



Is First Quantum Minerals Ltd. the Top Copper Stock to Buy Today?

Description

First Quantum Minerals Ltd. ([TSX:FM](#)), one of world's largest producers of copper and other metals, announced first-quarter earnings results after the market closed on April 30 and its stock responded by rising over 5% in the trading session that followed. Let's take a thorough look through the report to determine if we should consider buying in to the rally, or if we should wait for a better entry point in the trading sessions ahead.

The results that ignited a rally

Here's a summary of First Quantum's first-quarter earnings results compared with its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q1 2015	Q1 2014
Comparable Earnings Per Share (\$0.02)		\$0.22
Revenue	\$650 million	\$821 million

Source: First Quantum Minerals Ltd.

In the first quarter of fiscal 2015, First Quantum reported an adjusted net loss of \$12 million, or \$0.02 per share, compared with an adjusted net profit of \$130 million, or \$0.22 per share, in the same quarter a year ago, as its revenue decreased 20.8% to \$650 million.

These weak results can be attributed to two primary factors. First, metal prices have fallen since the year-ago period, including the average realized price of copper decreasing 17.4% to \$2.56 per pound and the average realized price of nickel decreasing 0.2% to \$6.56 per pound. Second, First Quantum's sales volume fell in all three of its major metal categories compared with the year-ago period, including sales of copper decreasing 7.4% to 95,185 tonnes, sales of nickel decreasing 59.5% to 5,706 tonnes, and sales of gold decreasing 12.3% to 52,782 ounces.

Here's a breakdown of 12 other notable statistics from the report compared with the year-ago period:

1. Copper production decreased 14.9% to 96,318 tonnes
2. Cash cost per pound of copper produced increased 0.7% to \$1.39
3. Sales of copper decreased 22.2% to \$501 million
4. Nickel production decreased 47.1% to 6,268 tonnes
5. Cash cost per pound of nickel produced increased 0.7% to \$4.40
6. Sales of nickel decreased 57.5% to \$62 million
7. Gold production decreased 12.3% to 52,782 ounces
8. Sales of gold decreased 7.1% to \$52 million
9. Comparable earnings before interest, taxes, depreciation, and amortization decreased 67.8% to \$120 million
10. Cash flows from operating activities decreased 64.6% to \$131 million
11. Weighted average number of diluted shares outstanding increased 1.6% to 600.51 million
12. Ended the quarter with \$302 million in cash and cash equivalents, a decrease of 15.4% from the beginning of the quarter

Should you invest in First Quantum today?

Even though I do not think the post-earnings rally in First Quantum's stock was warranted, I do think it represents an appealing long-term investment opportunity today. I think this because it trades at low forward valuations, including a mere 13.4 times fiscal 2016's estimated earnings per share of \$1.46, which is very inexpensive compared with its five-year average price-to-earnings multiple of 16.

I think First Quantum's stock could consistently command a fair multiple of at least 16, which would place its shares upwards of \$23 by the conclusion of fiscal 2016, representing upside of more than 17% from today's levels.

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

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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