



Why Tahoe Resources Inc. Stock Appreciated ~33% on Monday

Description

As of writing, **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) stock has appreciated roughly 33%. If you recall, just two months ago, the shares declined 43% largely due to [the suspension of its licence](#) to operate its Escobal mine in southern Guatemala, which resulted from an action brought by the anti-mining organization CALAS against Guatemala's Ministry of Energy and Mines.

Back then, I said, "it's unlikely that its shares will move materially higher until the licence issue is resolved. It's also questionable if Tahoe Resources will be able to maintain its monthly dividend." The company did end up suspending its dividend in August.

The Escobal mine licence is reinstated

The reason that the stock appreciated on Monday was that the Guatemalan Supreme Court decided to reinstate the Escobal licence.

The company press release stated, "While the Supreme Court ruling allows Escobal operations to commence immediately, the illegal roadblock at Casillas is ongoing, preventing an immediate restart of operations at this time. The company continues to work with the government, community leaders and international mediation experts to resolve the roadblock situation peacefully and expeditiously. Upon a resolution of the blockade, the company expects to resume production at Escobal within a week."

The reinstatement of the Escobal licence is the key news needed for the turnaround of the stock.



Will Tahoe Resources restore its dividend?

The Escobal mine has a big impact on Tahoe Resources. Last year, the company produced 21.2 million ounces of silver from the mine and about 38.5 thousand ounces of gold from other mines. The Escobal mine contributes meaningfully to the company's sales, earnings, and cash flows. So, it's likely that the company will reinstate its dividend soon after the Escobal mine starts producing again.

Should you buy Tahoe Resources today?

Obviously, the easy money has been made with the stock rising more than 30% in a day. However, before the Escobal mine suspended operations, the stock has tended to trade above \$10. So, it's logical to think that the stock could trade at least at \$10 again. If so, the stock can still deliver an upside of roughly 31% from the current price of about \$7.60 per share.

Investor takeaway

Tahoe Resources can still deliver double-digit returns in the near term as the company is given the green light to run its Escobal mine again, and especially if it restores its monthly dividend.

However, with the recent spectacle, the company is suitable for investors with a big appetite for risk. Conservative investors should stay away to avoid the potential roller-coaster ride.

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Date

2025/07/31

Date Created

2017/09/12

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