



Why Tahoe Resources Inc. Is a Shiny Buying Opportunity

Description

Tahoe Resources Inc. (TSX:THO)(NYSE:TAHO) is a mid-cap precious metals miner that has growth potential. The company was founded by Kevin McArthur, who was the former president and CEO of **Goldcorp** until his retirement in 2008.

The stock has fallen significantly since the summer of 2016 — more than 50%. We will dig deeper to see if it's really a gem in disguise.

2016 results

In 2016, Tahoe beat management guidance and achieved record silver and gold production of 21.3 million ounces and 385,100 ounces, respectively.

Tahoe accomplished this with lower costs than expected. Particularly notable is that for its silver production, its cash costs were \$5.84 per ounce, which was 5% better than in 2015. Its all-in sustaining costs (AISC) was \$8.06 per ounce, which was an improvement of 12% from 2015.

Furthermore, Tahoe generated strong operating cash flow per share of \$1.33 and adjusted earnings per share of \$0.62, which were 22% and 29% higher than in 2015, respectively.

The strong growth was largely due to a 51% revenue growth and lower per-ounce operating costs at Escobal. A large part of the revenue growth has to do with operating assets acquired in 2015 and 2016.

gold not found or type unknown

Growth

Escobal is Tahoe's world-class silver mine. It can produce 18-21 million ounces of silver until at least 2021.

The company also believes it can increase its gold production over the next three years to at least 500,000 ounces with lower total cash costs and AISC per ounce over time.

By 2019, Tahoe expects its total cash costs per ounce of gold produced to be \$650-750 and its AISC per ounce of gold produced to be \$900-1,000.

Gold and silver sit at about US\$1,204 and US\$17, respectively. These prices are near five-year lows. Because the company doesn't have any hedges on its metals, any upside to precious metal prices will increase Tahoe's profitability.

What? It pays a dividend?!

Miraculously, Tahoe has maintained its monthly dividend since late 2014. This is pretty much unheard of in the precious metals mining space — many slashed their dividends as precious metals prices fell.

Today, Tahoe offers one of the most attractive yields in the industry. At about \$10 per share, it yields north of 3%.

Investor takeaway

Tahoe is in a strong financial position. At the end of 2016, it had net cash of more than \$110 million and an undrawn \$150 million credit facility. Management is confident that it can maintain its monthly dividend.

Additionally, this year is Tahoe's peak capital-spending year, which means that the company will be able to generate more free cash flow starting in 2018.

After its substantial share price decline, Tahoe is a shiny buying opportunity.

CATEGORY

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

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

Date

2025/08/02

Date Created

2017/03/13

Author
kayng

default watermark

default watermark