

Goodman Gold Challenge

Ryerson University

Ted Rogers School of Management

Team

Dmitry Zaytsev



Dmitry Zaytsev is a final year student. He has interned as analyst in a boutique investment bank, in structured finance at a credit rating agency and most recently, he worked as Treasury at a senior gold producer. He leads the Ryerson Investment Group as the fund's Chief Strategy Officer.

George Tasevski



George Tasevski is a 3rd year finance student at Ryerson University. He has internship experience in financial advisory as well as capital markets and is actively involved with the Ryerson Investment Group, student run buy-side fund where he presently serves as Portfolio Manager.

Jacob Newman



Jacob Newman is a 3rd year economics and finance student. He has internship experience in Private Wealth Management and as a Data Analyst. Jacob is currently the President of the Ryerson Investment Group and covers the Consumer Staples & Discretionary sector. He enjoys camping and playing hockey and golf on his spare time.

Adrian Parisotto



Adrian Parisotto is a 3rd year Finance & Marketing student. He has internship experience as an Investment Banking Analyst, and as a Financial Analyst. He is also involved with the Ryerson Investment Group where he is an Analyst within the Metals & Mining sector. Adrian has played competitive hockey for 17 years.

Presentation Outline



• Case and Company Overview



• Industry Analysis



• Macroeconomic Analysis



• Comparable Analysis



• Valuation

Goodman Pension Fund Overview



Risk Averse

Disciplined, Stable Cash Flows, Mid-Large Cap

Long Term Horizon

Compounded Value, Proven Business Model, Long Mine Life

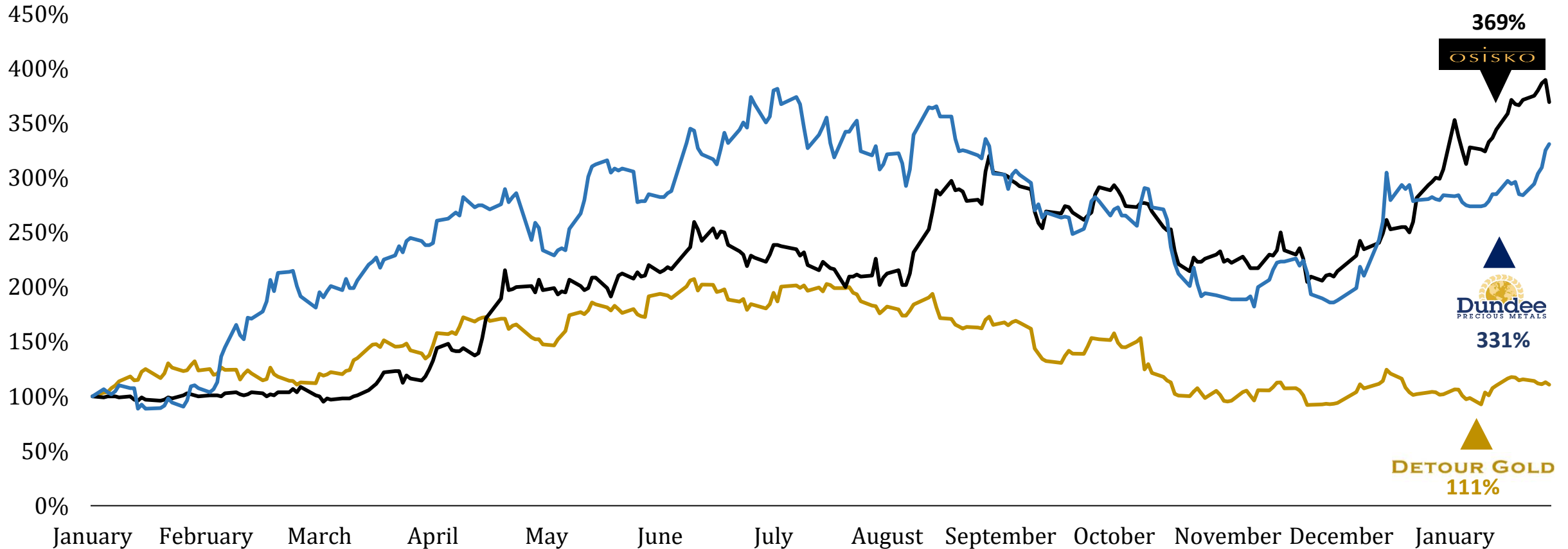


Governance

Seasoned Executive Team, Environmental Sustainability

Company Overview

12 Month Share Price Performance



Performance as of February 17th, 2017

2017

Company Overview

Industry Analysis

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Valuation

Conclusion

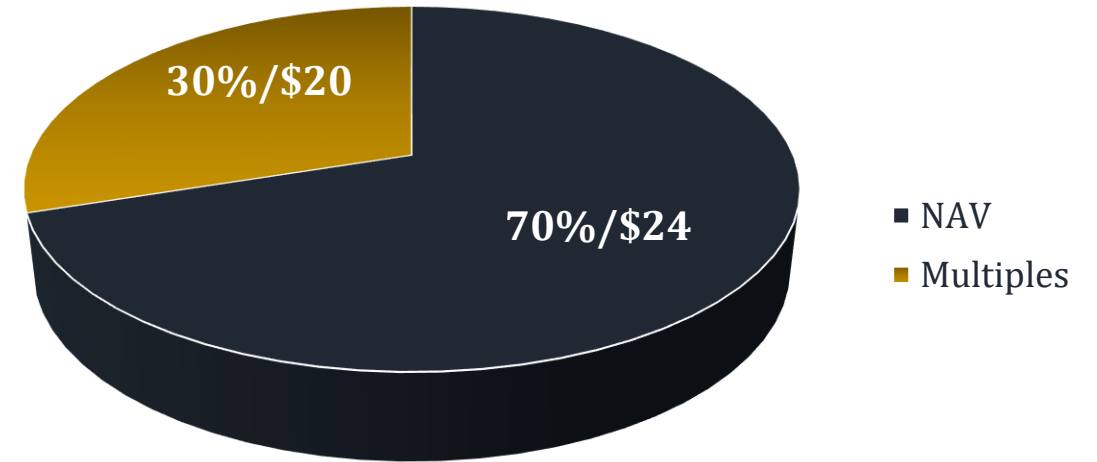
Recommendation: Detour Gold

TSX: DGC

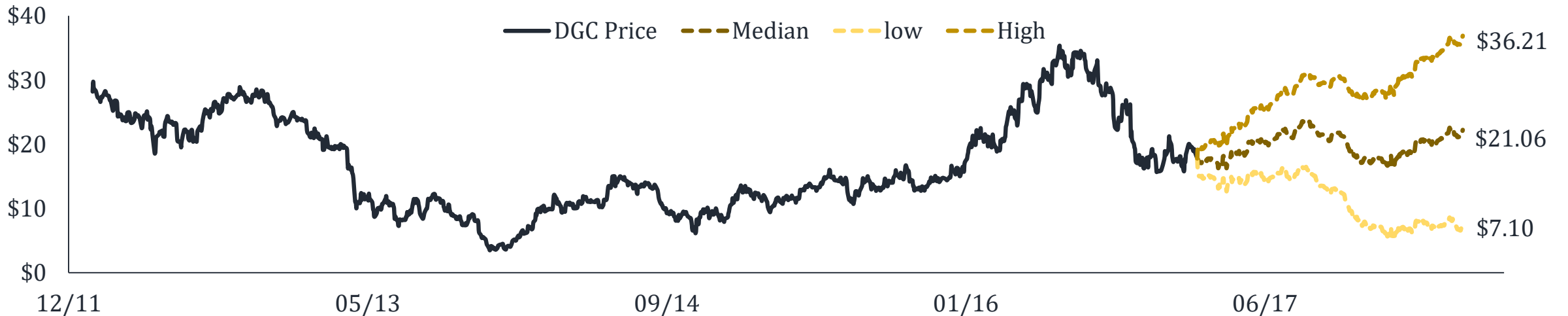
Price Target:\$23

Market Data

	Class A
Closing Price (February 15, 2017)	CAD 17.07
Market Cap (\$bn)	\$3.04
Shares Outstanding (mm)	174.55
Average Daily Volume	1,414,371
Enterprise Value (\$mm)	\$3.26
52 Week High	\$35.93
52 Week Low	\$15.36



Simulated 1 Year Simulated Stock Price



Company Overview

Industry Analysis

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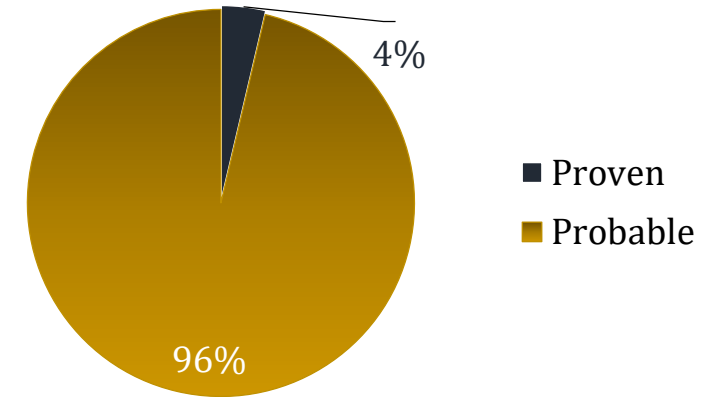
Conclusion

DGC Company Overview

Entity's Structure



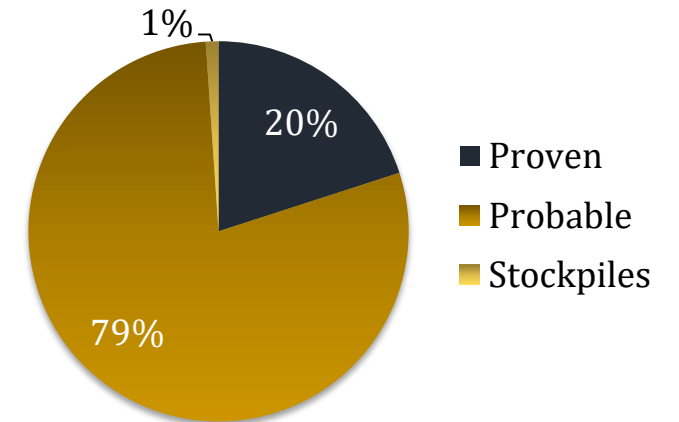
P&P – West Detour Mine



Overview Summary

- 1 Second-largest Canadian intermediate gold producer
- 2 Founded in 2006 by former CEO Hunter Dickinson
- 3 Focus on gold production and exploration activities in Northeastern Ontario
- 4 Largest gold reserves among the producing Canadian gold mines
- 5 Currently constructing the Detour West Lake Mine
- 6 Dedicated to responsible mining and growing cash flows organically

P&P – Detour Lake Mine



Company Overview

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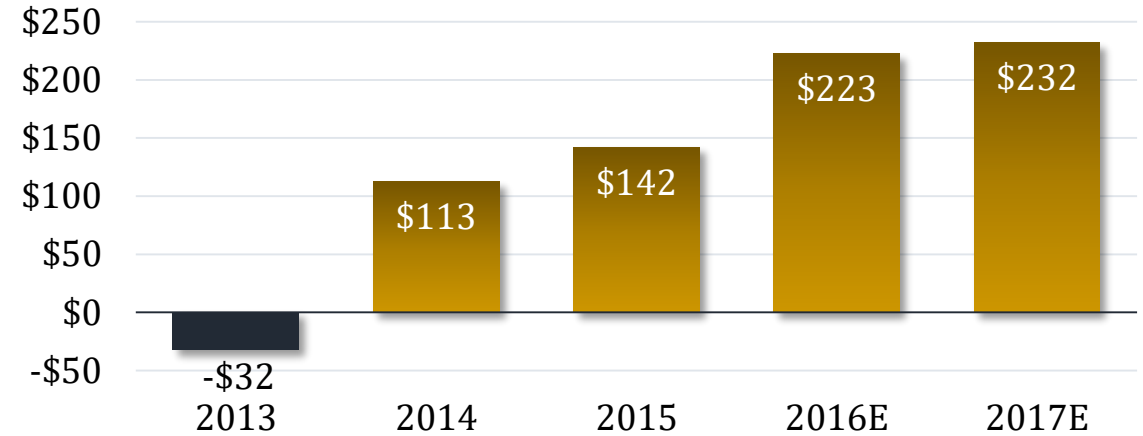
Conclusion

