



Latest Results Highlight Why This Silver Miner Is an Attractive Investment?

Description

The last few years have been painful for investors in silver. The white metal has failed to keep pace with gold and performed poorly, recently sliding under US\$15.40 per ounce as a [less-than-optimistic outlook](#) weighs on the metal.

Nonetheless, this has created an opportunity for contrarian investors seeking to bolster their exposure to silver. One of the best ways to gain considerable levered exposure to the metal is by investing in **Fortuna Silver Mines** ([TSX:FVI](#))([NYSE:FSM](#)), which reported some solid second-quarter 2018 results, despite the difficult operating environment. While silver has weakened by over 9% since the start of 2018, Fortuna's stock has only shed around 1%, and this can be explained by the quality of its operations and the miner's positive outlook.

Now what?

Fortuna has been steadily investing in its operations to boost production, and for the second quarter, silver output was 10% higher year over year, while all-in sustaining costs (AISCs) were down by 17% to be US\$10.03 per ounce produced. Because of this strong operational performance coupled with higher base metal prices, Fortuna reported a remarkable 33% year-over-year increase in EBITDA, while net earnings popped by a healthy 26% to just over US\$11 million.

These results indicate that Fortuna is on track to meet its 2018 guidance. For this year, the miner expects production of 8.3 million ounces of silver and total silver equivalent output of 11.4 million ounces, which is slightly lower than the 11.9 million reported for 2017. The focus on controlling costs combined with AISCs of US\$6.80 per ounce produced will ensure that Fortuna reports some solid financial results for 2018, which should give its stock a boost.

Key to Fortuna's future and its appeal as an investment is its 100%-owned Lindero gold project in Argentina. This asset is expected to be commissioned during the second quarter 2019 and reach commercial production later that year. The mine has been assessed to have reserves of 1.7 million gold ounces at an average grade of 0.62 grams of metal per tonne of ore. This is a credible grade for an open-cut gold mine and should see it operate with AISCs of US\$802 per gold ounce produced,

underscoring its profitability in an operating environment where gold will likely be trading at over US\$1,200 per ounce.

On commencement of commercial operations, the Lindero mine will reduce Fortuna's dependence on silver and the impact of silver's prolonged slump, making it an important positive catalyst for the miner. It isn't unfeasible — upon reporting successful operations at Lindero — that Fortuna's stock will soar.

Fortuna's strong financial health makes it an even more appealing investment. It finished the second quarter with considerable liquidity holding US\$198 million in cash and short-term investments, along with US\$80 million undrawn on an existing credit facility. This leaves Fortuna in a strong financial position to continue funding the Lindero project, removing much of the risk associated with its development.

So what?

Despite weaker silver and the white metal's poor outlook, Fortuna is an [attractive play](#) on precious metals. Not only will the Lindero mine — once it comes online — reduce the miner's dependence on silver by bolstering its gold output, but there are signs that gold will recover in coming months. This is because of the multitude of economic and geopolitical fissures, including an emerging trade war between the U.S. and China, which could derail global economic growth and possibly spark another financial crisis.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:FSM (Fortuna Silver Mines)
2. TSX:FVI (Fortuna Silver Mines)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/17

Date Created

2018/08/09

Author

mattdsmith

default watermark