



At Less Than \$2.50 Per Share, Is Kinross Gold Corporation a Buy?

Description

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)), one of the world's largest producers of gold, announced second-quarter earnings results after the market closed on July 29, and its stock responded by falling over 4.5% in the trading session that followed. The company's stock now trades at less than \$2.50 per share and is more than 50% below its 52-week high of \$4.54 reached back in August 2014, so let's take a closer look at the results to determine if we should buy or avoid the stock today.

Lower gold prices lead to very weak results

Here's a summary of Kinross's second-quarter earnings results compared with its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q2 2015	Q2 2014
Adjusted Earnings Per Share	(\$0.01)	\$0.03
Metal Sales	\$755.2 million	\$911.9 million

Source: Kinross Gold Corporation

In the second quarter of fiscal 2015, Kinross reported an adjusted net loss of \$13.6 million, or \$0.01 per share, compared to a net profit of \$32.9 million, or \$0.03 per share, in the same period a year ago, as its total metal sales decreased 17.2% to \$755.2 million.

These weak results can be attributed to two primary factors. First, gold prices have fallen over the last 12 months, which led to the company's average realized price of gold decreasing 7.1% to \$1,194 per ounce. Second, the company's sales volume of gold equivalent ounces decreased 10.8% to 633,148.

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

1. Total gold equivalent ounces produced decreased 2.7% to 667,529

2. Attributable gold equivalent ounces produced decreased 2.8% to 660,898
3. Attributable gold equivalent ounces sold decreased 10.9% to 626,246
4. Attributable all-in cost per equivalent ounce sold increased 3% to \$1,094
5. Gross profit decreased 67.5% to \$55.5 million
6. Reported an operating loss of \$67.8 million, compared to an operating profit of \$80.2 million in the year-ago period
7. Adjusted operating cash flow decreased 32.8% to \$161.4 million
8. Ended the quarter with \$1.03 billion in cash and cash equivalents, an increase of 2.1% from the beginning of the quarter

What should you do with Kinross's stock today?

Kinross's performance in the second quarter was far from impressive, so I think its stock responded correctly by moving lower. I also think the stock will remain at these depressed levels over the next several months for two reasons.

First, gold prices remain under pressure, which will lead to further weakness in the third and fourth quarters. Second, its stock still trades at very rich valuations, including 111.5 times fiscal 2015's estimated earnings per share of \$0.02 and 44.6 times fiscal 2016's estimated earnings per share of \$0.05, both of which are very expensive compared with its five-year average price-to-earnings multiple of 24.6 and the industry average multiple of 19.9.

With all of the information provided above in mind, I think Foolish investors should avoid Kinross Gold for the time being, and only revisit the idea of an investment when gold prices recover.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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Date

2025/07/07

Date Created

2015/07/31

Author

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