



This Value Miner Is a Top TSX Index Stock for December

Description

Anyone looking to stack up shares in Canadian miners may have been forgiven for watching the sector pick up speed in recent weeks and wishing they'd got in sooner. The following diversified stock is a true Canadian classic in the metals sector: a base metals mining company with a presence in South and North America, Portugal, and Sweden. It's gained over 5% over the last five days, only to dip almost as much overnight, presenting a sudden value opportunity.

Lundin Mining ([TSX:LUN](#))

A favourite TSX stock to watch for a dip, [Lundin Mining](#) recently announced an equity buyback for 63,718,842 shares. Its share price had been gradually falling since the start of the year, and the announcement sent its share price climbing. A value opportunity has opened up since then, making this popular Canadian mining stock suddenly a strong buy, rather than a hold.

With a market cap of \$5 billion, this is a solidly defensive metal and minerals superstar. It outperformed the industry, but underperformed the market in the past year (the latter being arguably less of a big deal than the former). Fortunes have been mixed of late: earnings dropped 22.5% over the past year, weighing down an otherwise positive five-year average past earnings growth of 20.1%.

Is this a stock to hold long-term?

The usual play for a mining stock is to hold it for capital gains. However, with this stock, a dividend combined with good value and a positive outlook may add up to a stock to buy and hold the way you might with any other passive income stock. More insider buying than selling in the last three to six months spells confidence among those in the know, and is generally a pretty good indicator that a stock is solid.

In terms of value, a P/E of 11.5 times earnings and P/B of 0.9 times book give a good indication that this stock is undervalued. At today's price, you get a [dividend yield](#) of 1.91%, which is a real boon for a metal and minerals stock. Throw in low debt at just 10.3% of net worth, and a very positive 27.6% expected annual growth in earnings and you have a very attractive mining stock.

Having gained 5.26% in the last five days, Lundin Mining continues to show that it can reward capital gains investors with tasty spikes of upside. Its beta of 2.59 indicates fairly high volatility, adding to its potential as a strong pick (no pun intended) for momentum investors. Meanwhile, a share price discounted by 27% compared to its future cash flow value indicates that now is indeed a good time to get in.

The bottom line

So is Lundin Mining a buy? There is always a good case to be made for Canadian miners if you want to make fairly quick money with stocks, and the fact is that Lundin Mining ticks a lot of boxes: it's attractively valued, it's got some momentum, and it also pays a dividend – all of which is a rare combination. Investing in Canadian miners is a good way to add some backbone to a diversified portfolio, and few miners on the TSX index match this one in terms of overall strength.

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