



## Now Is the Time to Buy This Intermediate Gold Miner

### Description

There is growing conjecture that now is the time for investors to bolster their exposure to gold. The yellow metal has again rebounded, rising to just over US\$1,220 per ounce as fears of a market correction and slower than expected economic growth coupled with [rising geopolitical risk](#) have spooked investors. While they typically think of senior miners like **Barrick Gold Corp.** and **Goldcorp Inc.** when considering boosting their exposure to gold, it is the smaller miners that offer considerably more upside. One which stands out after reporting some strong third quarter 2018 results is **OceanaGold Corp.** ([TSX:OGC](#)).

### Now what?

For the third quarter 2018 OceanaGold, which owns a geographically diversified portfolio of four operating mines, reported some strong results including record year to date revenue of US\$589 million which was 23% greater year over year. This was despite gold production for that period remaining flat compared to the first nine months of 2017 and all-in sustaining costs (AISCs) rising by 17% to US\$751 per ounce produced.

The notable financial performance was underpinned by a firmer realized price per ounce of gold sold which more than offset increased costs. Because of the significant increase in revenue OceanaGold reported that EBITDA for the first nine months of 2018 shot up by 12% year over year to US\$290 million while net earnings expanded by a healthy 33% to US\$111 million.

The strength of those year-to-date results saw OceanaGold revise its 2018 production guidance upwards for the second time this year. The miner now anticipates that full year gold production will be 515,000 to 545,000 ounces, which represents at the lower end of that projection a 3% increase over OceanaGold's earlier guidance.

OceanaGold also informed investors of a new gold discovery at the Wharekirauponga (WKP) exploration property where drilling continues to deliver impressive results, thereby underscoring the tremendous potential this asset holds. Its development and exploration operations have experienced considerable success, and it is easy to envisage them boosting OceanaGold's reserves and production.

The miner also announced that it had strengthened its balance sheet, reducing debt by US\$50 million or 23% year over year to US\$180 million while bolstering liquidity by 18% to US\$140 million. That considerable liquidity is composed of US\$70 million in cash and undrawn credit of an additional US\$70 million.

OceanaGold appears undervalued given that it is trading at a discount of around 29% to the net-asset-value of its reserves of 5.9 million gold ounces. When considered in conjunction with OceanaGold's enterprise value to adjusted earnings is lower than many of its peers, the miner appears very attractively valued.

### **So what?**

There is every likelihood that gold is due for another rally because of growing geopolitical risk and an increasingly poor economic outlook for the global economy in 2019. That along with OceanaGold's expanding production, quality assets and attractive valuation, make it a gold stock that all investors should add to their portfolio to weather-proof it against the growing risk of another [financial crisis](#).

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **POST TAG**

1. Editor's Choice

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1. TSX:OGC (OceanaGold Corporation)

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