



Massive Mover Alert: This Silver Stock Just Jumped 46% This Morning!

Description

When a stock that was tumbling like there's no tomorrow opens almost 45% higher one day, you know there's a big story playing out there. Investors in the beleaguered silver mining company, **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) woke up this morning to a similar experience: The stock's up a staggering 46% to \$4.20 as of the time of writing. Thank bigger rival **Pan American Silver Corp.** ([TSX:PAAS](#))(NASDAQ:PAAS), which has decided to acquire Tahoe Resources in a deal valued worth around US\$1.07 billion.

Pan American Silver shares, however, are down nearly 13% after the announcement.

So what

When I wrote about [Tahoe Resource's woes](#) more than a year ago, the stock was still trading for a respectable price of around \$6.50. Today, even after the massive jump, it's asking for only around \$4.20 apiece. Clearly, something big happened in between that sent Tahoe shares plummeting. It was news from Guatemala.

In July last year, the Supreme Court of Guatemala suspended the mining licence for Tahoe's key mine, Escobal, wiping out nearly half the company's revenue source in one sweep.

Since then, Tahoe has booked millions of dollar in impairment charges on Escobal and slashed its workforce even as it kept other mines in Peru and Canada running to generate revenues. The miner's sales tanked, losses soared, and cash burned rapidly.

Just earlier this month, Tahoe reported a net loss of USD\$212.4 million for the nine months ended September 30, 2018 compared with a profit of US\$99.8 million in the year-ago period. Tahoe also estimated that the present situation pegs Escobal to restart in December 2019.

Now what

It's clear by now that Tahoe is in rough waters, and it isn't surprising to see the company selling itself out to Pan American Silver. Pan American is one of the [strongest silver mining companies](#) in terms of

its asset portfolio, margins, and balance sheet strength.

As per the agreement, Tahoe shareholders have two options: Take US\$3.40 per share in cash, or 0.2403 Pan American shares for each Tahoe share held. At that price, the deal is valued at around US\$1.07 billion. Tahoe shareholders, however, will also receive a contingent consideration on the restart of the Escobal mine.

Interestingly, although Tahoe shares shot through the roof and are hovering around the merger price, there's a lot of chatter among shareholders of both companies, and neither seems to be a happy lot.

Some shareholders in Tahoe are miffed that the company decided to sell out at a time when its share price hit record-lows just one day ago, which also means a low acquisition price. Pan American shareholders are worried about the risks in Guatemala.

From where I see things, Pan American threw a lifeline at Tahoe Resources, and its shareholders might as well grab it and invest in Pan American Silver for exposure to the precious metal as the merger will create the world's largest publicly-traded silver mining company with one of the largest silver reserves.

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