

Should You Buy This Shiny Stock After its Run-Up?

Description

Last month, I wrote that **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) was a buying opportunity when it fell to the \$10 level, where it has showed strong support in the past. Since then, shares have appreciated more than 16%.

Is it too late to buy the shiny stock? Here are some reasons why you might consider Tahoe.

Tahoe has growth potential

Tahoe is a mid-cap precious metals miner with growth potential. This year is the miner's peak year of capital spending, which should lead to stronger production growth, lower costs, and higher cash flows.

This year through mid-2018, Tahoe will be working on the Shahuindo and Bell Creek expansions at its gold mines in Peru and Canada, respectively.

These developments should help the company to progressively increase its gold production in the next few years and produce up to 550,000 ounces of gold by 2020.

Tahoe expects to reduce its all-in sustaining cost (AISC) of gold over time. By 2019, it expects AISC to be in the range of US\$900-1,000.

Through 2019, Tahoe expects to maintain its silver production at 18-21 million ounces. Management anticipates AISC to be US\$9.50-10.50 this year and US\$10-11 in 2018 and 2019.

ounce of gold 16.9

Management

Management has shown the ability to achieve its guidance. It has done so for three consecutive years.

Specifically, in 2016, the company exceeded its silver production guidance (by producing 21.3 million ounces of silver) and met its gold production guidance (by producing 385,100 ounces of gold).

It achieved this while meeting or exceeding its guidance for its AISC for per ounce of silver and gold.

It pays a monthly dividend

Since late 2014, Tahoe has maintained its monthly dividend. This is rare 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 \$11.60 per share, it yields almost 2.8%.

With capital spending ramping down, that should lead to higher cash flows, Tahoe's dividend should be

safer.

Strong financial position

Tahoe has a solid financial position. It has about \$163 million of cash and equivalents, \$112 million of net cash, and a little debt on its balance sheet. Its debt-to-equity ratio is 0.02. At the end of 2016, it also had a current ratio of 2.39 and a quick ratio of 1.52, which look healthy.

Investor takeaway

Tahoe's profitability, cash flows, and share price will be affected by the volatility of silver and gold. In the meantime, it should be able to pay its monthly dividend which comes out to a yield of nearly 2.8%.

If you're bullish on precious metals, you can consider Tahoe as a part of precious metals portfolio.

Notably, Tahoe has a strong resistance at the \$12-12.50 level. If it breaks above that, it could head higher.

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