



## Investors: More Gold Companies Are Showing Up on My Value Screen

### Description

I screen for companies that are attractively valued, generating strong cash flow growth and maintaining clean balance sheets. Many times, the companies that show up are out of favour and are very small companies that really don't have enough liquidity for most big institutional investors to take on. But they are sometimes perfect for the smaller investor.

So, for the first time in a while, I am seeing gold companies make the list. One gold company that shows up in the results is **OceanaGold Corporation** ([TSX:OGC](#)).

This seems to be perfect timing, as a declining U.S. dollar and increasing geopolitical tensions make gold's safe-haven quality increasingly attractive.

OceanaGold is delivering stellar results on the production side of things as well as on the cost side. The issue with the company, though, is the fact that there is heightened geopolitical risk in the Philippines, which is where OceanaGold's Didipio mine is located. This is mitigated by the company's operations in New Zealand and the U.S., but it does represent 42% of the company's production in the first quarter of 2017, so it is still significant.

Production and costs for the quarter were better than expectations with production rising to record levels and all-in-sustaining costs coming in at a very strong \$521 per ounce. The balance sheet is strong with \$70.6 million in cash and \$85.8 million in liquidity, and a reasonable amount of debt.

Two catalysts going forward are the fact that the Philippines's new environment minister is saying that it's possible to balance mining and nature, and he is all for responsible mining, so we can expect an improved environment there. This is very good news and lowers the geopolitical risk associated with OceanaGold, because the other candidate, Gina Lopez, had threatened mine suspensions. And just as positive is the fact that she cannot be reappointed by the president. So, this is very good for the company.

Also, the company's new mine in South Carolina, U.S., the Haile mine, will be ramping up production during the year. It is currently producing 21,000 ounces in the first quarter, and the ramp-up is progressing as expected. The future production profile will be increasingly clear as the year progresses.

The valuation on the stock is quite cheap, trading at 1.5 times book value with an ROE of over 11% and a price-to-cash flow ratio of under seven times. I expect this stock to do well, and I think that the risk/reward on it is very favourable.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. TSX:OGC (OceanaGold Corporation)

## **PARTNER-FEEDS**

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