



## A Year in Review for Yamana Gold Inc.

### Description

**Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) wants to forget about 2015. In fact, most metal and oil companies do, too. The market has been a roller coaster ride, and while oil companies are getting hammered by falling prices, metal companies are still trying to adjust to the new reality.

So how bad was 2015 for Yamana? Let's take a look at what happened in 2015.

#### The first half of 2015—optimism and movement

Yamana started off 2015 by trading at \$4.70, which was roughly half of what the stock was worth a year earlier. The company was also the subject of an Argentine court ruling, which saw the company liable to pay upwards of \$200 million.

Despite this, the company was full of optimism. The price of gold was on a four-month uptick, and Yamana had announced that production would be greater than the prior year. If gold prices were to hold at current trends, it would be a much-improved year.

Yamana raised nearly \$300 million through equity financing in a share deal with bankers, which the company stated would be used for debt payments.

Once spring rolled around, Yamana's quarterly earnings results (for fiscal Q1 2015) were nothing short of mixed. Revenue was up by over \$100 million, but the company reported an adjusted net loss of \$37.5 million. The stock still looked attractive to long-term investors despite this dip.

By the time the second-quarter results were in, Yamana released a number of attractive metrics that helped to boost wavering investor confidence. Specifically, gold production was up overall by 7% over the prior year, while costs and debt were steadily decreasing. The company also completed the acquisition of Mega Precious Metals Inc. for a reported \$14.5 million.

Closing out the first half of 2015, I would be remiss if I didn't state that the company looked like it was on the right track. Production was increasing and costs were lowering. The company was looking at expansion by acquiring a number of smaller mines as well.

### **The second half of 2015—losses and declining value**

The second half of 2015 started out with the fiscal Q3 report that was anything but optimistic. A net loss of \$115 million, or \$0.12 per share, was a bitter pill to swallow, irrespective of the fact it was largely attributed to foreign exchange conversions.

Expenses were still lower, albeit at smaller levels. The uptick in production from previous quarters was eliminated, with production staying in line with the same quarter in the previous year.

Yamana continued to work on deals and signed a streaming agreement with **Sandstorm Gold Ltd.**, for a term of five years that included an upfront payment of \$148 million.

Earlier this month gold dropped even further, taking Yamana down for the ride by nearly 9%. As it stands now, Yamana has a market cap of approximately \$2.74 billion. The stock is trading at under \$3 and amazingly still supports a dividend of \$0.020091 for a yield of 2.74%.

Management did what they could to prop Yamana up during 2015, and they were very successful to some extent. Yamana has gone considerable ways to become more efficient and to reduce debt, but the fact remains that gold prices have dropped considerably and many gold producers are still set up to operate using an outdated pricing model—Yamana included.

Until such a time that the gold market improves, or further efficiencies are implemented to control costs, gold producers such as Yamana will remain very risky investments.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

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