



Why Kinross Gold Corporation Could Be a Glimmering Turnaround Play

Description

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)) is a Canadian gold and silver mining company whose shares have given up about 27% of gains from the sharp rally it enjoyed in the early part of last year. Kinross is an underrated company that has made major moves over the last few years to better position itself as a rebound candidate.

The company's fundamentals aren't as bad as the beaten-up stock price would suggest. Although the company has run an inefficient business over the past few years, the management team has made fundamental improvements that will benefit the company over the next few years.

Shares are still off over 80% from all-time highs. Typically, companies that are this beaten up are usually in tremendous financial distress, but Kinross actually has a healthy balance sheet with little debt and a total liquidity about \$2.5 billion.

The company recently reported its first-quarter results which were quite solid and seem to be a good indication that Kinross is back on the right track. For the first quarter, Kinross saw revenues increase by \$798 million, which was slightly more than the \$782 million in revenue during the same quarter last year. Q1 earnings per share clocked in at \$0.11.

The company stated that its Tasiast phase one expansion is on budget and scheduled to reach its full production capacity in the second quarter of 2018. A feasibility study for Tasiast phase two is also scheduled to be completed in the third quarter of this year.

The Tasiast mine has not lived up to expectations, but the management team has been investing a lot of cash into the project with the hopes that it can achieve better operational efficiency while production ramps up. Phase one and two of the Tasiast expansions are set to triple to 770 ounces per year with costs declining below \$500 per ounce. It looks like the Tasiast project is turning around, and I believe once the expansions go online, Kinross shares will get a well-deserved bump from current levels.

I think the recent weakness in shares of Kinross presents a terrific long-term buying opportunity for investors who want a solid turnaround play. The management team is making real changes, and I believe these changes will result in a much higher stock many years down the road.

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