DGC Company Overview Cont'd

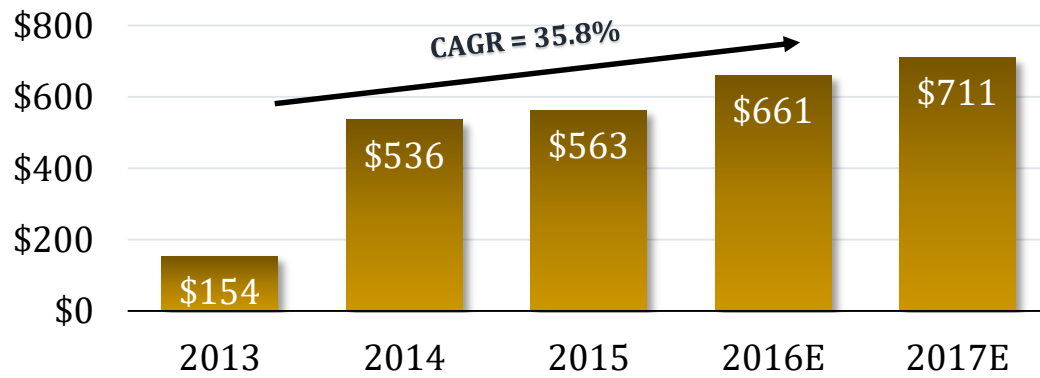
Asset Breakdown



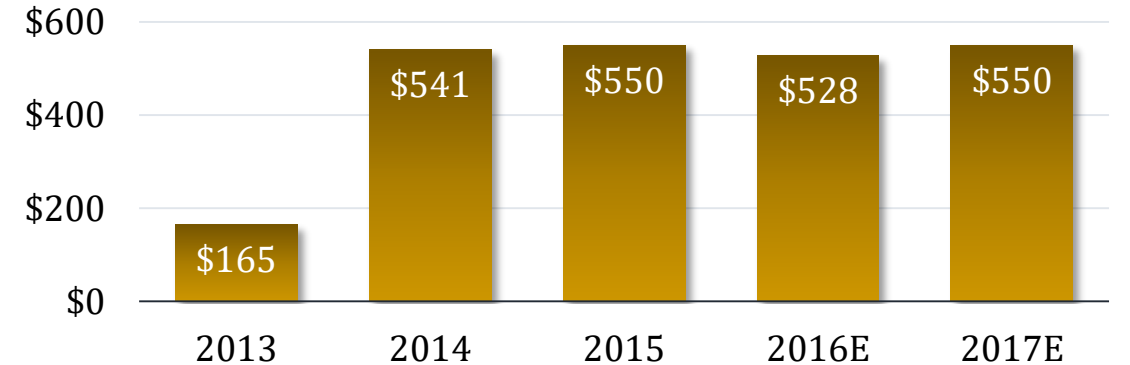
EBITDA Growth



Revenue Growth (Millions of USD)



Cost of Revenue (Millions of USD)



Company Overview

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Governance: Environmental Sustainability

797

● *Full Time Employees*

78M

● *Wages Paid*

1.5M

● *Donated to Hospitals*

220M

● *Spent on ON Businesses*

24%

● *Aboriginal Employment Rate*

✓ *Mining Essentials Program, Women in Mining, Aboriginal Economic Development*

✓ *No process water was discharged to the environment in the 3 years of operation*

✓ *Proven land management practices to help minimize land disturbance*

✓ *Leading The Way leadership program*

Company Overview

Industry Analysis

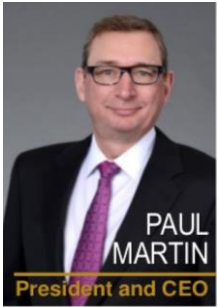
Macro

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Executive Leadership



Paul Martin, President, *Chief Executive Officer & Director*

Mr. Martin is a mining executive with over 25 years of experience in Canadian and international precious metals mining and development projects. Prior to joining Detour Gold, Mr Martin most recently served as the CFO and Vp of Finance for New Gold Inc.



James Mavor, *Chief Financial Officer*

Mr. Mavor is a finance professional with over 20 years of experience in the mining industry. Prior to joining Detour Gold in 2012, he served as the Vice President and Treasurer for Barrick Gold Corporation .



Pierre Beaudoin, *Chief Operating Officer*

Mr. Beaudoin is a mineral processing professional with over 28 years of international operating and project development experience. Prior to going Detour Gold in February 2010, Mr. Beaudoin spent his last 16 years with Barrick Gold Corporation.

Company Overview

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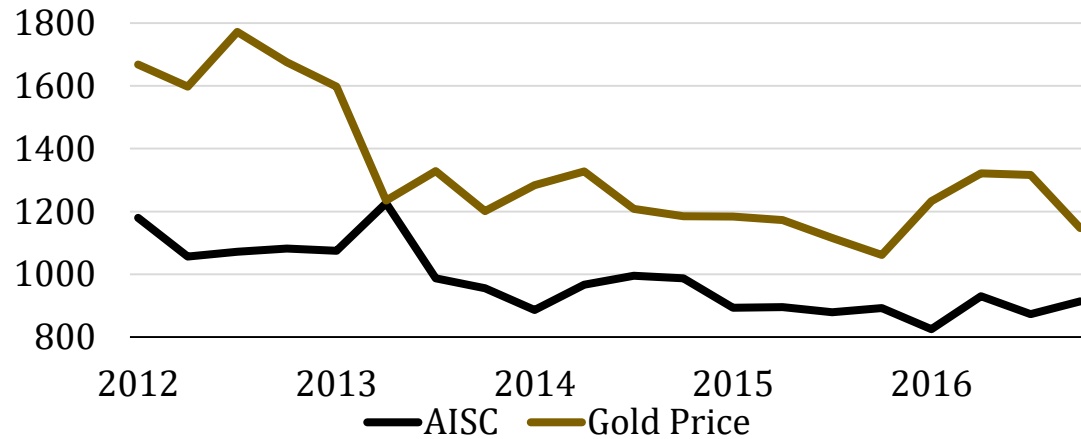
Conclusion

