



## Is This Beaten-Down Gold Miner Poised to Bounce Back?

### Description

Gold's latest weakness doesn't bode well for miners of the precious metal. After breaking through the psychologically important US\$1,300-per-ounce mark in early January 2018, the yellow metal has retreated, sharply plummeting to be trading at around US\$1,227 an ounce. This has hit many gold miners hard, especially those with higher-cost operations.

One that has been [battling](#) for some time to rein in costs and unlock value for investors is **IAMGOLD Corp.** ([TSX:IMG](#))([NYSE:IAG](#)). There are signs, however, that the miner has reduced risk in its operations and is poised to soar. It has already defied weaker gold, rising by almost 11% over the last three months compared to gold's 9% decline.

### Now what?

A pleasing aspect of IAMGOLD's operations has been the plan to minimize jurisdictional and geopolitical risk by diversifying its portfolio into North America, while reducing its dependence on South America. That now sees 34% of its 25 million ounces of measured and inferred resources located in North America, 23% in South America, and the remaining 43% in Africa. IAMGOLD ended 2017 with gold reserves of 14.5 million ounces, which was an 86% increase compared to a year earlier.

The miner has been able to steadily grow production. For the first quarter 2018, it produced 229,000 gold ounces, which was a healthy 7% greater than the same period in 2017. This places IAMGOLD on track to achieve its 2018 production guidance of 850,000-900,000 ounces, which, at the upper end, represents a 2% increase over 2017.

Importantly, in an operating environment where gold has weakened IAMGOLD's costs are falling. For the first quarter, it reported all-in sustaining costs (AISCs) of US\$953 per ounce produced, which was 4% lower than a year earlier. IAMGOLD expects 2018 AISCs to be between US\$990 and US\$1,070 an ounce, which, at the bottom end, is US\$13 an ounce lower than the US\$1,003 reported for 2017.

Because first-quarter AISCs were less than the forecast guidance for 2018, there is every indication that the lower end of that range can be achieved. IAMGOLD predicts that AISCs will continue to fall to be around US\$850 an ounce by 2022.

Another pleasing aspect of IAMGOLD's operations is that the company has worked hard to strengthen its balance sheet. It finished the first quarter with US\$831 million in cash, working capital of US\$944 million, and long-term debt of US\$393 million. That last point is particularly important to note, because IAMGOLD's long-term debt is slightly greater than one times its EBITDA, indicating that level of debt is very manageable. Such a strong balance sheet gives the miner considerable financial flexibility in an operating environment where the outlook for gold has dimmed.

IAMGOLD is also in the process of developing the Cote gold project in Ontario, which is expected to commence production in 2021. This will give the miner's reserves and production a solid lift, further boosting its earnings.

### **So what?**

After showing much promise but failing to unlock value for some time, IAMGOLD finally appears to be on the right path. It has significantly reduced jurisdictional risk in its portfolio of mining assets and bolstered its balance sheet to see it holding considerable cash and a low amount of debt. That — along with its growing production and falling costs — leaves it well positioned to unlock value for investors, which should see its stock appreciate in value. This will be assisted by the [looming trade war](#), which has unnerved financial markets.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:IAG (IAMGOLD Corporation)
2. TSX:IMG (IAMGOLD Corporation)

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### **Date**

2025/08/18

### **Date Created**

2018/07/19

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