

Agnico Eagle Mines Limited: Is This Today's Best Bet for a Gold Rally?

Description

Agnico Eagle Mines Limited ([TSX:AEM](#))([NYSE:AEM](#)) sits in the shadows of its better-known peers, but the company deserves to get more respect from investors.

Let's take a look at the company to see if it should be your top pick for a rally in bullion prices.

Investor woes

At first glance, you wouldn't think that Agnico looks like an attractive proposition. The stock is down 50% over the past five years and the price of gold has been in a brutal downtrend since it topped out around \$1,900 back in September 2011.

But compared with its peers, Agnico has held up well. In fact, the stock is actually in positive territory for 2015, and there is reason to believe it could be headed higher.

Solid financials

Agnico reports all of its results in U.S. dollars.

Net income for Q2 2015 was \$10 million. For the first six months of the year, the company earned \$38.8 million. Those are solid number considering the weakness in the overall bullion market.

Operating cash flow for the second quarter came in at \$188.3 million, slightly higher than the same period the year before. The company spent \$115.5 million on capital expenditures in the second quarter, so cash flow is adequately covering the cost of keeping production on target.

Agnico finished Q2 with long-term debt of \$1.18 billion, and the company had cash and short-term investments of \$210 million. The company's debt level is very low compared with its peers, which means it is in good shape to ride out any further weakness in the market.

Production outlook

Agnico is expecting 2015 production to come in at 1.6 million ounces with all-in-sustaining costs of \$870-890 per ounce. At current prices, the company is still making money.

Should you buy?

Agnico stands out among the miners because it has a very stable balance sheet and continues to make money despite the weak conditions in the market. The company's cost base is in line with its peers, and Agnico has a strong portfolio of properties with potential for low-cost production growth.

At the time of writing, the stock is rallying more than 10% on the news that the U.S. employment situation is weaker than analysts had expected. The news lit a fire under bullion prices because the

market now expects the U.S. to delay a previously expected interest rate hike.

This might be the beginning of a reversal in gold prices. If that's the case, Agnico is a great way to play the rebound.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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