



## Will the Post-Earnings Rally in Agnico Eagle Mines Ltd.'s Stock Continue?

### Description

**Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)), one of world's largest producers of gold, announced first-quarter earnings after the market closed on April 30 and its stock responded by rising over 4.5% in the trading session that followed. Let's take a closer look at the results to determine if we should consider buying in to this rally, or if we should wait for it to subside.

### Lower commodity prices lead to weak first-quarter results

Here's a summary of Agnico'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
Adjusted Earnings Per Share	\$0.15	\$0.56
Revenue	\$483.60 million	\$491.77 million

Source: *Financial Times*

Agnico's adjusted earnings per share decreased 73.2% and its revenue decreased 1.7% compared with the first quarter of fiscal 2014. The company's steep decline in earnings per share can be attributed to its adjusted net income decreasing 67.7% to \$31.4 million, led lower by its total production expenses increasing 13.4% to \$247.28 million and its weighted average number of diluted common shares outstanding increasing 23.6% to 215.69 million.

Its slight decline in revenue can be attributed to the average realized price of gold decreasing 8.1% to \$1,202 per ounce, which more than offset a 4.8% increase in the amount of gold it sold to 385,100 ounces.

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

1. Gold produced increased 10.3% to a record 404,210 ounces

2. Silver produced increased 17.3% to 1.03 million ounces
3. Silver sold decreased 3.2% to 888,000 ounces
4. Realized price of silver decreased 17.5% to \$17.02 per ounce
5. Zinc produced decreased 54.6% to 936 tonnes
6. Zinc sold decreased 24.4% to 1,264 tonnes
7. Realized price of zinc increased 2.2% to \$2,072 per tonne
8. Copper produced decreased 24.9% to 1,167 tonnes
9. Copper sold decreased 24.8% to 1,160 tonnes
10. Realized price of copper decreased 20.8% to \$5,056 per tonne
11. Operating profit decreased 13.7% to \$236.32 million
12. Cash provided by operating activities decreased 42.7% to \$143.46 million

Agnico also announced that it will be maintaining its dividend of \$0.08 per share in the second quarter and it will be paid out on June 15 to shareholders of record at the close of business on June 1.

### **Should you buy in to the rally?**

I do not think the post-earnings pop in Agnico's stock was warranted, but I do think it represents an attractive long-term investment opportunity today. I think this because it trades at favourable forward valuations, including 47.6 times fiscal 2015's estimated earnings per share of \$0.81 and 40.6 times fiscal 2016's estimated earnings per share of \$0.95, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 54.9.

In addition, Agnico pays a quarterly dividend of \$0.08 per share, or \$0.32 per share annually, giving its stock a 0.8% yield at today's levels. A 0.8% yield is not high by any means, but it is very important to note that the company has paid dividends every year since 1983, showing that it is strongly dedicated to maximizing shareholder value.

With all of the information above in mind, I think Agnico Eagle Mines represents one of the best long-term investment opportunities in the gold 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. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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