Agnico Eagle Mines Ltd.: Should You Buy This Gold Stock?

Description

Most gold miners have had a terrible 2015, but **Agnico Eagle Mines Ltd.** (TSX:AEM)(NYSE:AEM) is up more than 25% and more gains could be on the way.

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Production growth

Agnico Eagle increased its production by 26% in Q3 2015 compared with the same period last year and recently raised the overall 2015 production forecast. The company now expects to finish the year with total production of 1.65 million ounces, up from the previous guidance of 1.6 million ounces.

Agnico Eagle delivered record output at both its Abitibi facility and the recently acquired Canadian Malartic mine, which is a joint partnership with **Yamana Gold**.

Successful exploration

Agnico Eagle continues to expand its resource base. Production growth is driving stronger operating cash flow, which enables the company to expand its development program. During the third quarter Agnico Eagle added new gold discoveries at its Kittila, Amaruq, and El Barqueno properties to an already strong resource base. The new gold findings are expected to boost production in the coming years.

Currency benefit

Agnico Eagle operates mines in Canada, Mexico, and Finland. The Canadian dollar, Mexican peso, and the euro have all fallen significantly against the greenback, and that is helping Agnico Eagle reduce costs.

Lower production costs

The combination of higher output and weaker local currencies reduced Q3 2015 total cash costs to US$536 per ounce on a by-product basis compared to US$716 in the same period last year.

All-in-sustaining costs for Q3 came in at US$759 per ounce compared to US$1,059 per ounce in Q3 2014. The improvement is a result of higher production, lower total cash costs per ounce, lower administrative expenses, and reduced capital spending. The current cost structure makes Agnico Eagle one of the lowest-cost producers in the industry.

Balance sheet strength

Agnico Eagle finished Q3 with long-term debt of US$1.2 billion and US$208 million in cash and cash equivalents. The company's outstanding balance on its US$1.2 billion credit facility is US$350 million, down from US$375 million at the end of June.

Agnico is in much better financial shape than most of its peers, and this gives the company a lot of flexibility to make strategic acquisitions at a point in the cycle where most assets in the industry are available at very attractive prices.

Should you buy?

Agnico is expanding production, reducing costs, and increasing its resource base. If you are a long-term gold bug, this is one of the first names you should consider buying in the gold space.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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aswalker

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