



## 3 Reasons to Buy Yamana Gold Inc.

### Description

Let me tell you a story about cunning, huge growth, and a billionaire super-genius. Along the way, you'll find the best mining stock I know — and it's so cheap, it's ridiculous.

It's hard times for the resource industry, but **Yamana Gold Inc.** ([TSX: YRI](#))([NYSE: AUJ](#)) has been making the best of it. Earlier this year, the gold giant joined forces with **Agnico Eagle Mines Ltd.** ([TSX: AEM](#))([NYSE: AEM](#)) to buy the world-class Canadian Malartic property. And just last week, the company posted record quarterly production.

But the stock gets about as much respect as Leonardo Dicaprio at the Oscars. In the last six months, Yamana's shares are off 31%. It has trailed not only the market as a whole but most of its rivals as well.

Company	6-Month Price Change	Market Capitalization
Yamana Gold Inc.	(31%)	\$5.74B
Barrick Gold Corp. ( <a href="#">TSX: ABX</a> )(NYSE: ABX)	(22%)	\$18.53B
Goldcorp Inc. (TSX: G)(NYSE: GG)	(7%)	\$20.72B
Kinross Gold Corporation ( <a href="#">TSX: K</a> )( <a href="#">NYSE: KGC</a> )	(24%)	\$4.11B
Agnico Eagle Mines Ltd.	(7%)	\$6.62B

Source: Google Finance

Several of these stocks look good today, but none can match the upside I see in Yamana. Let me show you three things Mr. Market forgot when it comes to this stock:

### **1. Mr. Market forgot about value.**

The proper price for any stock must take into account future expansion. But Yamana is priced as if the miner already ran out of room to grow. Hold that thought — we'll get back there in a second.

Investors abandoned the stock after a few minor operational issues earlier this year. Today, Yamana trades at less than 1.1 times its net asset value (a once unheard-of multiple). That's the stock's cheapest level in decades and a steep discount to peers.

### **2. Mr. Market forgot about growth.**

OK, back to growth. First, management has started to wrap their heads around these operational problems. This was evident last quarter when the company posted a 20% bump in gold output. That picture should keep improving through the second half of the year.

Second, Yamana and Agnico haven't disclosed their plans to develop the recently purchased Malartic mine. There's a lot of room here to grow production and cut costs. Most investors don't know that. You could see the stock re-rated higher as this strategy is leaked.

### **3. Mr. Market forgot about the smart money.**

Billionaire investor George Soros is backing the company's plan. In recent SEC filings, Soros disclosed that he owned 2.2 million shares of the gold mining giant. As of June, his stake is worth US\$17.7 million.

Soros isn't the only one bullish on Yamana, either. Other money mavens — including John Overdeck, Phill Gross, and Ray Dalio — have built big positions in the company. Billionaire Ken Griffin has also purchased a US\$27 million stake.

Now, let me ask you this: Why are all of these Wall Street titans so bullish on Yamana? I'd say it could mean only one thing: They see a huge rally ahead.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

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