



Dynacor Group Inc. (DNGDF)

Updated July 11th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$3.44	5 Year Annual Expected Total Return:	16.7%	Market Cap:	\$144.5M
Fair Value Price:	\$4.40	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	07/10/2025
% Fair Value:	78%	5 Year Valuation Multiple Estimate:	5.0%	Dividend Payment Date:	07/17/2025
Dividend Yield:	4.5%	5 Year Price Target	\$6.47	Years Of Dividend Growth:	7
Dividend Risk Score:	C	Sector:	Basic Materials	Rating:	Hold

Overview & Current Events

Dynacor is a Canadian industrial gold processor with core operations in Peru, where it purchases ore from artisanal and small-scale miners and processes it at its wholly owned Veta Dorada plant in Chala. The facility has a nameplate capacity of 430 tonnes per day and is optimized for continuous, high-efficiency throughput. Dynacor's model is unique in that it does not engage in exploration or mining, instead operating an extensive ore-purchasing network across Peru to source high-grade feedstock. The company operates a strong logistics network for collecting ore, runs its own labs for analysis, and handles gold exports with secure, reliable systems. Dynacor also reinvests in expanding its supply network and enhancing plant capacity, while maintaining a lean cost structure and consistent production flow. Despite its Toronto listing, the company presents its financial statements in U.S. dollars. The stock trades at a market cap of \$144.5 million.

On May 14th, 2025, Dynacor reported its Q1 results for the period ending March 31st, 2025. The company posted record quarterly revenue of \$80.0 million, up from \$67.7 million last year, an 18.2% increase driven primarily by higher average gold prices, despite a 14.9% decline in gold sales volumes due to lower ore grades. Total gold sales amounted to 27,788 gold-equivalent ounces, down from 32,637 ounces in Q1 2024. The average selling price rose significantly to \$2,878 per ounce, from \$2,075 in the prior year quarter.

Net income was \$5.1 million, a 6.3% increase from \$4.8 million last year. EPS was steady at \$0.13. Operating margin stood at 11.2%, down from 13.5% the year prior, reflecting increased general and administrative expenses related to corporate growth initiatives and a special shareholder meeting. For FY2025, we expect EPS of \$0.40.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.09	\$0.09	\$0.10	\$0.12	\$0.13	\$0.11	\$0.30	\$0.31	\$0.39	\$0.46	\$0.40	\$0.59
DPS	---	---	---	\$0.01	\$0.03	\$0.05	\$0.05	\$0.07	\$0.09	\$0.10	\$0.16	\$0.23
Shares¹	36.6	38.0	38.8	39.6	39.1	38.8	38.9	38.7	38.3	36.6	37.3	38.0

Dynacor's performance over the past decade reflects a slow-building but ultimately sharp improvement in profitability, underpinned by operational discipline, plant optimization, and favorable gold market conditions. From 2015 to 2019, EPS rose incrementally from \$0.09 to \$0.13, reflecting slow but steady progress as the company ramped up throughput at its Veta Dorada plant and expanded its ore purchasing network in Peru. These years saw operational discipline, but earnings growth was limited by moderate gold prices and the early-stage scale of the business.

In 2020, EPS slipped due to pandemic-related shutdowns and supply disruptions, even though gold prices were strong. But starting in 2021, the company's profitability took off. EPS jumped to \$0.30, and then rose steadily to \$0.31 in 2022, \$0.39 in 2023, and \$0.46 in 2024. These gains were driven by record volumes of ore processed, stronger average grades, and consistently high gold prices, all while keeping costs well under control.

Overall, Dynacor's asset-light model, which focuses on processing ore rather than mining it, helps it scale efficiently without major capital outlays. Its toll-milling approach allows the company to maintain stable margins and avoid the

¹ Share count is in millions.

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geological and capital risks typically associated with traditional gold mining. For these reasons, we forecast EPS growth of 8% over the medium-term.

We have applied the same rate in our dividend growth estimate. The company has consistently grown its dividend since its first payout in 2018, with the frequency of payouts shifting from quarterly to monthly in 2021.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	16.4	17.8	17.2	11.7	9.8	12.2	5.9	7.3	6.0	6.7	8.6	11.0
Avg. Yld.	---	---	---	0.7%	2.3%	3.7%	2.8%	3.1%	3.9%	3.3%	4.5%	3.6%

Prior to the pandemic, Dynacor traded at higher P/E multiples despite modest earnings, as investors likely priced in the potential of its scalable, asset-light model. Since 2021, as earnings surged, the P/E ratio dropped in the single digits due to a re-rating as profitability caught up. We remain prudent given this is a small company, but with zero debt, notable growth, and a monthly dividend adding to its appeal, we find Dynacor undervalued. We have set our fair multiple at 11x.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	8%	23%	45%	17%	23%	23%	22%	39%	39%

