



## 2 Diamond Stocks That Could Rise Over 48% by 2017

### Description

As savvy investors, we are always looking for ways to boost our portfolio's returns, while also staying diversified. The mining industry can be a great source of growth and dividend income, but many investors focus on companies that mine and produce precious metals like gold and silver, and don't pay much attention to the other options. Well, I have found two beaten-down diamond miners that are trading at very inexpensive forward valuations, so let's take a closer look to determine if you should consider buying one of them today.

#### 1. Dominion Diamond Corp.

(All figures are in U.S. dollars)

**Dominion Diamond Corp.** (TSX:DDC)(NYSE:DDC) is a Canadian-based diamond producer with ownership interests in two major producing diamond mines in Canada's Northwest Territories, and it is the world's third-largest producer of rough diamonds by value.

At today's levels, its stock trades at 22.4 times fiscal 2016's estimated earnings per share of \$0.74 and 13.3 times fiscal 2017's estimated earnings per share of \$1.25, both of which are inexpensive compared with its five-year high price-to-earnings multiple of 57.8 and the industry average multiple of 67.5.

I think the company's stock could consistently trade at a fair multiple of at least 22.5, which would place its shares upwards of \$28 by the conclusion of fiscal 2017, representing upside of more than 68% from current levels.

In addition, Dominion pays a semi-annual dividend of \$0.20 per share, or \$0.40 per share annually, giving its stock a 2.9% yield at today's levels.

#### 2. Lucara Diamond Corp.

**Lucara Diamond Corp.** ([TSX:LUC](#)) is a Canadian-based diamond producer with ownership interests in two mines in Botswana and Lesotho.

At current levels, its stock trades at 10.6 times fiscal 2015's estimated earnings per share of US\$0.19 and 10.1 times fiscal 2016's estimated earnings per share of US\$0.20, both of which are inexpensive compared with its five-year high price-to-earnings multiple of 15.1 and the industry average multiple of 67.5.

I think the company's stock could consistently command a fair multiple of about 15, which would place its shares around \$3 by the conclusion of fiscal 2016, representing upside of more than 48% from today's levels.

Additionally, Lucara pays a semi-annual dividend of \$0.02 per share, or \$0.04 per share annually, which gives its stock a 2% yield at current levels.

### Could your portfolio use a diamond stock?

Dominion Diamond and Lucara Diamond are not the most popular stocks in the market today, but each could generate huge returns for your portfolio going forward. Long-term investors should take a closer look and strongly consider establishing positions in one of them today.

### CATEGORY

1. Dividend Stocks
2. Investing
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1. Editor's Choice

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jsolitro

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