



Is Kinross Gold Corporation the Top Stock Under \$3 to Buy Today?

Description

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)), one of the world's largest gold producers, announced first-quarter earnings results after the market closed on May 5, and its stock responded by falling over 4% in the trading session that followed. The company's stock now sits more than 40% below its 52-week high, so let's take a closer look at the results to determine if we should consider initiating long-term positions today.

Lower metal prices lead to a weak quarterly performance

Here's a summary of Kinross' 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	\$0.01	\$0.03
Metal Sales	\$781.4 million	\$817.4 million

Source: Kinross Gold Corporation

Kinross' adjusted earnings per share decreased 66.7% and its metal sales decreased 4.4% compared with the first quarter of fiscal 2014. The company's weak results can be attributed to the average realized price of gold decreasing 6.2% to \$1,218 per ounce and its depreciation, depletion, and amortization expenses increasing 5% to \$206.2 million, which more than offset the positive impact of its total gold sales that increased 2.1% to 641,752 ounces.

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

1. Gold production decreased 5.4% to 636,128 ounces
2. Attributable all-in sustaining cost per ounce of gold sold on a by-product basis decreased 3.4% to \$957
3. Gross profit decreased 26.9% to \$120.6 million

4. Operating profit decreased 47.8% to \$42.5 million
5. Adjusted operating cash flow decreased 11.3% to \$214.8 million
6. Adjusted operating cash flow decreased 9.5% to \$0.19 per share
7. Capital expenditures decreased 11.5% to \$149.5 million
8. Ended the quarter with \$1.01 billion in cash and cash equivalents, an increase of 2.7% from the beginning of the quarter

Should you buy shares of Kinross on the dip?

I think the post-earnings decline in Kinross' stock was warranted, but I also think it has led to an attractive long-term buying opportunity. I think this because the stock trades at favourable forward valuations, including just 19.1 times fiscal 2016's estimated earnings per share of \$0.15, which is very inexpensive compared with its five-year average price-to-earnings multiple of 24.6.

I think Kinross' stock could consistently command a fair multiple of at least 24, which would place its shares upwards of \$3.50 by the conclusion of fiscal 2016, representing upside of more than 21% from current levels.

With all of the information above in mind, I think Kinross Gold Corporation is the top stock trading under \$3 today. Foolish investors should take a closer look and strongly consider initiating positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

POST TAG

1. Editor's Choice

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Date

2025/09/09

Date Created

2015/05/07

Author

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