

Is Yamana Gold Inc. the Top Stock Under \$5 to Buy Today?

Description

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)), one of world's largest producers of gold, announced first-quarter earnings results after the market closed on April 28, and its stock has responded by falling about 5% in the trading sessions since. Let's break down the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity, or as a warning sign.

A quarter of mixed growth

Here's a breakdown of Yamana's fourth-quarter earnings results compared with its results in the same quarter a year ago. All figures are in U.S. dollars.

Metric	Q1 2015	Q1 2014
Adjusted Earnings Per Share	(\$0.04)	\$0.01
Revenue	\$458.1 million	\$353.9 million

Source: Yamana Gold Inc.

In the first quarter of fiscal 2015, Yamana reported an adjusted net loss from continuing operations of \$37.5 million, or \$0.04 per share, compared with an adjusted net profit of \$9.9 million, or \$0.01 per share, in the same quarter a year ago, as its revenue increased 29.4% to \$458.1 million.

Yamana's steep decline in net income can be attributed to two primary factors. First, its total costs of sales excluding depletion, depreciation, and amortization increased 34% to \$280 million. Second, its weighted average number of diluted common shares outstanding increased 21.3% to 913.72 million.

The company's very strong revenue growth can be attributed to its total amount of gold sold increased 53.8% to 296,167 ounces, and this increase more than offset the negative impact of its average realized price per ounce of gold decreasing 6.4% to \$1,217 and its all-in sustaining costs per ounce of gold increasing 4% to \$893.

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

1. Gold produced increased 33.5% to 304,874 ounces
2. Silver produced increased 13.8% to 2.48 million ounces
3. Silver sold increased 10.9% to 2.44 million ounces
4. Average realized price of silver decreased 18.1% to \$16.74 per ounce
5. Copper produced decreased 2.9% to 26.8 million pounds
6. Copper sold increased 5.1% to 26.7 million pounds
7. Average realized price of copper decreased 11.1% to \$2.89 per pound
8. Mine operating earnings increased 21.5% to \$40.2 million
9. Cash flow from operations before changes in non-cash working capital increased 2.2% to \$96

million

10. Capital expenditures decreased 45% to \$75.7 million

Yamana also announced that it will be maintaining its dividend of \$0.015 per share in the second quarter and it will be paid out on July 14 to shareholders of record at the close of business on June 30.

Should you be a buyer of Yamana today?

I think the post-earnings drop in Yamana's stock represents a very attractive long-term buying opportunity. I think this because it trades at favourable forward valuations, including 35.5 times fiscal 2015's estimated earnings per share of \$0.13 and just 21.9 times fiscal 2016's estimated earnings per share of \$0.21, both of which are inexpensive compared with its long-term growth potential.

In addition, Yamana pays an annual dividend of \$0.06 per share, giving its stock a 1.3% yield at current levels, and this will provide additional returns to investors going forward, especially if they are reinvested.

With all of the information provided above in mind, I think Yamana Gold is one of the top stocks trading under \$5 in the market today. Foolish investors should take a closer look and strongly consider initiating positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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