



## Does the Latest Decline in IAMGOLD Corp. Signal a Buying Opportunity?

### Description

The price of gold has fallen to its lowest level in more than a month following comments from the U.S. Federal Reserve about increasing interest rates. This has dragged down Canadian gold miners, including **IAMGOLD Corp.** ([TSX:IMG](#))([NYSE:IAG](#)). The company's shares have declined by approximately 50% since early August—about 20% more than some of its industry peers.

Gold prices have been fluctuating between \$1,320 per ounce and \$1,370 per ounce since late June, but gold is up almost 30% from its 52-week low in late 2015. Some industry experts were anticipating a gold rally if the U.S. Fed signaled more of a delay in raising interest rates. Judging from the Fed chair Janet Yellen's speech last week, it sounds likely that an interest rate increase will occur this year.

To help bolster IAMGOLD's position in the face of fluctuating gold prices, management has taken significant steps to improve the company's liquidity by issuing additional equity to pay down outstanding debt. The latest offering of common shares was fully subscribed by a syndicate of lenders who agreed to purchase 38.85 million common shares at a price of US\$5.15 for total proceeds of approximately \$200 million.

A majority of the gross proceeds from the sale will go towards paying down \$150 million of its outstanding senior notes, and the remainder will go to various growth projects. One of these projects is its Cotes Gold deposit. The company owns 93% of one of Canada's largest undeveloped deposits located in northeastern Ontario. It is estimated the site contains over 8.3 million ounces of gold.

The project has received favourable approval from the minister of environment and climate change, who said it's unlikely to cause significant adverse environmental effects. Approvals and permits from the environment, fisheries, and natural resource departments are pending. IAMGOLD is currently reviewing the project construction and operation options, including sizing of the process plant and mining operation.

The price of gold will remain the determinate factor with regard to the pace of development and construction of this facility. The project may be less accretive than some of its South American or West African facilities; however, being located in Canada reduces a substantial amount of political risk that

could affect operations.

Management has also taken significant steps to improve the company's financials. The company's debt-to-equity ratio is approximately 30%, which is significantly lower than a number of its peers. The company realized 125% growth in its net operating cash flow and 36% growth in its gold margin year over year. A good portion of these gains can be attributed to rise in gold prices; however, management has also taken steps to reduce the company's operating costs by 11%.

Private equity should start taking notice of management's actions to improve liquidity, costs, and the company's pipeline of development projects. Once they are comfortable with the company's share price, investors could see some bullish activity in the stock.

The bottom line is, investors will still continue to flock to gold stocks as way to hedge against any negative sentiment in the market. Considering the uncertainty over the U.S Fed policy, U.S. elections, and talk about stagnating global growth, the near-term outlook for this stock is positive.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:IAG (IAMGOLD Corporation)
2. TSX:IMG (IAMGOLD Corporation)

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