



Why Tahoe Resources Inc. Popped 15% on Wednesday

Description

The shares of **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) popped 15% on Wednesday after the company came out with positive first-quarter results.

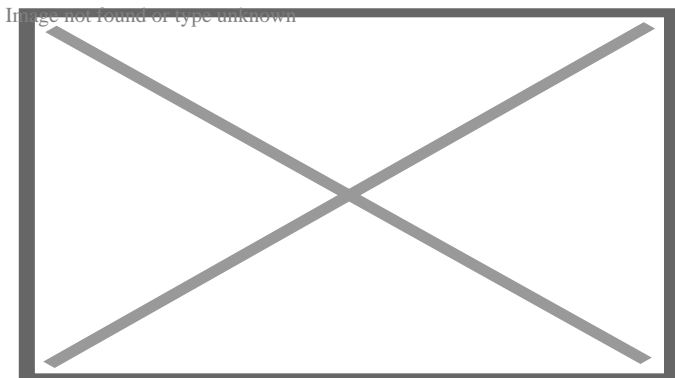
The precious metals miner had a few things to highlight: it had strong production and cost results from its silver and gold operations, it generated record cash flow and earnings, and it continued to make progress on its key development projects.

Moreover, the company continues to maintain a solid balance sheet with cash and cash equivalents of US\$175.4 million as of the end of March 2017.

Strong results from its silver and gold operations

In Q1 2017, Tahoe produced 5.7 million ounces of silver at Escobal, the third-largest silver mine in the world. This was 17% higher than Q4 2016. The total cash costs and all-in sustaining costs (AISC) were 11.7% and 16.9%, respectively, better than in Q4 2016.

Tahoe also produced 119,100 ounces of gold for the first quarter, which was comparable to Q4 2016's gold production of 119,900 ounces. The normalized total cash costs and AISC were \$623 and \$933 per ounce, respectively, which were below what the company guided for the full year of 2017.



Record cash flow and earnings generation

Tahoe's operating cash flow per share increased 79% from Q4 2016. It also generated adjusted earnings per share of \$0.24, which was four times the Q4 2016 adjusted earnings per share of \$0.06.

The record cash flow and earnings generations were largely due to a 33% growth in sales compared to Q4 2016. The sales growth was due to record gold sales of 115,900 ounces and selling silver at higher silver prices compared to Q4 2016.

Continuing its growth

In Q1 2017, Tahoe's capital spending totaled US\$48.6 million. Roughly 68% was used to maintain its operations at existing levels, and nearly 32% was related to project capital. Another US\$4.2 million was spent on exploration.

The company expects to increase its spending this year to expand the Shahuindo and the Bell Creek mine as well as explore a number of high-potential areas.

Dividend

Tahoe also offers a nice dividend, which is uncommon in the precious metals mining space. In the quarter, it paid out US\$18.7 million in dividends, while it generated cash flow of US\$132.9 million from its operations. At \$12.35 per share, Tahoe offers a yield of 2.6%.

Investor takeaway

Tahoe has done well so far in the year. It has produced silver and gold at levels and costs meeting or exceeding management's guidance.

Its dividend also seems safe as the company generated strong operating cash flows for the quarter. As well, it has a strong balance sheet with cash and cash equivalents of US\$175.4 million at the end of the quarter.

Whether shares will go higher from here will largely depend on if the company can continue to execute to meet or exceed its production guidance and to keep costs low. Of course, any uptick in silver or gold prices will certainly help.

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