

IAMGOLD Corp Raises Funds With Diamond Mine Royalty Sale: Is This a Good Sign for Investors?

Description

IAMGOLD Corp ([TSX:IMG](#))([NYSE: IAG](#)) has recently been selling off assets to raise cash. On Monday the company announced the sale of the Diavik Diamond Mine to Sandstorm Gold for \$56.8 million. Company President Steve Letwin says the gold miner is now in a strong financial position and may even consider acquisitions. Are these moves a good sign for investors looking for a solid, small-cap gold stock?

Technically, IAMGOLD isn't selling the Diavik company itself, but rather its gross proceeds royalty over property in the Lac de Gras region in the Northwest Territories, property which includes the diamond mine. Still, the royalty sale adds significant cash to the gold miner's coffers.

"Given the quality of the Diavik Diamond royalty, we received very strong interest in the sale, which resulted in a satisfactory outcome for both parties," said Steve Letwin. "As a result of this sale, the previously completed sale of Niobec and ongoing initiatives to conserve cash, IAMGOLD is left in a very strong financial position with the ability to invest further in its existing portfolio of assets and to consider acquisition opportunities that will contribute to positive cash flow."

IAMGOLD reported significant earnings-per-share improvement in the most recent quarter compared to the same quarter in the previous year, even though it had net losses. In fact, the company has demonstrated a pattern of positive earnings-per-share growth over the past year. Still, IAMGOLD's share price has struggled and is down 40% over the last year.

Analysts have a mixed view of IAMGOLD; four have hold ratings, three have sell ratings, and two have buy ratings according to the Analyst Ratings Network. Most recently, Raymond James initiated coverage with a market perform rating and \$3.25 target price. The consensus price is \$3.68. In February HSBC upgraded IAMGOLD to overweight from neutral and raised its target price to \$3.00 from \$2.28.

Of course, IAMGOLD's fortunes are strongly tied to the price of gold, which recently rallied to more than \$1,200 per ounce before falling back to around \$1,184 this week. IAMGOLD's all-in-sustaining costs for its gold mines were \$1,101 per ounce in 2014, down 10% from 2013.

The Street's ratings team rates IAMGOLD as a sell, noting the company's relatively low gross profit margin of 12%. "Investors have so far failed to pay much attention to the earnings improvements the company has managed to achieve over the last quarter," *The Street* said in a recent report on IAMGOLD. "Naturally, the overall market trend is bound to be a significant factor. However, in one sense, the stock's sharp decline last year is a positive for future investors, making it cheaper (in proportion to its earnings over the past year) than most other stocks in its industry."

The stock appears destined to remain cheap, at least in the short term, but if the company remains focused on its core business of producing gold, which Steve Letwin has promised, IAMGOLD may be worth a look for long-term investors looking for an entry point in a traditionally volatile sector.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:IAG (IAMGOLD Corporation)
2. TSX:IMG (IAMGOLD Corporation)

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/24

Date Created

2015/03/23

Author

dwatt

default watermark

default watermark