Industry Overview

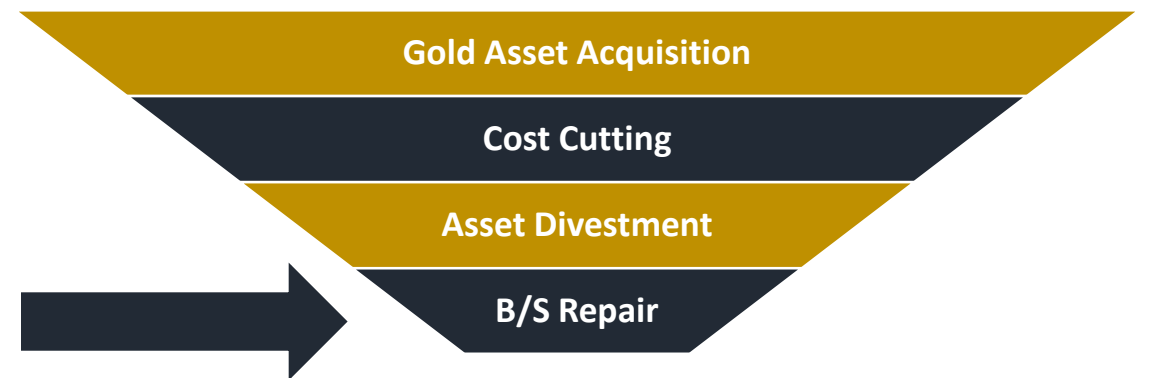


Industry Overview

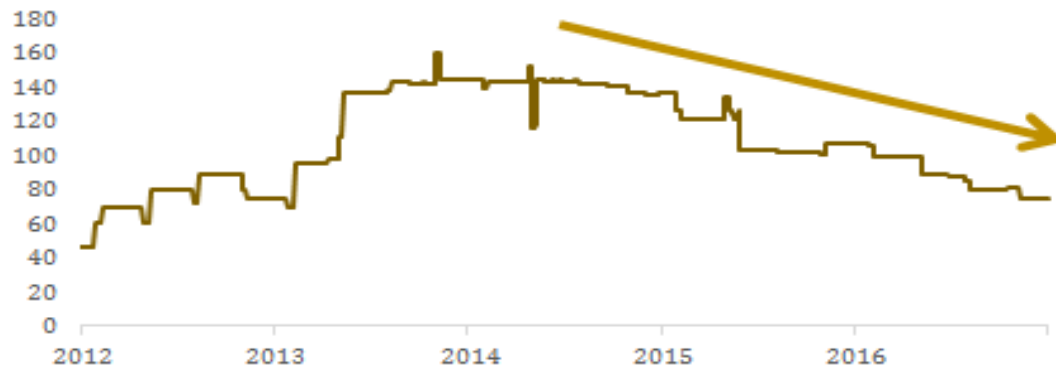
Gold Price vs AISC



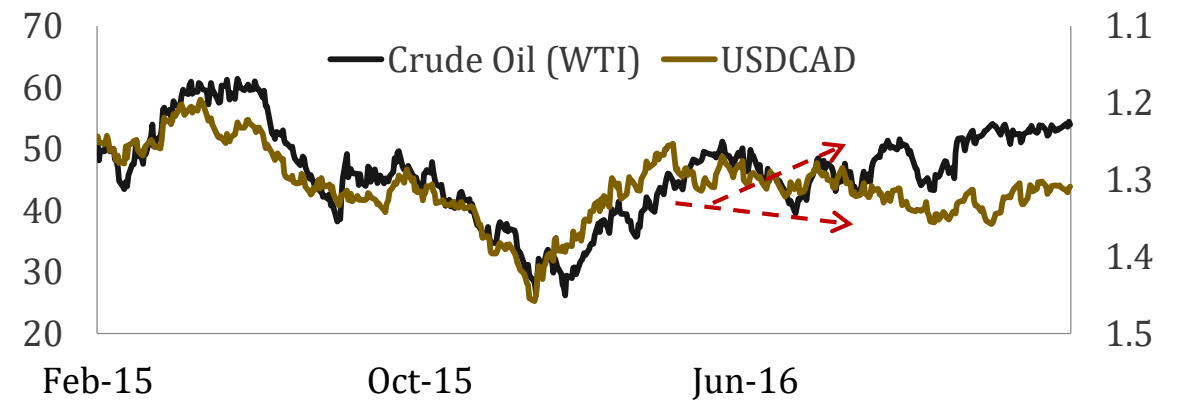
Key Industry Themes



NYSE Arca GDM: Net Debt Per Share



Canadian Dollar & Crude Oil



Company Overview

Industry Analysis

Macro

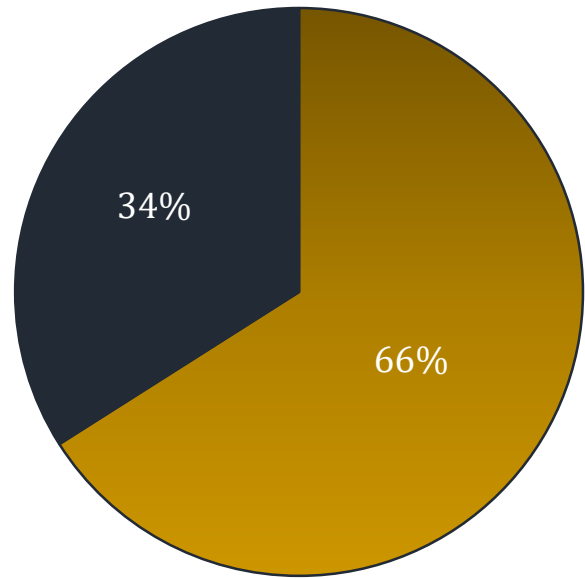
Comparable Analysis

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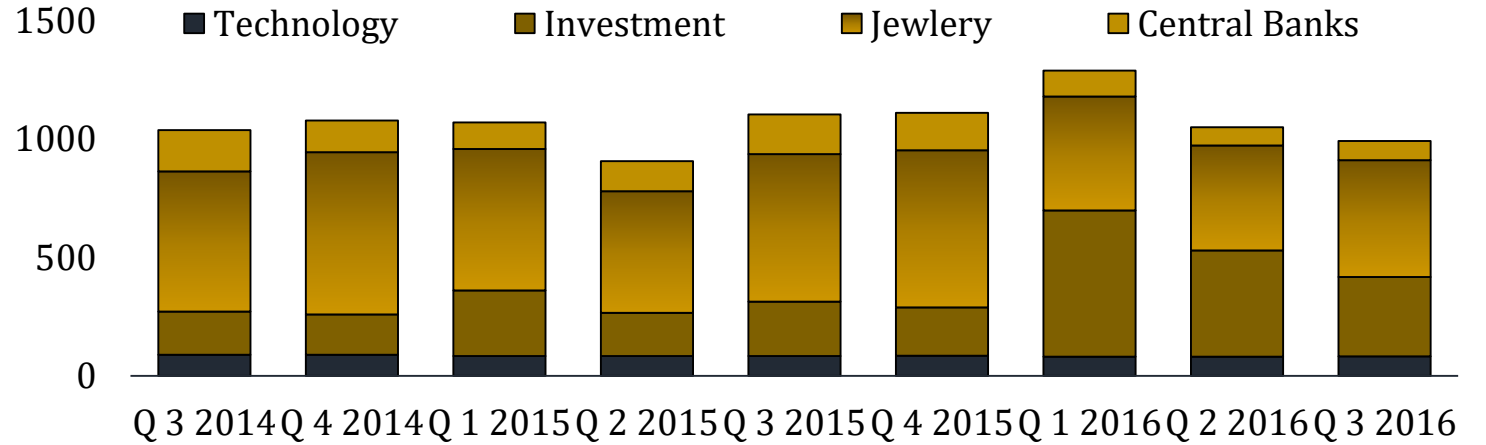
Industry Overview

Gold Supply

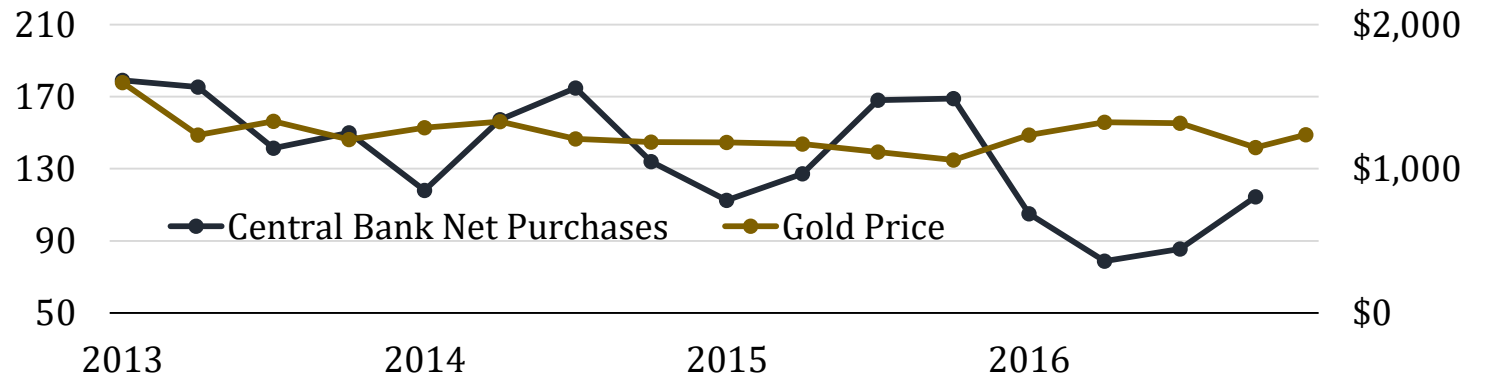


■ Total Mine Supply ■ Recycled Gold

Gold Demand (Metric Tonnes)



Central Bank Gold Demand (Metric Tonnes)



Company Overview

Industry Analysis

Macro

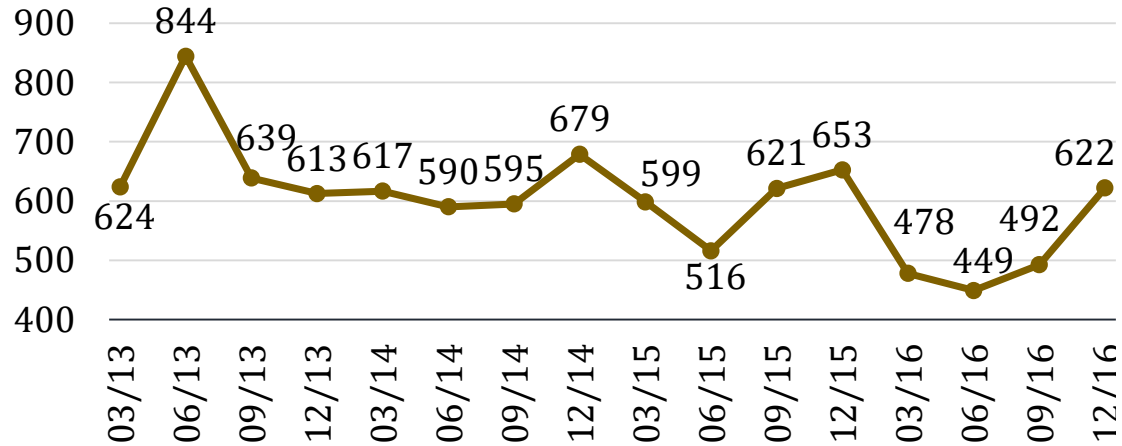
Comparable Analysis

Valuation

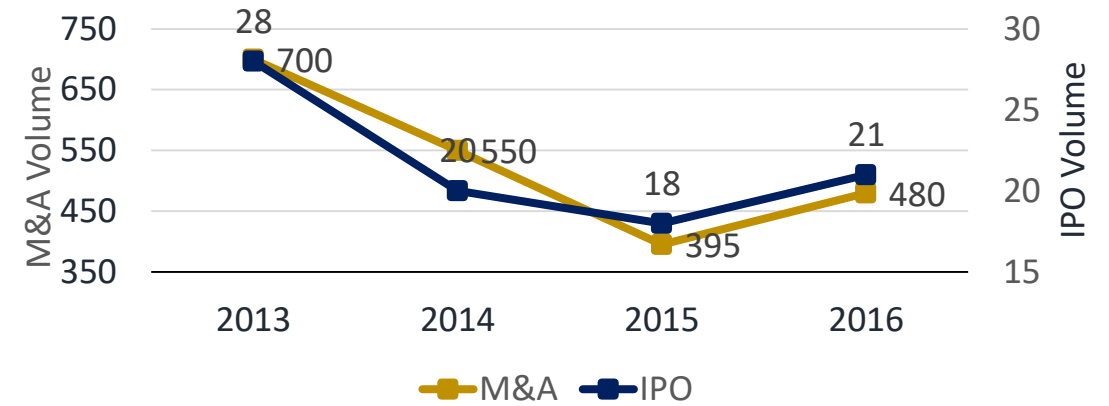
Conclusion

Industry Overview

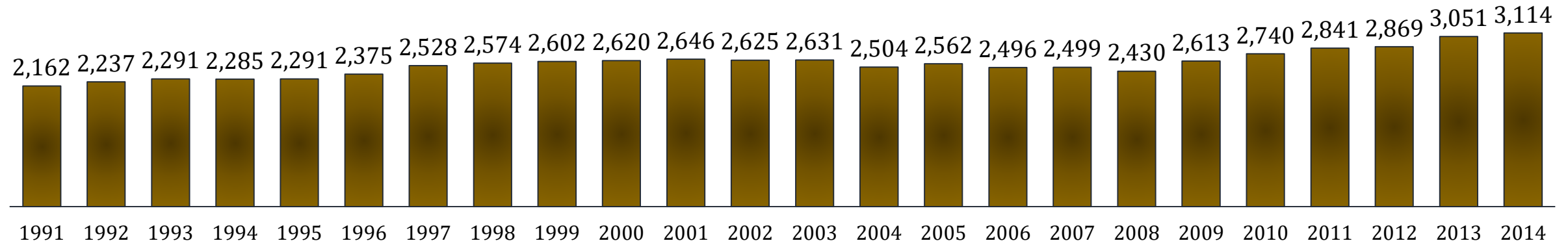
Quarterly Global Jewelry Demand (Tonnes)



M&A/IPO Volume



Gold Supply Mine Production (Tonnes)