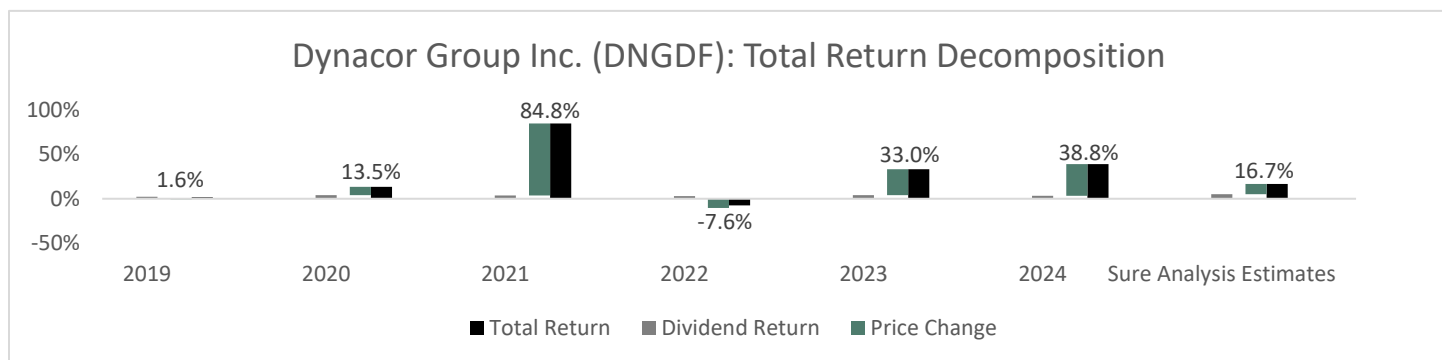
Dynacor presents a high-quality, low-risk profile for a junior gold company, thanks to its asset-light business model and consistent profitability. With no debt and a net cash position of \$58 million (40% of market cap), Dynacor is financially robust and operates with considerable flexibility. By focusing solely on processing ore from artisanal miners, it avoids the capital intensity, geological risk, and permitting challenges of traditional mining, while maintaining strong and steady operating margins. Its competitive advantage is rooted in its long-standing presence in Peru and a trusted, large-scale ore purchasing network that feeds its efficient Veta Dorada plant. These relationships, built over decades, are difficult to replicate and give Dynacor a defensible position in a fragmented and informal supply chain.

The company also demonstrates solid recession resiliency. Demand for gold tends to hold up, or even rise in downturns, and artisanal mining activity often increases in weaker economic conditions, supporting ore availability. While gold price volatility and Peruvian political risk remain key exposures, we believe that Dynacor's financial strength, lean operations, and consistent free cash flow give it a rare combination of safety and efficiency in the small-cap gold space.

Final Thoughts & Recommendation

Dynacor offers a rare mix of stability and profitability in the gold sector, with an asset-light model, strong cash flow, zero debt, and an attractive monthly dividend. We forecast annualized returns of 16.7% over the medium-term. We believe these returns can be powered by EPS growth of 8%, the starting yield of 4.5%, and the possibility of a notably valuation tailwind. We rate Dynacor a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	79	91	102	105	102	102	196	198	250	284
Gross Profit	13	12	13	13	13	14	27	24	30	36
Gross Margin	16.0%	13.2%	13.2%	12.6%	12.7%	13.4%	13.8%	12.4%	12.1%	12.6%
SG&A Exp.	5	5	4	4	4	4	6	6	7	8
D&A Exp.	2	3	3	2	3	3	3	3	3	4
Operating Profit	7	7	8	8	8	9	21	18	22	26
Operating Margin	9.4%	7.5%	8.2%	8.0%	8.1%	9.3%	10.8%	9.1%	8.8%	9.2%
Net Profit	3	3	4	5	5	4	12	12	15	17
Net Margin	4.0%	3.6%	3.8%	4.6%	5.1%	4.3%	6.0%	6.1%	6.0%	5.9%
Free Cash Flow	(9)	(7)	6	10	(7)	10	18	3	3	11
Income Tax	3	2	3	3	3	5	9	6	8	10

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	50	63	61	66	75	76	91	97	112	125
Cash & Equivalents	6	6	5	14	7	12	27	25	22	19
Accounts Receivable	1		2	1	0	3	4	6	4	7
Inventories	5	7	7	6	18	13	15	16	32	29
Total Liabilities	7	15	9	9	15	14	19	17	22	26
Accounts Payable	2		3	3	5	6	9	9	12	14
Long-Term Debt	-	6	-	-	3	-	-	-	-	-
Shareholder's Equity	43	48	52	57	60	63	72	80	90	99
LTD/E Ratio	-	0.12	-	-	0.05	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.8%	5.8%	6.2%	7.6%	7.4%	5.7%	14.1%	12.8%	14.4%	14.2%
Return on Equity	7.8%	7.2%	7.6%	8.8%	8.9%	7.1%	17.5%	15.8%	17.7%	17.9%
ROIC	7.8%	6.8%	7.2%	8.8%	8.7%	6.9%	17.5%	15.8%	17.7%	17.9%
Shares Out.	36.6	38.0	38.8	39.6	39.1	38.8	38.9	38.7	38.3	36.6
Revenue/Share	2.09	2.33	2.55	2.61	2.59	2.58	4.94	4.99	6.43	7.54
FCF/Share	(0.24)	(0.17)	0.15	0.26	(0.19)	0.26	0.46	0.06	0.08	0.29

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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