



Does Agnico Eagle Mines Ltd.'s Q3 Earnings Beat Signal a Buying Opportunity?

Description

Agnico Eagle Mines Ltd. ([TSX:AEM](#))([NYSE:AEM](#)), one of world's largest producers of gold and silver, announced third-quarter earnings results after the market closed on October 28, and its stock has responded by rising over 2%. Let's take a thorough look through the quarterly report to determine if we should consider buying in to this rally, or if we should wait for a better entry point in the trading sessions ahead.

Higher sales volumes lead to top- and bottom-line growth

Here's a summary of Agnico's third-quarter earnings results compared with what analysts had expected and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Adjusted Earnings Per Share	\$0.18	\$0.02	\$0.02
Revenue	\$508.80 million	\$477.99 million	\$463.39 million

Source: S&P Capital IQ

Agnico's adjusted earnings per share increased 800% and its revenue increased 9.8% compared with the third quarter of fiscal 2014. These very strong results can be attributed to its increased sales volumes compared with the year-ago period, including its total gold sales increasing 25.3% to 436,860 ounces and its total silver sales increasing 25.1% to 1.04 million ounces, and this was only partially offset by lower gold and silver prices.

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

1. Adjusted net income increased 833.3% to \$39.2 million
2. Total payable gold production increased 26.3% to a record 441,124 ounces
3. Realized price of gold decreased 10.4% to \$1,119 per ounce
4. Total payable silver production increased 28.4% to 1.05 million ounces

5. Realized price of silver decreased 15.7% to \$14.93 per ounce
6. Total operating margin increased 31.3% to \$254.21 million
7. Cash provided by operating activities increased 101.7% to \$143.69 million
8. Weighted-average number of diluted shares outstanding increased 3.8% to 217.71 million

Agnico also announced that it will be maintaining its quarterly dividend of \$0.08 per share, and the next payment will come on December 15 to shareholders of record at the close of business on December 1.

Is the rally warranted and can it continue from here?

It was a great quarter overall for Agnico Eagle Mines, so I think its stock has responded correctly by moving higher.

However, I do not see further upside from here, because the stock is trading at very expensive valuations, including 79.7 times fiscal 2015's estimated earnings per share of \$0.36, and its earnings are expected to remain flat at \$0.36 per share in fiscal 2016 as well, and a no-growth situation is not what we look for as investors.

With all of the information above in mind, I think Foolish investors should avoid investing in Agnico Eagle Mines today and look elsewhere in the industry for an investment instead.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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