



Agnico Eagle Mines Ltd.: A Stock to Buy as Earnings Approach

Description

Agnico Eagle Mines Ltd. ([TSX:AEM](#))([NYSE:AEM](#)) is headed towards a strong fiscal 2017 following a series of moves that will bolster its portfolio.

Most recently, the company inked a deal to acquire a Cartier Resources Inc. stake amounting to 22.5 million common shares at a price of 20 cents apiece. The move will grant Agnico 19.97% of the issued and outstanding shares on a non-diluted basis. The move will help Cartier expand in its five major Quebec assets, while adding more funding for capital and corporate purposes.

Meanwhile, Agnico will gain certain rights to be a part of some equity financing as well as earn the right to nominate one person to the Cartier board of directors. Agnico will be unable to reach a stake of 19.99% of issued and outstanding common shares in the coming two years. The deal is pending regulatory approval.

The company is one of those stocks that has its fate closely tied to gold prices. AEM shares rose by 55.2%, or \$20.08 as gold bullion surged. However, 2017 is expected to be a year of uncertainty for gold. Shares are up 6.6% year-to-date as the price of gold has been near or above the US\$1,200 mark.

While the year has started off strong for the precious metal, 2017 could prove to be a volatile year as the U.S. dollar is expected to gain in strength a bit. Nevertheless, the fact that gold grew 9% in 2016 can't be ignored. Additionally, there has been recent uncertainty regarding global markets, and gold tends to rise when this is the case.

Agnico has been spending recently as it gears up for the future, including the acquisition of Sonoro Metals Corp.'s Chipriona asset in Mexico. The company will be paying Sonoro \$4 million as well as a 1% net smelter returns royalty that can be acquired by Agnico for \$1.5 million.

The project has 515 hectares in the Mulatos Mining District in Sonora state, amounting to a group of concessions as well as private land that is near Agnico's La India gold mine. The payment will be made in four installments, beginning with a \$650,000 sum, followed by \$650,000, \$800,000, and \$1,90,000 payments over the coming months.

Agnico's most recent dividend offering was issued in mid-December, amounting to eight cents per share. The company has a price-to-earnings growth of 2.93 and a dividend yield of 0.88%. The company is expected to report fiscal fourth-quarter results for 2016 on February 15.

The consensus estimate calls for earnings of 16 cents per share for the three-month period. This figure is lower than it was a month ago, but it is still a stock worth investing in considering what lies ahead for the company. Eleven analysts give Agnico an average rating of a "Buy" and a price target of \$63.25.

For the new fiscal year, analysts are calling for earnings of 55 cents per share in the first quarter of 2017. While there is still some uncertainty surrounding the price of gold, current trends shouldn't be ignored, and AEM is worth investing in now. Expect the company's numerous acquisitions to pay dividends this year.

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