



Tahoe Resources Inc.'s Poor Q3 Sends the Stock Down 9%

Description

Tahoe Resources Inc. (TSX:THO)(NYSE:TAHO) saw its stock plummet more than 9% on Tuesday, as investors were unimpressed with the company's quarterly earnings, which were released on Monday.

Revenue for the quarter totaled \$155 million and declined 34% from last year. Tahoe also posted a net loss of \$8 million in Q3, which was down from last year's profit of \$63 million.

Let's take a closer look at the company's performance this quarter to see what drove the poor results and if it could be a good buy on the dip.

Escobal problems drive down sales in Q3

Tahoe had its mining licence revoked at its Escobal mine earlier this year, and [although it has since been reinstated](#), the damage for Q3 has been done. Revenue from the mine was just \$6.8 million for the quarter — down from \$103 million in the prior year, when it made up 44% of total sales.

In Q3 last year, Escobal also contributed \$55 million in operating earnings, while this year it incurred a loss of \$15 million.

Other mines see declines in operating earnings

The company's other mines contributed \$148 million in sales this quarter, and that was an increase from the \$131 million that was generated a year ago.

However, despite the increase in sales, the earnings from Tahoe's other mines were down a total of \$22 million. The biggest decline was at the company's La Arena mine in Peru, which saw margins nearly cut in half and resulted in \$14 million less in operating earnings.

Overall, Tahoe saw its operating costs rise 11%, despite a drop in production and significantly less revenue.

Gold the lone bright spot on the company's financials

The company's gold sales were up 10% from last year, and that was the only positive to take from Tahoe's operations this quarter. Silver sales, which were negatively impacted by the Escobal mine, were down 94%. Lead sales also declined 67%, while zinc dropped by more than 82%.

Taxes send the quarter into the negative

Despite the rising costs and challenges the company faced in Q3, it's still a little impressive that Tahoe saw earnings before taxes reach breakeven at \$501,000. However, income tax expenses of over \$8 million ensured that the company's performance would finish in the red.

Stock has taken a beating this year

Tahoe is an interesting stock to say the least. With all of its assets and its potential, it should be trading at a lot more than where it is at today. The stock is trading at about two-thirds of its book value and has a terrific asset in its Escobal silver mine, which could send the company's revenue soaring in the years to come.

However, despite the reinstatement of its mining licence, investors have been hesitant. The stock is down 55% year to date, and it could be a great bargain at this price.

Is the stock a buy?

[Investing in mining stocks is risky](#), but there can be tremendous upside if and when things take off. Even gold-mining giant **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) isn't immune to issues, as it has run into disputes with the government in Tanzania.

For value and growth investors, Tahoe presents an attractive investment option at such a low entry point, but it isn't for the faint of heart.

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