

# What Should Investors Do With First Quantum Minerals Ltd. Following its Q4 Earnings Release?

## Description

**First Quantum Minerals Ltd.** ([TSX:FM](#)), one of world's largest and fastest growing metals and mining companies, producing mainly copper, nickel, zinc, gold, and platinum, announced fourth-quarter earnings after the market closed on February 19, and its stock responded by making a slight move to the upside in the trading session that followed. Let's break down the quarterly results and the company's outlook on fiscal 2015 to determine if we should consider establishing long-term positions, or if we should look elsewhere in the industry for an investment today.

## A quarter of year-over-year declines

Here's a summary of First Quantum's fourth-quarter earnings compared to what it accomplished in the same period a year ago.

Metric	Q4 2014	Q4 2013
Comparative Earnings Per Share	\$0.13	\$0.23
Sales Revenue	\$821.2 million	\$897.0 million

Source: First Quantum Minerals Ltd.

First Quantum's comparative earnings per share decreased 43.5% and its sales revenue decreased 8.5% compared to the fourth quarter of fiscal 2013, as its comparative net income decreased 42.5% to \$76.9 million. These weak results can be attributed to the company's total copper production decreasing 8.4% to 105,176 tonnes, its total copper sales decreasing 0.8% to 94,836 tonnes, its total cash costs of copper production increasing 9.8% to \$1.35 per pound, and the realized price of copper decreasing 10.7% to \$2.91 per pound compared to the year-ago period.

Here's a quick breakdown of 10 other notable statistics and updates from the report compared to the year-ago period:

1. Produced a total of 9,934 tonnes of nickel, a decrease of 21.4%
2. Sold a total of 12,189 tonnes of nickel, a decrease of 11.6%
3. Total cash costs of nickel production decreased 0.4% to \$4.49 per pound
4. Realized price of nickel increased 13% to \$7.20
5. Produced a total of 57,480 ounces of gold, a decrease of 9%
6. Sold a total of 48,608 ounces of gold, a decrease of 3.6%
7. Gross profit decreased 42.6% to \$183.2 million
8. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 17.4% to \$301 million
9. Cash flows from operations decreased 37.8% to \$263.1 million
10. Announced a final dividend of \$0.0487 per share in respect of the financial year ended on

December 31, 2014, and it will be paid out on May 6 to shareholders of record at the close of business on April 15

First Quantum also provided its production outlook on fiscal 2015, calling for the following performance:

- Total copper production in the range of 410,000-440,000 tonnes
- Total nickel production in the range of 32,000-40,000 tonnes
- Total gold production in the range of 218,000-247,000 ounces
- Total zinc production in the range of 40,000-45,000 tonnes
- Total palladium production in the range of 26,000-29,000 ounces
- Total platinum production in the range of 25,000-35,000 ounces

### **Should you buy, sell, or hold First Quantum today?**

First Quantum Minerals is one of the world's leading producers of copper, nickel, and other metals, and decreased sales and production led it to a weak fourth-quarter performance. However, its stock reacted by rising about 0.5% in the trading session that followed.

Although I do not think the slight post-earnings pop in First Quantum's stock was warranted, I do think it represents an attractive long-term investment opportunity. I think this because the stock trades at low forward valuations, including just 13.9 times analysts' estimated earnings per share of \$1.01 for fiscal 2015 and a mere 11.1 times analysts' estimated earnings per share of \$1.26 for fiscal 2016, both of which are very inexpensive compared to its five-year average price-to-earnings multiple of 16.9.

I think First Quantum's stock could consistently trade at a fair multiple of about 16, which would place shares upwards of \$16 by the conclusion of fiscal 2015 and upwards of \$20 by the conclusion of fiscal 2016, representing returns of more than 23% and 53%, respectively, from today's levels.

With all of the information above in mind, I think First Quantum Minerals represents one of the best long-term investment opportunities in the metals and mining industry today, so Foolish investors should take a closer look and consider establishing positions.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. TSX:FM (First Quantum Minerals Ltd.)

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