



IAMGOLD Corp. Slowly Heading Towards Profitability

Description

IAMGOLD Corp. ([TSX:IMG](#))([NYSE:IAG](#)) is dusting itself off from the underwhelming first half of its fiscal year with a strong showing in its third quarter that will only feed to an even stronger fourth quarter.

The Toronto-based miner ended the calendar year 2016 with a bang as it agreed to acquire **Merrex Gold** for \$40 million in an all-stock deal. The deal is slated to close in February, giving IAMGOLD all 199.2 million outstanding Merrex shares at 20 cents apiece for approximately 6.9 million newly issued IMG shares at a price of \$4.60 each. IAMGOLD owns 23% of Merrex already.

The move is slated to add an exploration pipeline to IAMGOLD in the form of the Diakha-Siribaya project in Mali. The asset has about 1.2 million ounces of gold. The company is acquiring its West Mali gold properties as well as 50% interest in the Siribaya gold project. Additionally, it will have access to its Guinea asset in Karita and a 100% stake in a Nova Scotia zinc mine. The February date when the deal will be completed will be around the company's next earnings report.

IAMGOLD last reported earnings on November 7 for its third quarter, when it revealed that it earned five cents per share over those three months. The figure topped the zero cents per share estimate that Wall Street was calling for. Revenue came in at \$282.4 million for the quarter, topping the \$262.4 million that analysts had projected.

The earnings beat was welcome step up from the barely profitable second quarter of one cent per share. The figure still topped the loss of two cents cents per share Wall Street expected, while marking a turning point following a first quarter in which the company lost two cents per share. IAMGOLD's recent results and the company's management's view on the stock suggest better times to come.

CEO Stephen Letwin said late last year that the company was headed towards a profitable second half that would pave the way for a fiscal year 2017 that could be big. Letwin said that bullion prices — one of the company's key elements — are key to the company's success. If prices stay above \$1,300 an ounce, there is no telling how far IAMGOLD will go. Bullion prices are currently around \$1,355 an ounce and growing.

The calendar year 2017 has been positive for the company so far, which rose nearly 140% in 2016.

IAMGOLD is already up 12.3% year-to-date, and we're only halfway through January. The company had an especially strong beginning of the year thanks to a surge in gold prices, which reached a one-month high due to slumping dollar prices. January is often a strong month for gold, and this year may be no different, potentially setting the tone for the rest of the year.

IAMGOLD has a price target of \$5.18 with a Zacks Investment Research recommendation of \$2.33, which is approaching "Buy" status. Most analysts have rated it a "Buy," while a large number consider it a "Hold." In the last three months alone, IMG shares have risen more than 31%.

It is still unclear what 2017 has to offer IAMGOLD, but rising bullion and gold prices are good signs for the miner. Additionally, its recent acquisition adds several core assets to the company, helping to bolster and expand its portfolio.

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