



Is Yamana Gold Inc. About to Hit \$15?

Description

One of the last cheap stocks in Canada is finally moving higher, and investors who buy now could double their money — or better.

Over the past couple of months, a number of savvy hedge fund managers have accumulated massive positions in this out-of-favour company. And several indicators suggest that this stock could deliver triple-digit gains for shareholders.

Let me explain...

One of my favourite methods for identifying winning stocks is what I like to call the 'terrible to a little less terrible' set-up. It involves buying assets that have suffered through challenging times, digested most of the bad news, and are poised to move higher.

The panic could be caused by any number of reasons: a recession, natural disaster, or an industry downturn. Regardless, the problem is usually temporary. But because of the short-sighted nature of investors, you can exploit these opportunities to buy high-quality assets for pennies on the dollar.

And that is exactly what's happening right now with **Yamana Gold Inc.** ([TSX: YRI](#))([NYSE: AUU](#)).

Nothing appears to be going right for the Canadian mining company. Thanks to lower metal prices, the firm has been forced to write off millions of dollars worth of gold reserves. And with less cash coming in, Yamana has struggled to maintain profitability.

To make matters even worse, the company ran into a number of operational issues at several of its mining projects. Because of these deteriorating fundamentals, the stock has underperformed the **S&P/TSX Composite Index** by 30% over the past year.

But while the thought of buying a gold mining company might be scary right now, most of these problems have already been priced into the stock. Yamana is currently being valued at less than nine times trailing cash flow, its lowest multiple in decades. And today, the stock is priced at a steep discount to peers like **Goldcorp Inc.**, **Barrick Gold Corp.**, and **Agnico Eagle Mines Ltd** on a price to

net-asset-value basis.

However, several catalysts could close that valuation gap. Last quarter, Yamana produced 331,800 gold equivalent ounces, 20% higher than the company's output in the previous quarter. Management is finally starting to wrap their heads around the operational challenges encountered earlier this year, and that picture should continue to improve through the second half of 2014.

Investors are also waiting to hear how Yamana and Agnico plan to work together to showcase their recently acquired Malartic mine. Most investors don't know that there are lots of potential synergies and opportunities to expand production. Over the next couple of months Yamana shares could be re-rated higher as the company starts to broadcast those plans to the market.

But a quick word of warning: Wall Street is starting to catch on.

In recent months a number of billionaire hedge fund managers including George Soros, Ken Griffin, and Robert Citrone have initiated or increased the size of their positions in the company. And last week, investment research firm Raymond James upgraded the stock to outperform.

What could all of these Wall Street giants possibly see in Yamana? I'd say it could only mean one thing: a massive rally is ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/07/06

Date Created

2014/08/06

Author

rbailleul

default watermark