Company Overview

Industry Analysis

Macro

Comparable Analysis

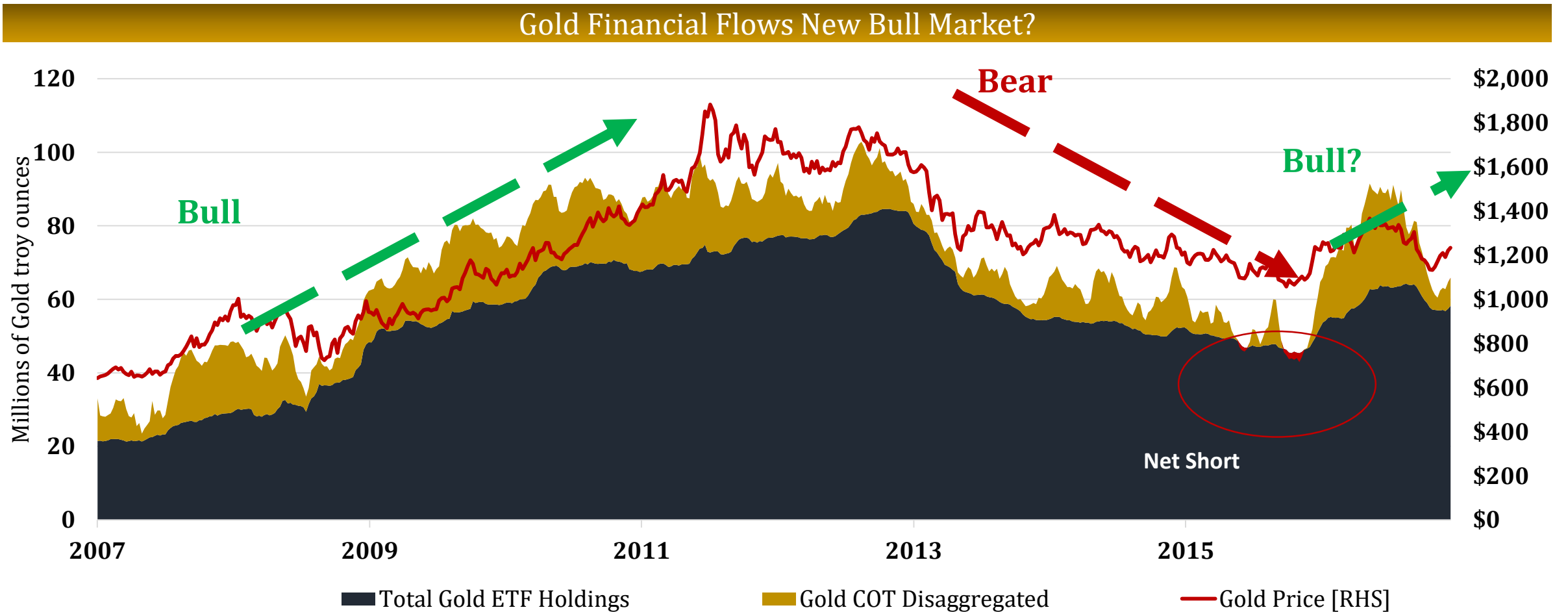
Valuation

Conclusion

Macro Analysis



Near Term Catalysts



Company Overview

Industry Analysis

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Valuation

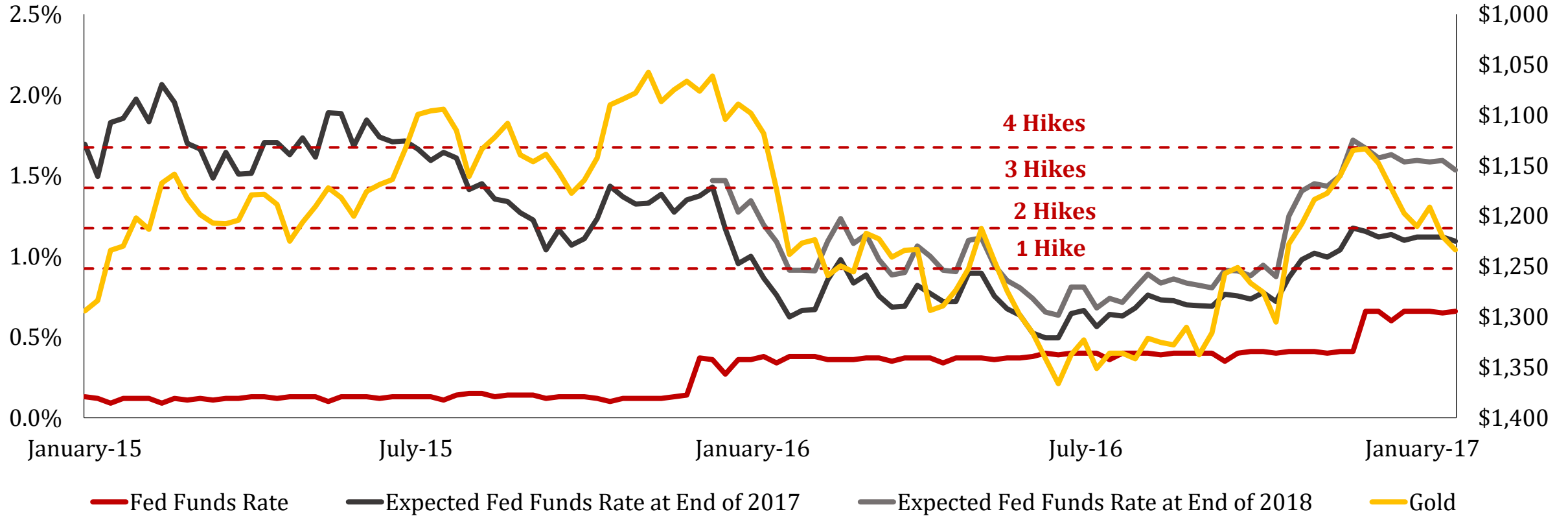
Conclusion

Source: Bloomberg, CBT

Source: Bloomberg, CFTC

Near Term Catalysts

Fed Rate Hike Path & Gold



Company Overview

Industry Analysis

Macro Analysis

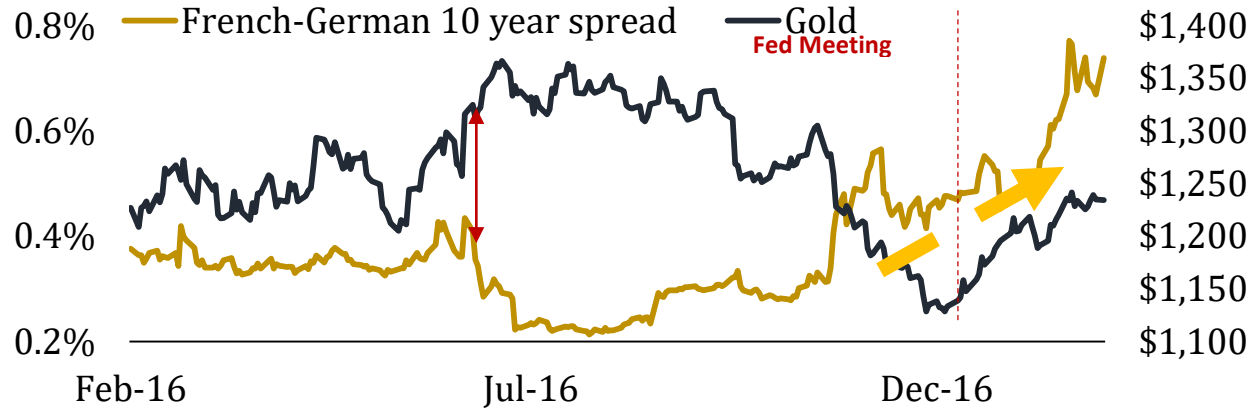
Comparable Analysis

Valuation

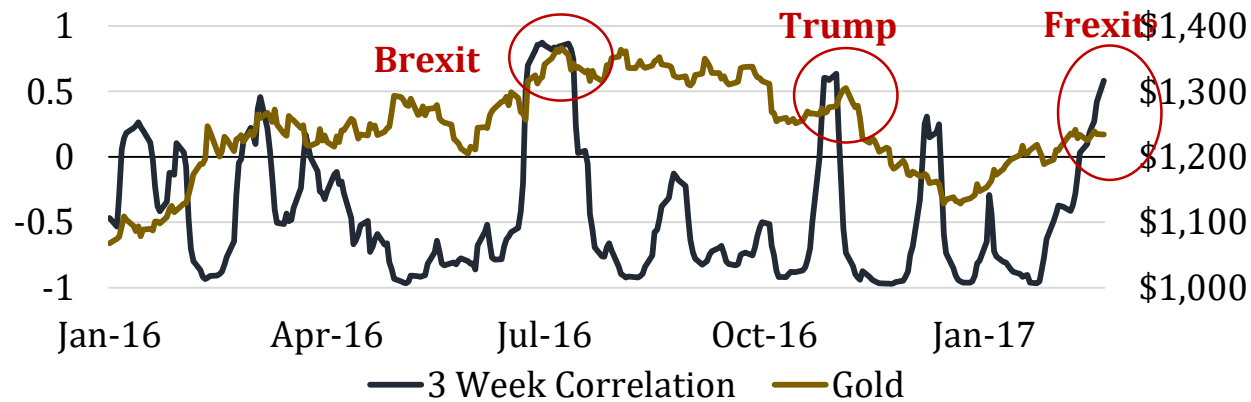
Conclusion

Near Term Catalysts

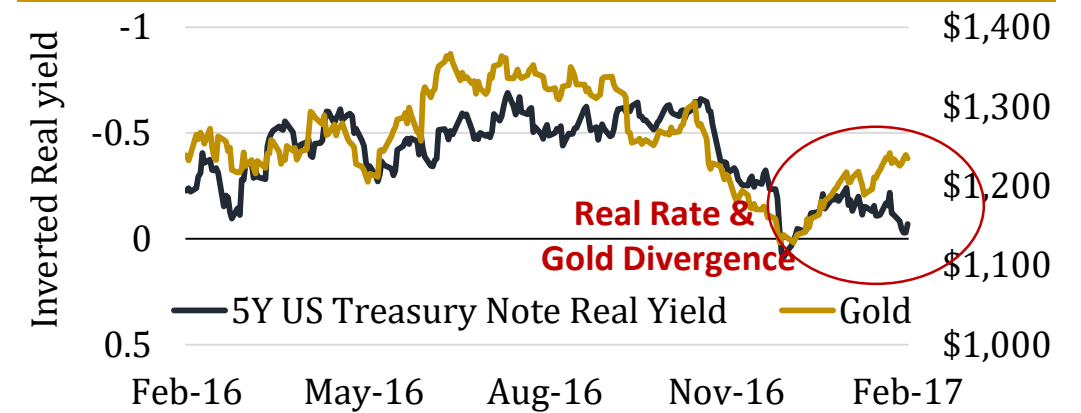
French Political Risk



Gold & European Political Risk



Gold & Real Rates Diverge



Company Overview

Industry Analysis

Macro Analysis

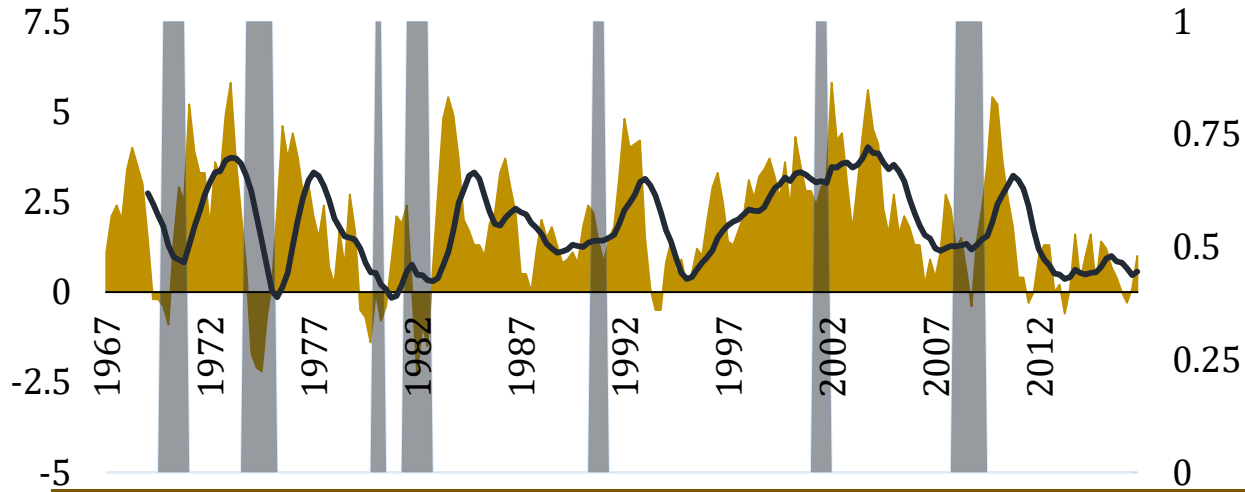
Comparable Analysis

Valuation

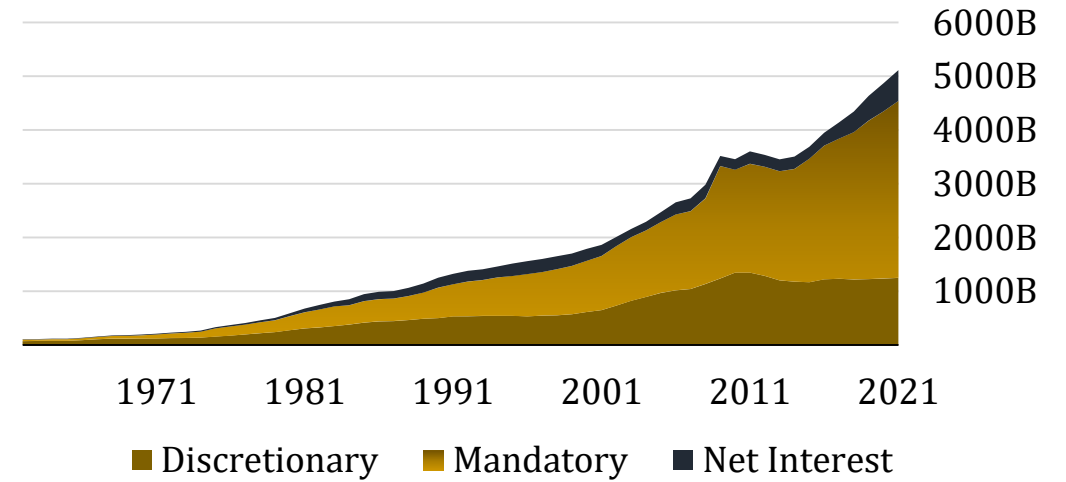
Conclusion

Long Term Macro

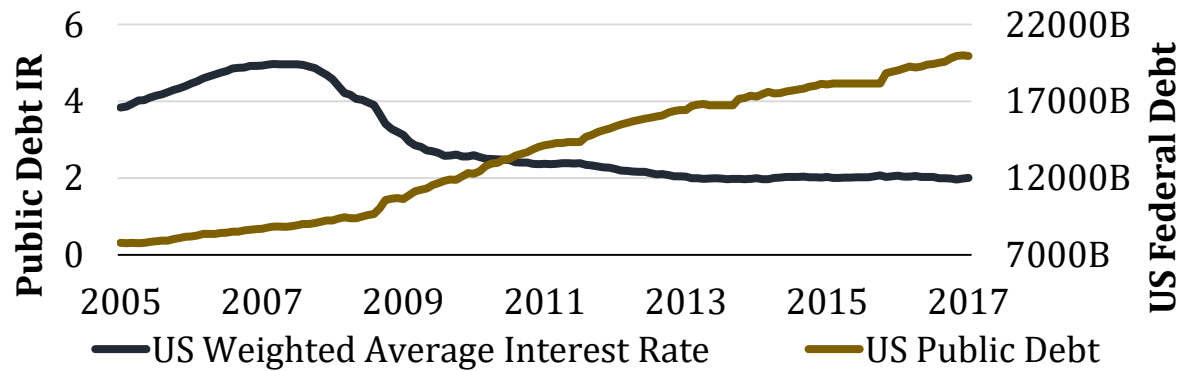
Stagnant Real Productivity Growth



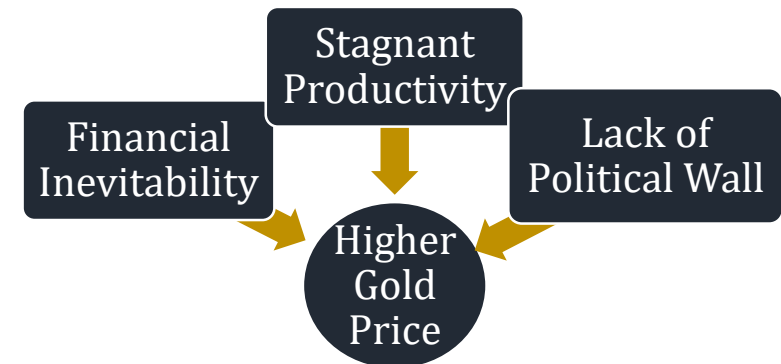
US Budget



US Federal Debt cost will NEVER get cheaper



Inevitable Higher Prices



Company Overview

Industry Analysis

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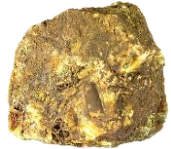
Conclusion

