



Is Kinross Gold Corporation the Top Stock Under \$5 to Buy Today?

Description

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)), one of the largest gold mining companies in the world, announced fourth-quarter earnings after the market closed on February 10, and its stock has responded by falling over 16% in the weeks since. Let's take a closer look at the results and the company's outlook for fiscal 2015 to determine if this weakness represents a long-term buying opportunity, or a warning sign.

Breaking down the fourth-quarter results

Here's a summary of Kinross' fourth-quarter earnings results compared to its results in the same period a year ago. All figures are in US dollars.

| Metric | Q4 2014 | Q4 2013 |
|--------------------|-----------------|-----------------|
| Earnings Per Share | (\$0.01) | (\$0.02) |
| Revenue | \$791.3 million | \$877.1 million |

Source: Kinross Gold Corporation

In the fourth quarter of fiscal 2014, Kinross reported an adjusted net loss of \$6 million, or \$0.01 per share, compared to an adjusted net loss of \$25.1 million, or \$0.02 per share, in the year-ago period, as its revenue decreased 9.8%. The near double-digit decline in revenue can be attributed to two primary factors. First, the company sold just 651,498 ounces of gold during the quarter, a decrease of 4.7% year-over-year. Second, the average realized price of gold decreased by 5.3% to \$1,201 per ounce. Its narrowed net loss can be attributed to total production costs decreasing by 11.2% to \$469.2 million.

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

1. Produced 672,051 gold equivalent ounces, an increase of 4%
2. Production costs of sales decreased 6.7% to \$714 per gold equivalent ounce
3. All-in sustaining costs decreased 14.4% to \$1,006 per gold equivalent ounce

4. Attributable margin per gold equivalent ounce sold decreased 3.2% to \$487
5. Adjusted operating cash flow decreased 11.3% to \$197.6 million
6. Adjusted operating cash flow per share decreased 10.5% to \$0.17
7. Capital expenditures decreased 42.8% to \$189.4 million
8. Ended the quarter with \$983.5 million in cash and cash equivalents, an increase of 33.9%

Kinross also provided its outlook for fiscal 2015, calling for the following performance:

- The production of 2.4 million-2.6 million gold equivalent ounces
- Production costs of sales in the range of \$720-\$760 per gold equivalent ounce
- All-in sustaining costs in the range of \$1,000-\$1,100 per gold equivalent ounce
- Total capital expenditures of approximately \$725 million

Should you invest in Kinross today?

Kinross Gold Corporation is one of the world's largest gold producers, but decreased sales led it to a fairly weak fourth-quarter performance, and its stock has responded by falling over 16% in the weeks since the earnings release.

Although I think the post-earnings weakness in Kinross' stock is warranted, I also think it has led to a long-term buying opportunity. I think this because the stock trades at low forward valuations, including just 22.7 times fiscal 2015's estimated earnings per share of \$0.15 and only 17 times fiscal 2016's estimated earnings per share of \$0.20, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 24.6.

With all this information in mind, I think Kinross Gold Corporation is one of the top stocks under \$5 that long-term investors should consider buying today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:K (Kinross Gold Corporation)

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/09/09

Date Created

2015/02/25

Author

jsolitro

default watermark

default watermark