6 Reasons Wall Street Likes Tahoe Resources Inc.

Description

When it comes to precious metals miners, you'll probably immediately think of **Barrick Gold Corp.** or **Goldcorp Inc**.

However, you may be surprised that Wall Street analysts are more bullish on **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO), which is a mid-cap miner with a focus on developing long-term, low-cost assets in the Americas to produce silver and gold.

Here are some reasons why.

Quality assets in the Americas

Tahoe Resources's asset base is anchored by the large-scale, high-grade Escobal mine in Guatemala, which is the world's third-largest silver mine.

It also has low-cost, growing gold operations in Peru (including the La Arena and Shahuindo mines) and the Timmins Gold Camp in Ontario.

Low-cost, high-margin production

In 2016, Tahoe Resources produced 21.3 million ounces of silver, which exceeded the company's guidance of 18-21 million ounces. It produced 385,111 ounces of gold, which was in line with its guidance of 370,000-430,000 ounces. The all-in sustaining costs are expected to be US$8-9 per ounce for silver and US$950-1,000 per ounces for gold.

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Barrick gold_mine_16-9

Dividend

It's rare for a miner to pay a decent dividend in the current market. Tahoe Resources offers you just that. It pays a monthly dividend that yields nearly 2.7%.

Positive 2017 guidance

In a January press release, Ron Clayton, the president and CEO, said, “We are ramping up development of multiple projects, which are expected to drive growth in gold production starting in 2018. Key capital projects include … further development of Shahuindo as we move that mine towards full production. We are targeting higher production from both our Canadian operations and Shahuindo to offset reduced gold output at La Arena, while Escobal is poised for another excellent year.”

This year, the miner expects to produce 18-21 million ounces of silver and 375,000-425,000 of gold with all-in sustaining costs of US$9.50-10.50 for silver and US$1,150-1,250 for gold.

Trades at a discounted valuation

Tahoe Resources trades at a price-to-cash-flow of eight compared to its normal multiple of 12. Also, it trades at about 1.1 times its book value, whereas its five-year average is 2.7 times.

Some analysts believe the precious metals miner can trade above $21, which implies an upside potential of 75% from the $12 level.

Strong management team

Tahoe Resources was founded by Kevin McArthur, who has more than 30 years of experience in the industry in operational and senior management roles. McArthur was the former president and CEO of Goldcorp until his retirement in 2008 and is Tahoe Resources’s executive chair.

Clayton has more than 30 years of mine-operating experience and led the construction of the Escobal mine as Tahoe Resources’s first COO. Before joining the company, he was senior vice president, operations, and the general manager of several underground mines for **Hecla Mining Company**.

Summary

Tahoe Resources is an attractive opportunity. It has an upside potential of 75% and offers a 2.7% yield. However, it’s also more volatile than the average stock, and investors need to be prepared for a wild ride.

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