Comparable Analysis

DETOUR GOLD



Assets
Specs
Sites



<ul style="list-style-type: none"> • Single Asset Mine Producer 	<ul style="list-style-type: none"> • Diversified Asset Mine Producer 	<ul style="list-style-type: none"> • Non-Producing Assets
<ul style="list-style-type: none"> • Gold Producer 	<ul style="list-style-type: none"> • Gold & Copper Producer 	<ul style="list-style-type: none"> • Mineral Exploration
<ul style="list-style-type: none"> • Northern Ontario 	<ul style="list-style-type: none"> • Canada, Serbia, Bulgaria, Namibia 	<ul style="list-style-type: none"> • Northern Ontario & Quebec

Company Overview

Industry Analysis

Macro Analysis

Comparable Analysis

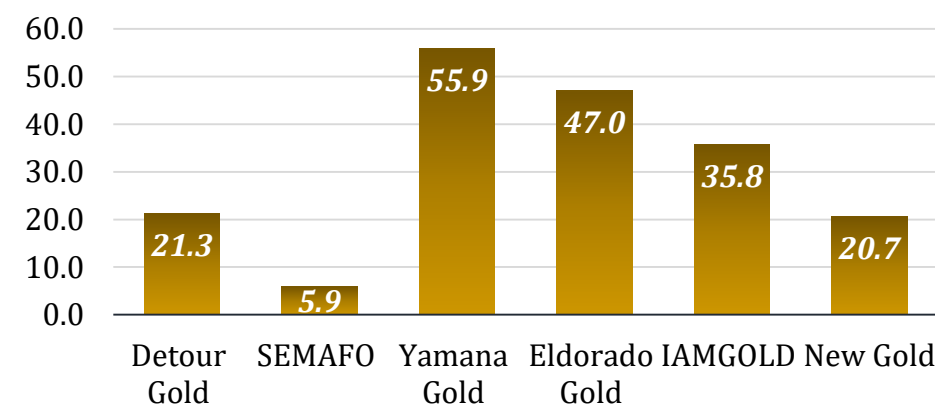
Valuation

Conclusion

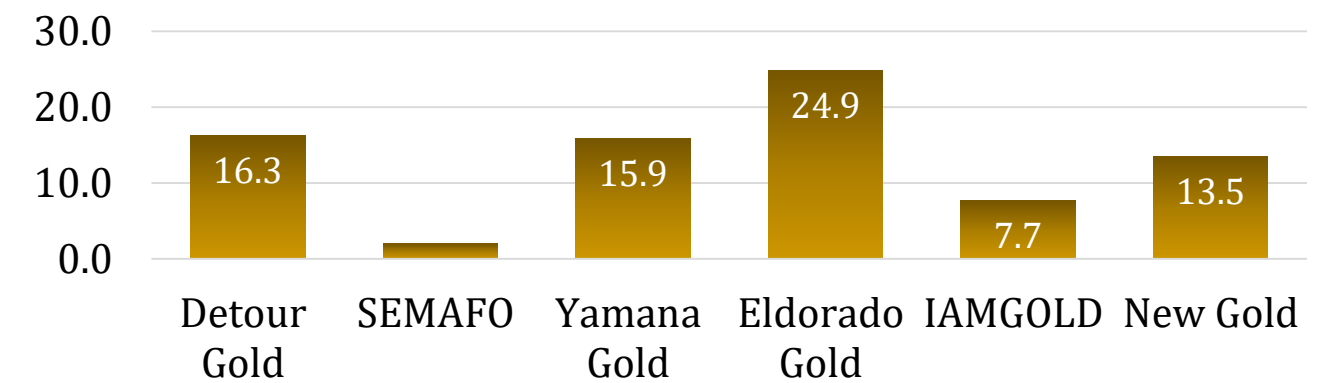
Comparable Analysis Cont'd

- Comparable Analysis
- Operating Profile
- Gold Leverage
- Financial Profile
- Valuation
- Investment Risks

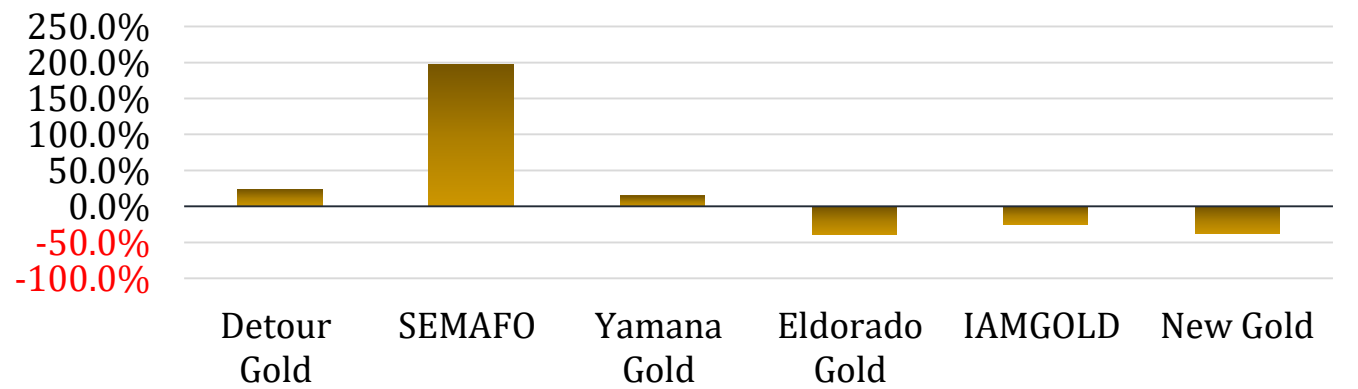
Gold Resources Among Peers (M Oz)



Gold Reserves Among Peers (M Oz)



Free Cash Flow / Total Debt



Source: Company Filings, Company Bloomberg

Comparable Analysis

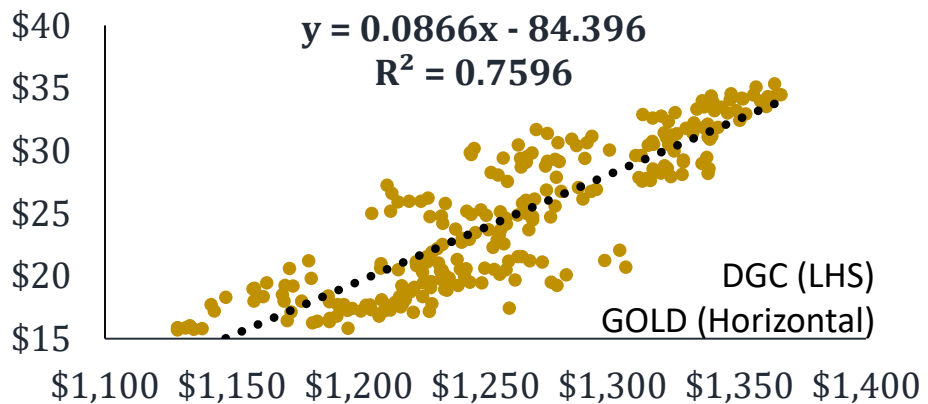
- Comparable Analysis
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Gold Leverage (\$) return based on change in Gold Price

