



Latest Results Indicate That Now Is the Time to Buy This Precious Metals Miner

Description

After nearly collapsing after a poorly conceived attempt at expansion, there are signs that dedicated palladium miner **North American Palladium** (TSX:PDL) is starting to [unlock value](#) for investors. For 2017 it recorded a record profit, and in early 2018 it launched a strategic review aimed at maximizing shareholder value. The latest results indicate that North American Palladium is delivering value for investors.

Now what?

For the third quarter 2018, North American Palladium announced strong results, including adjusted EBITDA of \$38 million, which was 73% higher than a year earlier, and net income of \$23 million, or almost double the \$12 million reported for the third quarter 2017. Those solid financial results can be attributed to a robust operating performance where palladium production expanded by 7% year over year to 56,852 ounces.

While all-in sustaining costs (AISCs) rose by 6.5% compared to a year earlier, they were still a respectably low US\$733 per palladium ounce produced. This increase in expenses was more than offset by higher palladium prices. For the third quarter, the spot price for palladium averaged US\$1,094 per ounce, which was 17% greater than for the same period in 2017.

There is every sign that North American Palladium will report strong fourth-quarter and full-year 2018 results.

You see, palladium, which is a key element used in the fabrication of catalytic converters, has seen its price explode over the course of 2018. Rising demand coupled with emerging supply constraints and fears of greater tensions between the U.S. and Russia as well as other rising geopolitical risks helped to buoy the precious metal's price to a record high of US\$1,150.50 per ounce just over a week ago.

While palladium has pulled back to around US\$1,100 an ounce, prices are expected to [remain firm](#) over the remainder of 2018 and into 2019. This is because a rebound in Chinese car sales is anticipated, as Beijing looks to cut automotive purchase taxes to invigorate consumption. That would give sentiment for palladium a considerable lift because of its importance in the fabrication of catalytic

converters. It is this growing demand, coupled with potential supply disruptions, which sees analysts tipping that palladium will average around US\$1,000 an ounce through to 2021.

North American Palladium has forecast that 2018 annual production will be 230,000-240,000 palladium ounces, which, at the projected bottom range, is 14% greater than 2017.

However, operating expenses aren't expected to be as low as originally forecast. North American Palladium recently announced that 2018 AISCs will be around US\$700 an ounce rather than the US\$640-660 originally predicted. It should be noted, however, that after peaking in 2020 production costs at the miner's operations are expected to fall substantially, leading to improved profitability, which, when coupled with firmer palladium, will give earnings a solid bump.

A pleasing aspect of investing in North American Palladium is the miner's solid balance sheet. It finished the third quarter with \$20 million in cash and zero long-term debt, although there was \$28.5 million in finance leases and asset retirement obligations recorded on the miner's balance sheet.

So what?

North American Palladium's 2015 restructuring was a brutal affair for existing investors and arose because of the miner's near collapse triggered by a poorly designed expansion. The latest results, however, indicate that management has successfully turned the company around and that it is capable of consistently unlocking value for investors. This, combined with higher palladium prices, makes it an attractive investment, especially when it is considered that the miner could become a takeover target in coming months.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

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

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/09/12

Date Created

2018/11/02

Author

mattsmith

default watermark