sh).**

- Increasing our short-term gold price estimate.** We estimate gold's price to remain elevated throughout 2025 in the wake of rising geopolitical and tariff-related uncertainty. We increase our 2025 price estimate to US\$2,850/oz (was US\$2,500/oz), keeping the 2026 and long-term estimates unchanged at US\$2,500/oz and US\$2,400/oz, respectively.
- Production and cost estimates.** We estimate Torex to produce 407.6k oz AuEq in 2025 at an AISC of US\$1,550/oz AuEq, in line with its guidance of 400-450k oz and US\$1,400-1,600/oz. We expect its operations to be cash flow positive by Q2/25, generating ~US\$255M in Free Cash Flow in 2025.
- Q4/24 earnings estimate.** Torex is expected to report its Q4/24 earnings on February 19, 2025. We estimate Q4/24 and FY24 EPS at US\$0.94/sh and US\$1.80/sh, respectively. Our estimates are based on its previously reported Q4/24 production of 103.8k oz Au.
- High-margin producer.** Torex has historically operated at a high AISC margin of >40%, better than the industry average (Figure 1). We expect the margin to slightly drop in Q1 to 40% because of additional costs related to the Media Luna ramp-up but expect it to recover thereafter in the wake of elevated gold price and higher operational efficiencies. We note that Torex will report its AISC based on GEO production going forward as opposed to net of by-products earlier, which is going to slightly alter reported margins.

Valuation:

We maintain our BUY rating for Torex and increase our target to C\$42.00/sh (was C\$38.00/sh). Our target is based primarily on our NAVPS_{5%} estimate of C\$46.63 (was C\$44.35) based on our life of mine discounted cash flow model, to which we apply 0.90x (was 0.86x) multiple to reflect the current risk associated with the mine transition. **Upcoming catalysts:** 1) Q4/24 and 2024 financial results (Feb 19, 2025), 2) Concentrate circuit commissioning (Q1/25), 3) Initial production (Q2/25), and 4) Exploration drilling results (ongoing).

Figure 1: TXG's margin analysis vs its peers comprising 10 senior and 20 intermediate gold producers



Source: RCS Estimates, Company Reports

Figure 1: Torex NAV summary

	Units	Discount Rate			
		0%	5%	10%	15%
Morelos	US\$M	3,186	2,524	2,063	1,733
Cash	US\$M	103	103	103	103
Resources	US\$M	226	226	226	226
Corporate	US\$M	(46)	(56)	(61)	(63)
Total NAV	US\$M	3,469	2,797	2,332	2,000
Total NAVPS	US\$/share	40.34	32.52	27.12	23.25
Total NAVPS	C\$/share	57.83	46.63	38.88	25.84
Multiple			0.9x		
Price Target	C\$/share		42.00		

Source: RCS Estimates

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Disclosure Statement
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Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2024-06-12	NA	NA	BUY	62%
2024-07-02	NA	NA	BUY (S)	27%
2024-07-03	NA	NA	HOLD	0%
2024-07-11	NA	NA	TENDER/ SELL	5%
2024-07-31	NA	NA	NA	6%
2024-08-09	NA	NA	UNDER REVIEW	0%
2024-09-23	BUY	31.20		
2024-10-21	BUY	31.20		
2024-11-01	BUY	31.20		
2024-11-08	BUY	31.20		
2024-11-15	BUY	31.20		
2024-12-04	BUY	31.20		
2024-12-12	BUY	31.20		
2025-01-07	BUY	38.00		
2025-02-06	BUY	38.00		
2025-02-14	BUY	42.00		

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Company Name	Ticker Symbol	Disclosures
Torex Gold Resources Inc.	TSX:TXG	1,2

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