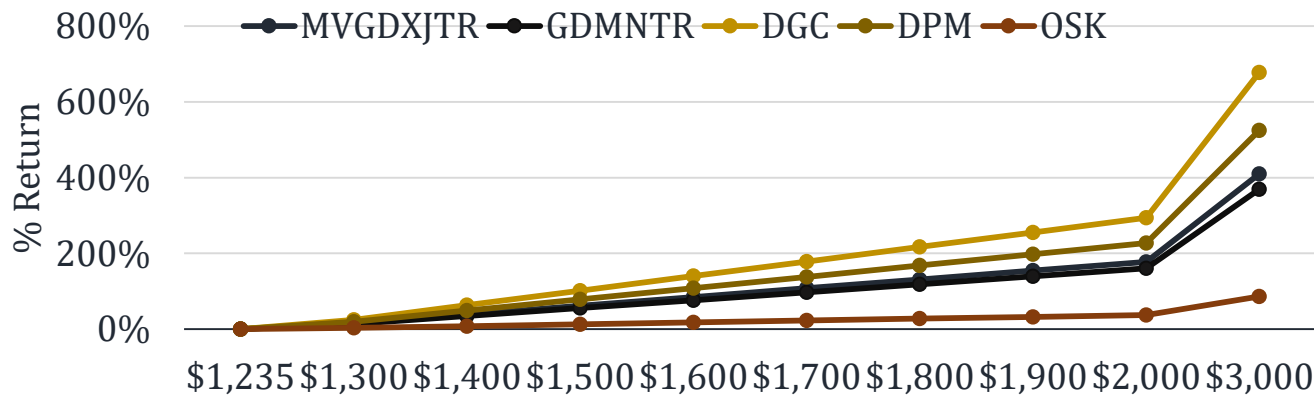
Gold (\$)	1235	1300	1400	1500	1600	1700	1800	1900	2000	3000	
MVGDXJTR	1001.1	853	981	1179	1377	1575	1773	1971	2169	2367	4346
GDMNTR	768.0	726	824	976	1128	1280	1432	1584	1736	1888	3408
DGC	\$17.8	\$22.6	\$28.2	\$36.8	\$45.5	\$54.2	\$62.8	\$71.5	\$80.1	\$88.8	\$175
DPM	\$3.62	\$2.6	\$3.1	\$3.9	\$4.7	\$5.5	\$6.3	\$7.0	\$7.8	\$8.6	\$16
OSK	\$3.83	\$2.2	\$2.3	\$2.4	\$2.5	\$2.6	\$2.8	\$2.9	\$3.0	\$3.1	\$4.2

*1-year daily regression, gold price as independent x-variable, DGC has the highest correlation coefficient among its peer group and

Regression Analysis



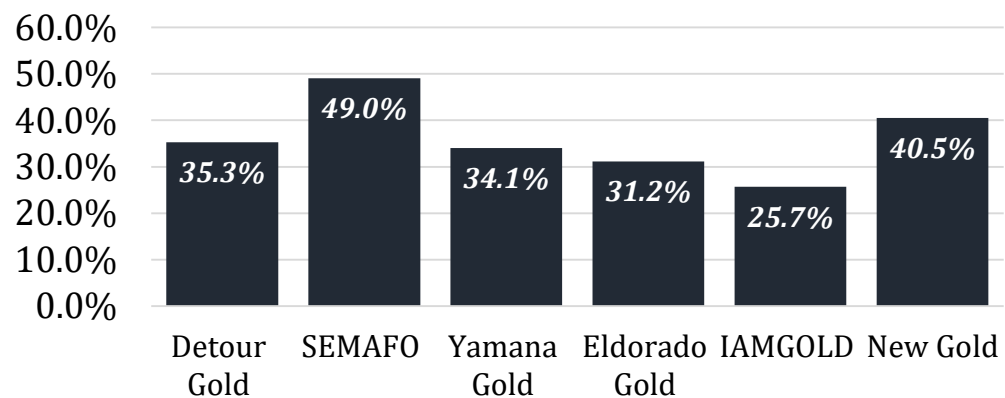
Graphical Representation of Gold Leverage



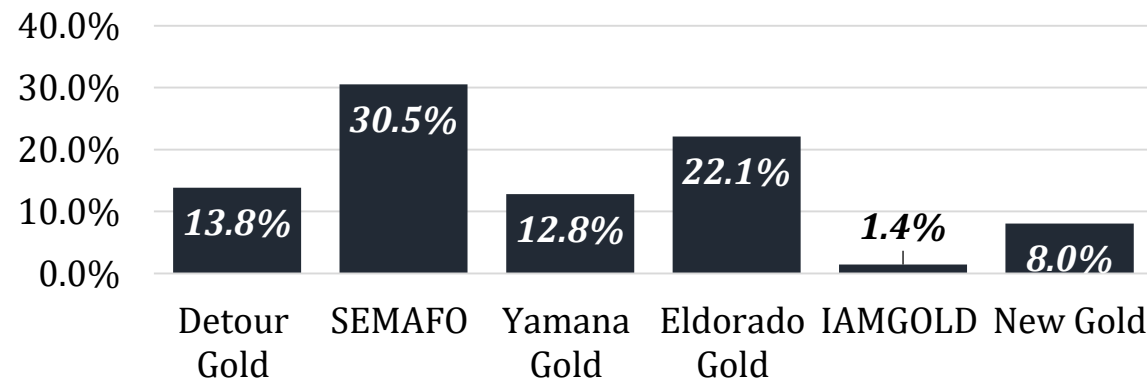
Comparable Analysis Cont'd

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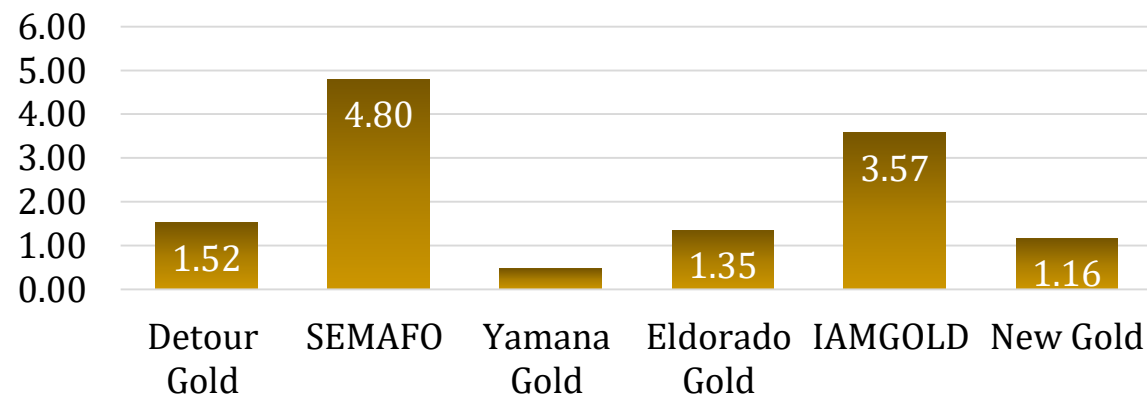
EBITDA Margin



Gross Margin



Cash Ratio

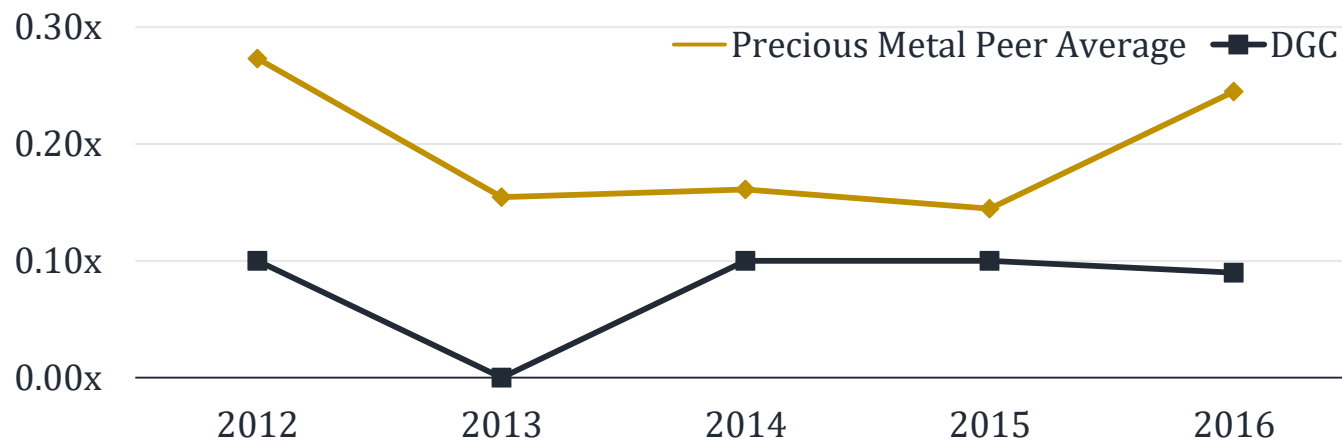


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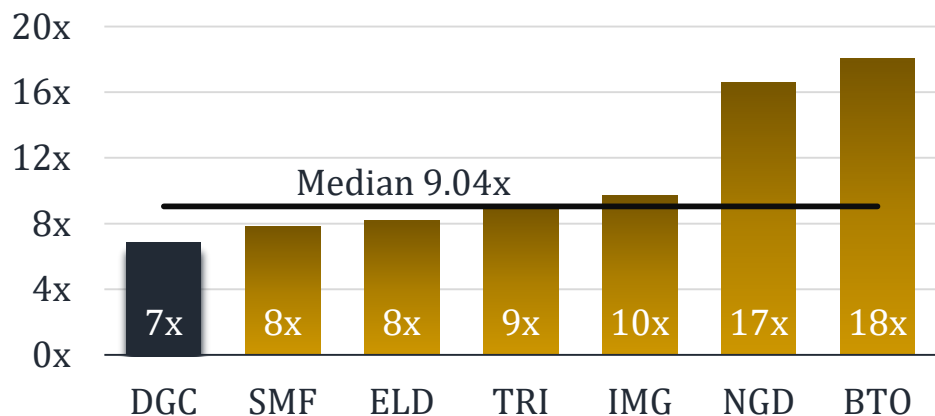
Comparable Analysis Cont'd

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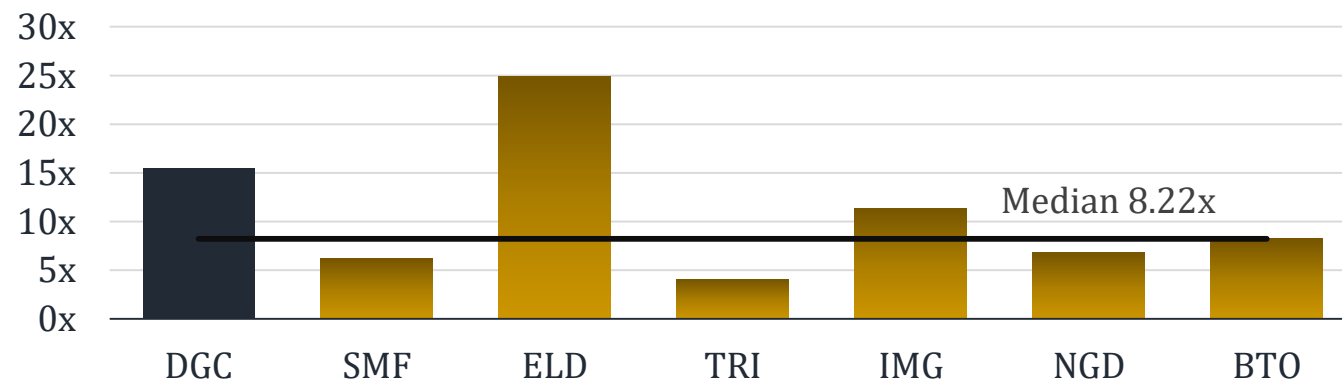
Historical EV/Reserves Ratio vs Peer Group



