Rewarding shareholders is the golden rule at Endeavour Mining

written by InvestorNews | July 19, 2022

Typically when I write about a company I look at a few standard things, latest news, the MD&A from the latest quarterly results, the most recent corporate presentation, and generally anything that appears interesting on their website. For the company I was looking at today I was in for a bit of a surprise. I was following my general review process and started paging through the latest presentation and after about 14 pages I noticed at the bottom that the total file was 170 pages long. Now that's a corporate presentation! I'll be honest, upon realizing this I started spending a little less time on each slide, but I did still scroll through all 170.

The company with a lot to talk about is Endeavour Mining plc (TSX: EDV | OTCQX: EDVMF | LSE: EDV), one of the world's senior gold producers and the largest in West Africa, with operating assets across Senegal, Cote d'Ivoire and Burkina Faso, and a strong portfolio of advanced development projects and exploration assets in the highly prospective Birimian Greenstone Belt across West Africa.

Additionally, Endeavour is a member of the World Gold Council, committed to the principles of responsible mining and delivering sustainable value to its employees, stakeholders and the communities where it operates. The Company is also pretty fixated on rewarding shareholders via dividends and buybacks, as well as ESG and corporate responsibility in general, at least based on the number of pages dedicated to these topics in the corporate presentation.

First, the numbers that allow the Company to reward their shareholders. Q1/22 results, reported May 5th of this year, included: production of 357k oz at AISC of US$848/oz; operating cash flow of US$299 million; net cash position increased by US$90 million to reach US$167 million. 2022 full year guidance for the Company's six operating mines is 1.3 – 1.4 million oz with an All-In Sustaining Cost (AISC) of US$880 – US$930. With full-year sustaining CAPEX expected to amount to US$169.0 million, non-sustaining CAPEX of US$204.0 million and growth CAPEX guidance expected to amount to US$121.0 million shareholders should be able to have their cake and eat it too.

Endeavour implemented a shareholder returns program that is composed of a minimum progressive dividend of US$125 million, US$150 million and US$175 million for FY-2021, FY-2022, and FY-2023 respectively. In Q1, Endeavour paid its H2-2021 dividend of US$70 million ($0.28/share) bringing the FY-2021 dividend to US$140 million ($0.56/share), which represents US$15 million more than their minimum dividend commitment. A total of US$169 million, or 7.4 million shares have been repurchased from the start of the buyback program on 9 April 2021, meaning a cumulative US$369 million has been delivered to shareholders in the form of dividends and share buybacks (the difference being US$60 million in dividends paid out in 2020).

The assets themselves are pretty dynamic as the Company is constantly evolving by divesting non-core assets (having sold 2 mines in the last year) and both strategically acquiring assets (such as Teranga Gold in late 2020), as well as organic additions, having built several mines on its own. A strong exploration track record has resulted in the addition of 11.5 million oz of Indicated Resources from mid-2016 to 2021. The 2022 exploration budget is US$80 million with a 5 year resource discovery target of an additional 15 – 20 million oz.

All of this paints a pretty optimistic picture given Endeavour is already in a net cash positive position (approx. US$880 million in debt and almost US$1.05 billion in cash) and barring any major acquisitions and gold prices above US$1,500/oz it has become a cash printing machine. If you want to learn more about the six operating mines or the additional exploration properties then I suggest checking out the corporate presentation as a full 70 pages are dedicated to some pretty detailed information on this topic.



Source: Endeavour Mining plc website

Despite this being a fairly sizeable company, with a US$4.8 billion market cap, there are still plenty of catalysts for shareholders to get excited about. Endeavour renewed its share buyback program in March and is entitled to repurchase up to 5% of its total issued and outstanding shares, or 12,458,989 shares over the next year. The Company is announcing Q2 results on August 3rd which should include the declaration and payment of the H1/22 dividend, not to mention how much cash they've potentially added to the treasury over the last 3 months. Completion of a Definitive Feasibility Study for the Lafigué project at Fetekro is expected any time now. Then there's the US$80 million exploration program results and resource updates.

Despite all of this the stock is trading at its 52 week low and only slightly above its 2-year low. I guess the bigger question is where does gold go next?