

Should You Buy, Sell, or Hold Yamana Gold Inc. Today?

Description

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)), one of world's leading producers of gold, announced fourth-quarter earnings after the market closed on February 11, and its stock has remained relatively flat in the trading sessions since. Let's take a closer look at the quarterly results to determine if this lack of movement is a long-term buying opportunity, or a warning sign.

Breaking down the quarterly results

Here's a breakdown of Yamana's fourth-quarter earnings results compared to its results in the same quarter a year ago.

Metric	Q4 2014	Q4 2013
Earnings Per Share	(\$0.34)	(\$0.59)
Revenue	\$542.94 million	\$420.66 million

Source: Yamana Gold Inc.

In the fourth quarter of fiscal 2014, Yamana reported a net loss of \$299.55 million from continuing operations, or \$0.34 per share, compared to a net loss of \$442.76 million, or \$0.59 per share, in the year ago period, as its revenue increased 29.1%. The company's narrowed loss and double-digit increase in revenue can be attributed to it selling 402,043 ounces of gold during the quarter, an increase of 54.3% from the 260,568 ounces sold in the year-ago period, and this growth more than offset the negative impact of its average realized gold price per pound decreasing 6.1% to \$1,199.

Yamana also noted that it produced a record 405,615 ounces of gold equivalents in the fourth quarter, and this represented an increase of 4% from the third quarter and 33.5% from the year-ago quarter.

Here's a quick summary of eight other notable statistics and updates from the report compared to the year-ago period:

1. Production of silver increased 22.7% to 2.7 million ounces.
2. Production of copper decreased 2.8% to 35 million pounds.
3. Cash costs per gold equivalent ounce increased 16.1% to \$484.
4. All-in sustaining cash costs (AISC) increased 2.7% to \$774 per gold equivalent ounce.
5. Average realized silver price per ounce decreased 20.6% to \$16.39.
6. Average realized copper price per pound decreased 11.3% to \$2.99.
7. Operating earnings increased 25% to \$87.63 million.
8. Cash flow generated from continuing operations increased 10.7% to \$183.63 million.

Yamana provided its outlook on fiscal 2015, calling for the following performance:

- The production of approximately 1.3 million ounces of gold

- The production of approximately 9.7 million ounces of silver
- The production of approximately 120 million pounds of copper
- Cash costs of \$545 per ounce of gold and \$6 per ounce of silver
- All-in sustaining cash costs (AISC) of \$800-\$830 per ounce of gold and \$9.50-\$9.80 per ounce of silver

Should you be a long-term buyer of Yamana Gold today?

Yamana Gold is one of the world's leading producers of gold, and increased production led it to a very strong fourth-quarter performance, but its stock has remained flat in the days since.

I think Yamana represents an attractive long-term opportunity today, because its production has grown at a consistent rate in recent years and because its stock trades at inexpensive forward valuations, including just 33.4 times fiscal 2015's estimated earnings per share of \$0.15, only 20.9 times fiscal 2016's estimated earnings per share of \$0.24, and a mere 15.2 times fiscal 2017's estimated earnings per share of \$0.33.

With all of the information above in mind, I think Yamana Gold represents a great long-term opportunity today, so investors should take a closer look and consider initiating positions on any weakness provided by the market.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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