Is Agnico-Eagle Mines Ltd. the Best Gold Stock Today?

Description

With gold prices down by roughly a third in the past three years, many miners have been struggling with collapsing revenues, decreased funding, and crippling debt loads. There is one miner, however, that appears to be strengthening its competitive position even through difficult times.

Agnico-Eagle Mines Ltd. (TSX:AEM)(NYSE:AEM) is uniquely positioned to grow its production volumes, reduce its production costs, and comfortably manage its long-term financing.

Growing production volumes

Agnico-Eagle saw its fourth-quarter revenues rise 15% to $503 million on strong gold production across multiple mines. Total gold production was able to grow 20% to 387,538 ounces, offsetting the 10% drop in average realized gold prices. Annual gold production, meanwhile, grew 30% to 1.42 million ounces.

Strong production volumes were a chief contributor to the company posting strong financial results despite the falling market price of gold.

In 2016 the company anticipates reaching production of 1.6 million ounces, with the LaRonde, Kittila, La India, and Canadian Malarctic gold mines driving production growth. Agnico-Eagle also has several projects in the pipeline that should drive long-term production growth beyond 2017.

Lowering its cost of production

Last year Agnico-Eagle's all-in cost of production was estimated to be roughly $954/oz. With average realized selling prices of $1,261, the company generated a positive operating margin of $307/oz, or 24%.

This level of profitability was higher than competitors such as **Kinross Gold Corp.**, **B2Gold Corp.**, **Gold Fields Limited**, **AuRico Gold Inc.**, and **Iamgold Corp**.

Agnico-Eagle forecasts all-in costs to fall below 2015 guidance in 2016 and 2017 on continued costcutting initiatives, boosting both profitability and free cash flow.

Manageable debt load

While some gold miners such as **Barrick Gold Corp.** have intimidating debt repayments in the near future, Agnico-Eagle is more comfortably positioned.

Agnico-Eagle increased its cash position by 29% to $182 million in 2014 with solid free cash flow generation at each gold mine. The company also has a mere $52 million in short-term debt and $1,322 million in long-term debt. A majority of the debt is repayable in fairly even increments over the next nine years.

As a backstop, Agnico-Eagle still has roughly $700 million in available credit to get it through tougher times.

Rest easier with Agnico-Eagle

If you're bullish on gold prices, it's important to stick with companies that are positioned to thrive in a upward commodities market. If prices remain depressed, Agnico-Eagle should be able to grow production and lower costs to protect profitability. If conditions improve, the company has the financial flexibility to capitalize even further.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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