EV to EBITDA

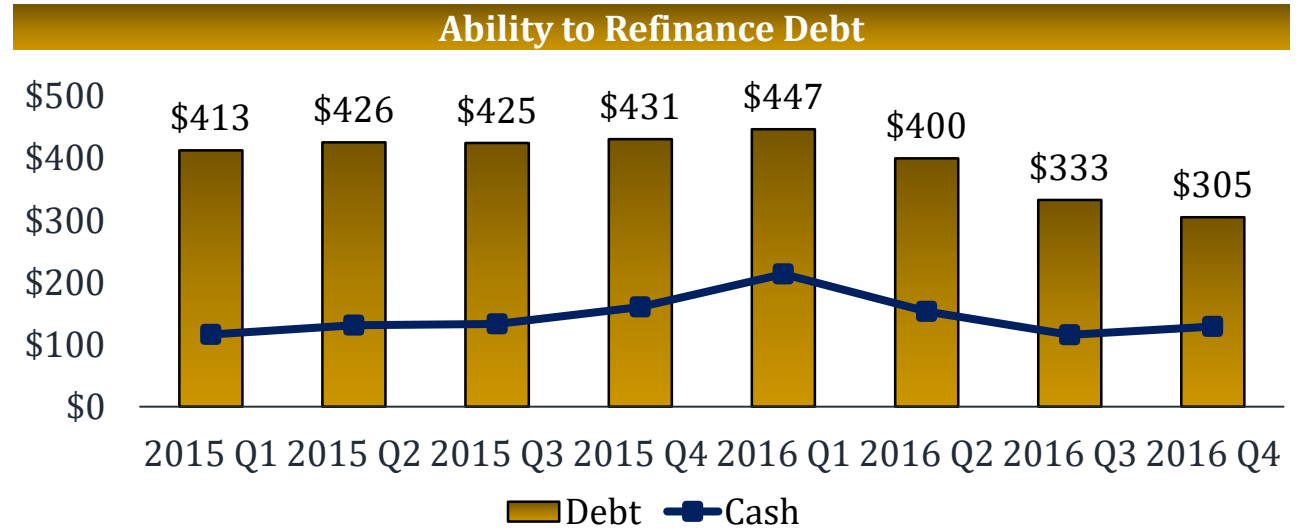


Price to Cash Flow Multiple

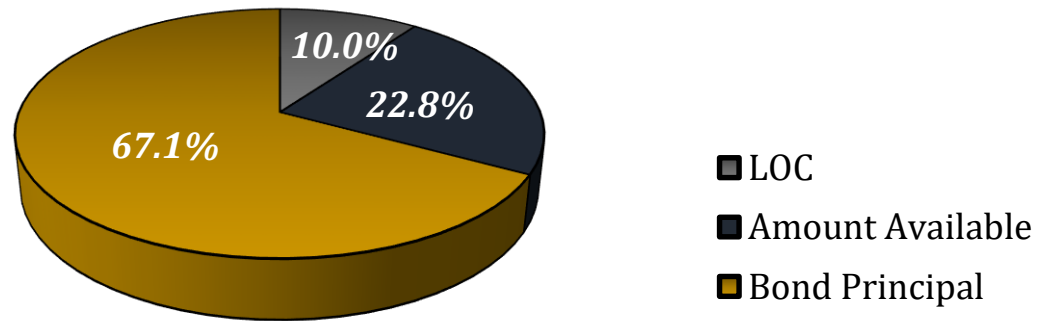


Comparable Analysis Cont'd

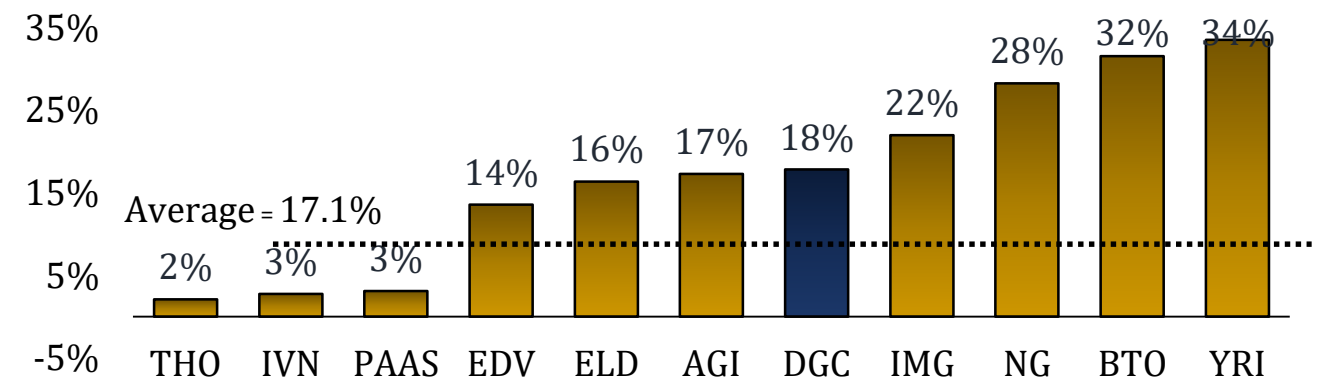
- Comparable Analysis
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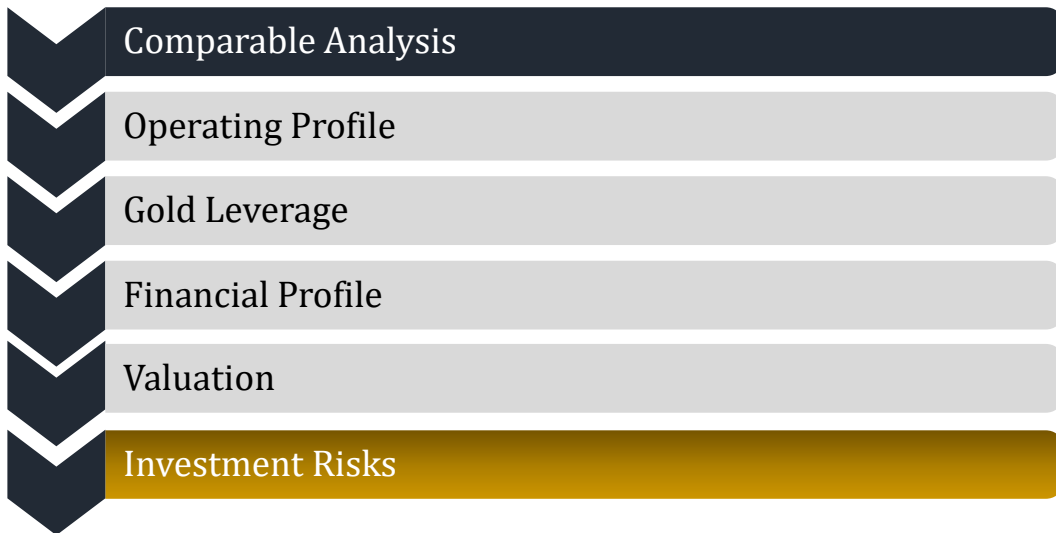
Debt Breakdown



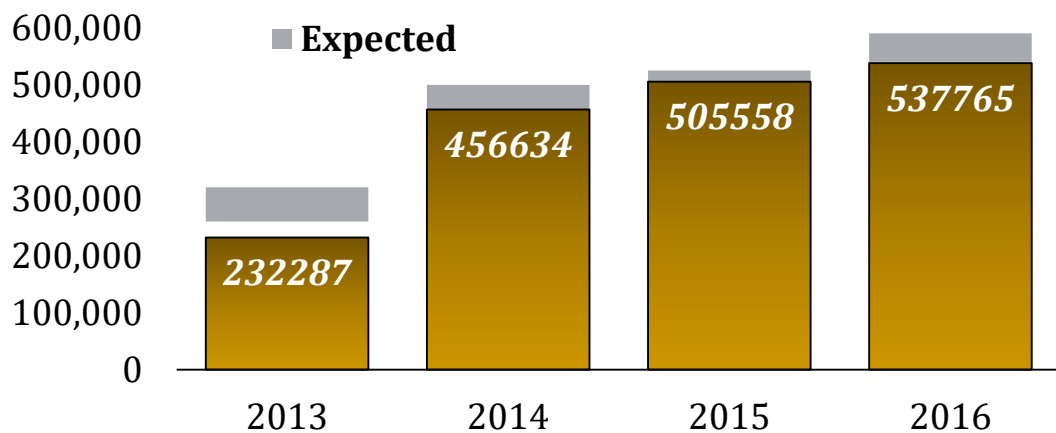
D/E Peer Average



Investment Risks Cont'd



Expected VS. Actual Gold Production



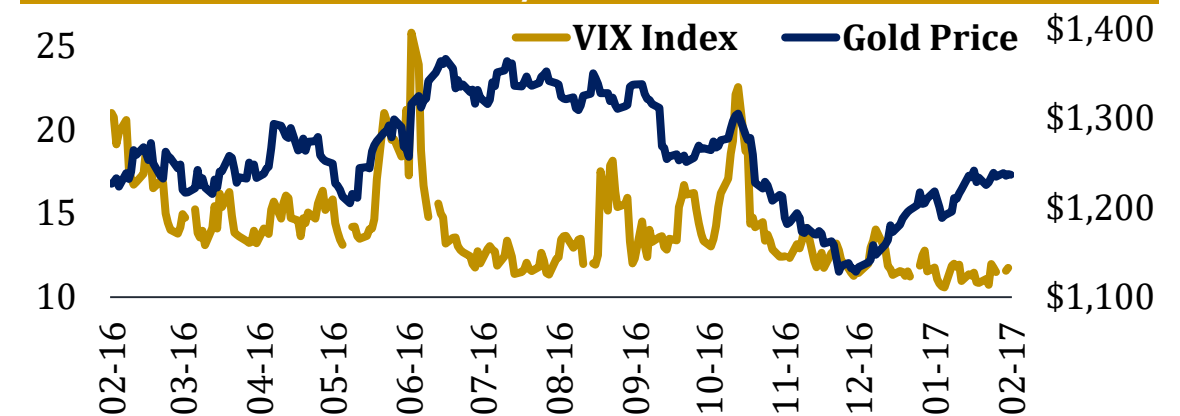
2 Behind on Expected Production & Tonnage

In 2016, Detour Lake only mined 66.4 million tonnes of the targeted 95 million tonnes

