



Is This Silver Miner a Deep Value Investment Opportunity?

Description

Silver has rallied in recent weeks following gold higher after a poor performance during the second half of 2018. While the white metal has firmed to see it down by only 8% over the last year, many silver miners have yet to rally. One that's has been heavily marked down by the market because of silver's 2018 price collapse and its own internal problems is **Great Panther Silver Ltd.**([TSX:GPR](#))(NYSEMKT:GPL). The miner has lost 46% since January 2018, leading to considerable speculation that it is now an attractively valued means of cashing in on higher silver.

Poor operational results

Aside from weaker silver, much of Great Panther's decline can be attributed to deteriorating precious metals production. For the fourth quarter 2018, silver output fell by 15% year over year to 438,152 ounces, while gold dropped by 31% to 4,101 ounces. Even after allowing for an 8% and 20% increase in lead and zinc production respectively, Great Panthers overall production declined by 11% compared to a year earlier to 951,784 silver equivalent ounces. That can be attributed to the miner focusing on reducing the volume of mining activities at its higher cost operations because of weaker metals prices.

Despite this decline, Great Panther achieved the upper end of its 2018 guidance, producing 4,170,959 silver equivalent ounces for the year that was 15% higher than 2017.

Nevertheless, Great Panther's 2019 production will likely decline further because it has chosen to shutter its Guanajuato mine in Mexico for 2019 because of the [poor outlook](#) for silver. That mine is responsible for around 18% of the miner's consolidated production, which should be offset by to some extent by growing production at Great Panther's San Ignacio and Topia mines.

In fact, the Topia mine's 2018 production grew by a stunning 42% year over year to 1,548,336 silver equivalent ounces and will continue to rise going into 2019.

Great Panther's [acquisition](#) of **Beadell Resources Ltd.**, which owns the Tucano gold mine in Brazil will expand the miner's precious metals production on completion in February 2019. This will position it to benefit from higher gold, with it appearing increasingly likely that the yellow metal will rally further and break through the psychologically important US\$1,300 an ounce barrier. That will give Great Panther's

earnings a healthy lift.

Another issue experienced by the miner is its high operating costs. For the third quarter 2018, it reported cash costs of US\$13.56 per silver equivalent ounce produced and US\$16.86 per ounce for its all-in sustaining costs (AISCs). Great Panther's AISCs for the period were 17% greater than the average realized silver price for the period of US\$14.45 an ounce, which effectively means that the miner was operating at a loss.

This was reflected in its financial results where it reported a third quarter net loss of US\$0.02 per share. Operating expenses should fall because of management's decision to suspend operations at the high cost Guanajuato mine, which along with firmer gold and silver prices, will boost earnings over the course of 2019.

Should investors buy Great Panther?

The miner is tough to like. Declining production and high operating expenses don't bode well for its performance in a difficult environment where the outlook for silver remains poor.

Nonetheless, the Beadell deal will reduce its reliance upon silver by boosting its gold reserves and production, which, along with firmer gold as well as lower costs will boost its profitability. And that coupled with Great Panther having lost over 45% since early January 2018 — far greater than many of its peers — does make it an attractively valued play on higher silver for risk tolerant investors.

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Author

matttdsmith

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