



What to Expect When Yamana Gold Reports This Week

Description

Yamana Gold ([TSX: YRI](#))([NYSE: AUU](#)) is set to release its quarterly earnings report on Tuesday. With the entire industry reeling from sagging metal prices and rising costs, it's no surprise to see the company on the 52-week low list. However, Yamana is taking advantage of the industry crisis to pick up some high quality assets on the cheap.

Let's take an early look at what has been happening at the company over the past three months and what we're likely to see in the upcoming report.

Stats on Yamana Gold

Analysts EPS Estimate	\$0.05
Change From Year Ago EPS	\$0.16
Revenue Estimate	\$489.50M
Change From Year-Ago Revenue	8.50%

Earnings Beats in Past 4 Quarters 1

Source: Yahoo! Finance

How badly will Yamana Gold's earnings get hit this quarter?

Analysts have cut their views recently on Yamana's earnings with a nickel-per-share drop in their

consensus estimate. Predictably, the share price is down in lock-step, trading off 30% over the past three months. Needless to say, the bar is set pretty low this quarter.

As bad as things are at Yamana, other gold miners have fared even worse. For that reason the company has been taking advantage of the industry crisis and its strong balance sheet by picking up assets on the cheap. Earlier this month **Osisko Mining** ([TSX: OSK](#)) reached a deal to be taken over and split up by Yamana Gold and **Agnico Eagle Gold** ([TSX: AEM](#))([NYSE: AEM](#)). The friendly agreement values Osisko at \$3.9 billion, or about \$7.86 per share based on share prices at the time of the deal's announcement.

The history of acquisitions in the gold mining industry isn't pretty. But Yamana and Agnico may have found a winner in Osisko. It's critical for gold miners to secure low-risk, low-cost assets at this stage of the commodity price cycle or otherwise risk facing declining production growth profiles. Osisko's flagship Canadian Malartic mine holds more than 9 million ounces of gold and is located in the mining friendly province of Quebec. And with most senior producers busy repairing their balance sheets, it's a buyers market.

The acquisition also looks good from Yamana's standpoint specifically. The deal has numerous tax advantages and the addition of another flagship property in Canada reduces the company's reliance on the politically risky Argentina. That could make the stock more attractive to an increasingly risk-averse investment community.

However, the most important issue for Yamana investors is further down the income statement. In lieu of higher commodity prices, earnings growth will come primarily from the company's ability to trim expenses. Over the past year, Yamana has slashed its all-in-sustaining costs, or AISC, by almost 10% to U.S. \$924 per ounce. Management has hinted that further cuts may be possible through more efficient energy consumption and aggressive renegotiations of longer-term supply contracts.

Foolish bottom line

In Yamana's upcoming report, watch to see if the company can deliver another round of cost cuts. Without a rebound in precious metal prices, squeezing more efficiencies out of existing operations will be the main earnings driver for the foreseeable future.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:AUY (Yamana Gold)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:OSK (Osisko Mining)
5. TSX:YRI (Yamana Gold)

Category

1. Investing

Date

2025/07/04

Date Created

2014/04/28

Author

rbailieul

default watermark

default watermark