3 Operational Risk

- Increasing AISC
- Increasing Cost of Sales
- Fluctuating Gold Price

Gold Price / VIX Correlation



Key Metric 2: Gold Leverage



Strengths

Low Cash Cost
Producer

Low cost
jurisdiction

High Grade
Ore

Mining
Friendly
Jurisdiction

Significant
Property
ownership

High Grade
Ore

Strong Initial
Drill Results

Risks

Country Risk

Operational
Risk

Non-Producing
Asset

Shareholder
Dilution

Multiple
Contraction

Drilling
Disappoints

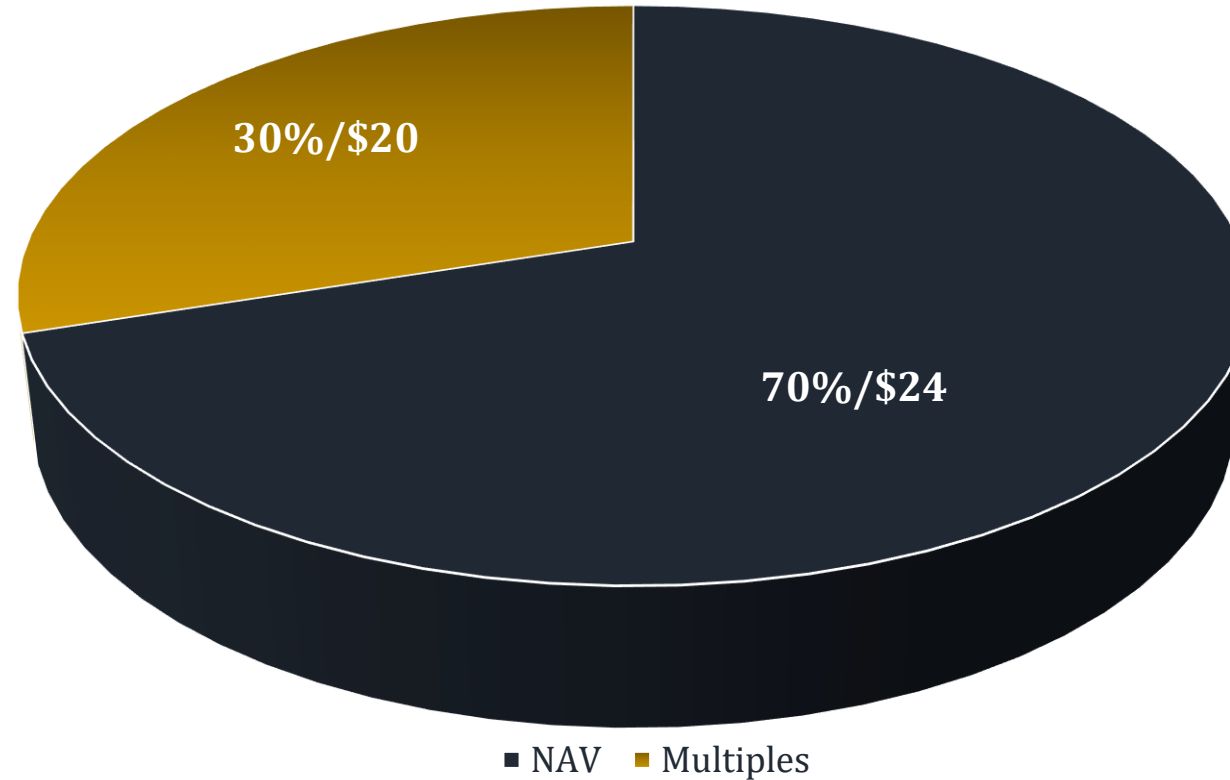
Valuation

Target Price:\$23



Valuation

Target Price:\$23



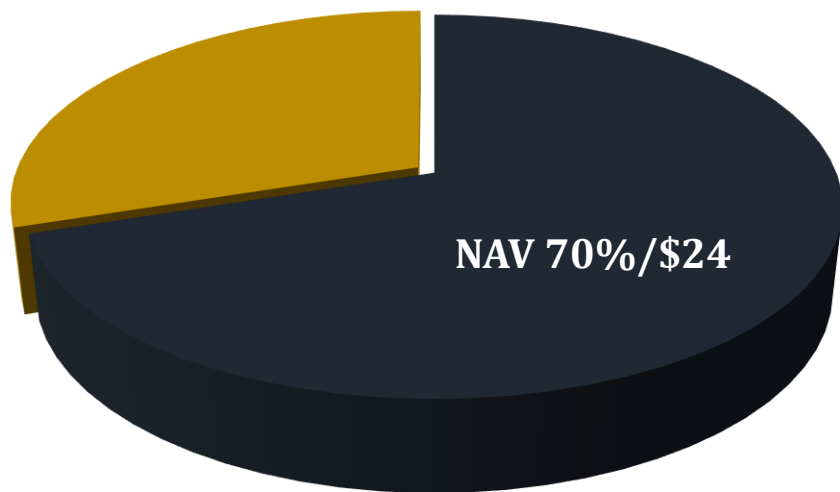
Valuation: NAV

Key Assumptions

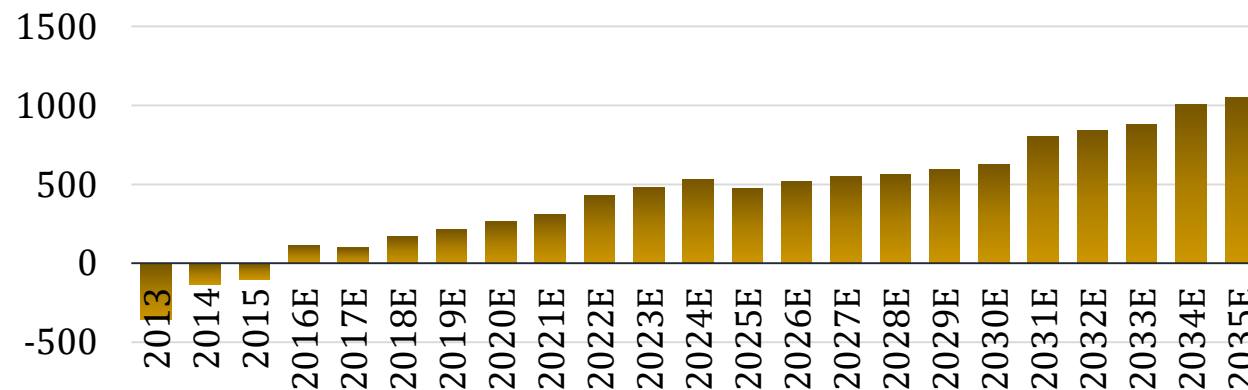
Gold Operations

Realized Price (\$/Oz)	\$1,231.75
Cash Costs (\$/Oz) (without Maintenance/Expansion)	\$850
Capex(Maintenance/ Expansion)	\$100
AISC per Oz	\$950-\$1050

NAV Target Price \$24.18



Projected FCF – Life of Mine (\$mm)



Net Asset Valuation

Net Present Value (millions)	\$4336.06
- Total Debt	\$334.00
+ Cash & Equivalents	\$115.60
+ Inventory	\$103.70
Net Asset Value (millions)	\$4,221.36
Shares o/s (millions)	174.6
NAV per share (Base Case)	\$24.18

Company Overview

Industry Analysis

Macro Analysis

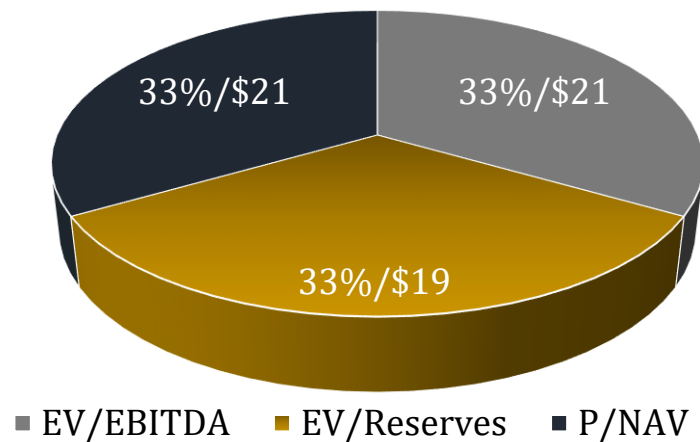
Comparable Analysis

Valuation

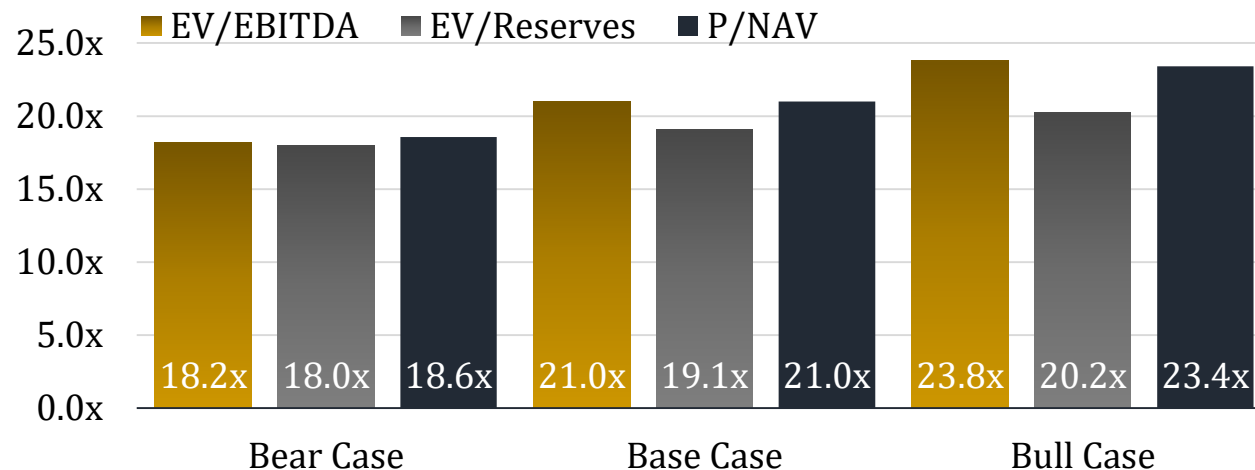
Conclusion

Valuation: Multiple Analysis

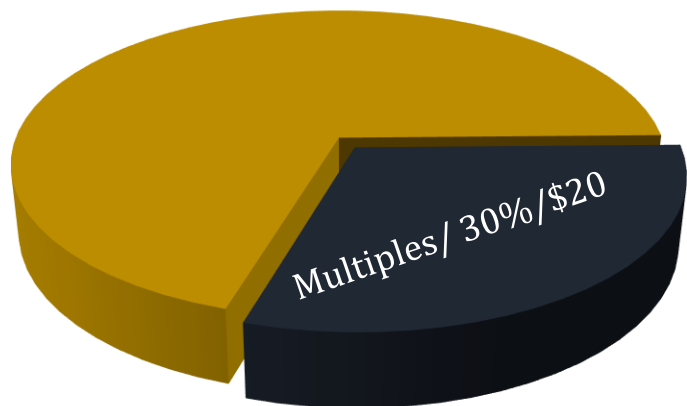
WA Target Price from Multiple Analysis



Bear, Base Bull Case Scenarios



Multiples Target Price \$20



P/NAV Sensitivity Table

P/NAV	NAV				
	\$3809.77	\$4010.29	\$4221.35	\$4432.42	\$4654.04
0.7x	\$14.46	\$15.29	\$16.16	\$17.03	\$17.94
0.8x	\$16.64	\$17.58	\$18.57	\$19.57	\$20.61
0.9x	\$18.82	\$19.88	\$20.99	\$22.10	\$23.27
1.0x	\$21.01	\$22.18	\$23.41	\$24.64	\$25.94
1.1x	\$23.19	\$24.47	\$25.83	\$27.18	\$28.60

Company Overview

Industry Analysis

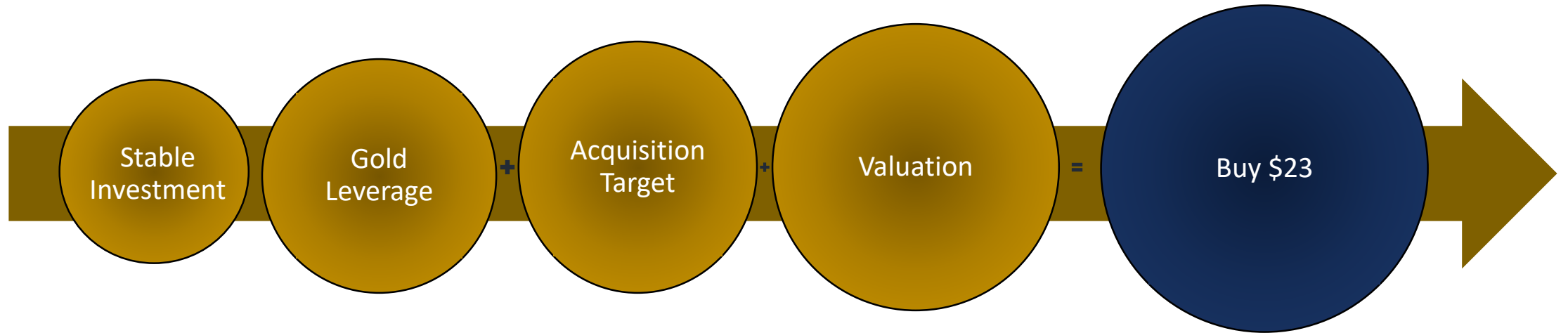
Macro Analysis

Comparable Analysis

Valuation

Conclusion

Conclusion: Investment Recommendation



Company Overview

Industry Analysis

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Valuation

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