



## Should Yamana Gold Inc. Be in Your Portfolio?

### Description

**Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) is one of the most intriguing gold miners in the market and may represent one of the best opportunities in the gold market at the moment, depending on the time frame for your investment.

Gold stocks have had a great year so far, overcoming some of the steep losses sustained in previous years. Over the past year, the price of gold has surged by double digits from under US\$1,100 per ounce to over US\$1,300 per ounce before retreating to the US\$1,200 per ounce level.

During this latest surge, Yamana's stock shot up along with the price of gold. At one point, it surged more than 100% before settling down again, but it's still well ahead year-to-date, showing an impressive 56% gain for the year.

So what exactly sets Yamana apart from other gold producers as a company with huge potential? Here are two factors working in favour of Yamana at the moment.

### Yamana is shored up much better than the competition

Gold producers are notoriously known for taking on huge debt to set up and begin operations. When the price of gold crashed several years ago, miners were weighed down with significant debt and shrinking margins. Gold producers had little to combat the crash apart from reducing costs, burning through cash, and striving to become more efficient.

While Yamana did all of this, the company also made debt reduction a priority and managed to slash debt by US\$286 million just last year. And it has a target of US\$300 million in debt to be eliminated over the course of the next year.

To meet those targets, Yamana has been focusing on higher-performing core assets, while looking to possible sales of those non-core assets.

### Yamana's Brio venture

Yamana's Brio subsidiary is one those non-core assets. Yamana attempted to sell off the three Brazilian mines that comprise the venture last year through a private-share placement, but the plan was ultimately scrapped in lieu of a renewed focus on higher-performing mines.

Last month Yamana announced plans to spin-off the Brio venture, opting try the IPO route to offload the assets. The proposed plan calls for existing Yamana shareholders to receive a dividend in kind, which could then be used to buy shares in the unit, priced on demand. Yamana stands to retain equity interest in the venture even after the deal should it ever be completed.

While the Brio sale could benefit Yamana's bottom line and slash off a huge chunk of debt, the real benefit that investors should see in Yamana is over the long term.

By putting a targeted effort on reducing debt and concurrently attempting to offload non-core assets in lieu of the higher-performing ones, Yamana is positioning itself for stronger results in subsequent quarters.

The most recent quarterly update shows proof of the improvements being made to the company's bottom line. Cash flow stood at US\$78.3 million, which is a significant difference over the US\$8.3 million in cash flow the company had in the same quarter just a year ago.

With a smaller debt load and cash in the bank, Yamana is sure to continue to impress in the coming quarters. When an improvement in gold prices is factored into the equation, along with increased production volume, the true potential of Yamana starts to take shape.

In my opinion, Yamana has vastly improved over where the company sat last year, but it remains a risky investment, particularly over the short term. That being said, investors with a longer time frame in mind may want to invest in Yamana now, as the long-term benefits of this company are only just emerging.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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