



Get Ready for Gold's Next Leg Up by Investing in Pretium Resources Inc. (TSX:PVG)

Description

Pretium Resources (TSX:PVG)(NYSE:PVG), which owns and operates the world-class Brucejack mine in northwestern British Columbia, was [savaged](#) by the market when its operations failed to live up to expectations. After reporting disappointing operational results after commercial production at the mine commenced in early July 2017, the market heavily marked down Pretium's stock to see it down by 34% over the last two years. This is despite it rallying significantly toward the end of 2018 because of improved results. That has created an opportunity for investors seeking exposure to a high-quality gold miner, which is poised to soar as it unlocks value for investors.

Worse-than-expected 2018 results

Pretium recently announced after the completion of a long and arduous remediation program that Brucejack had reached steady-state commercial production. For the full year 2018, Pretium reported production of 376,012 gold ounces and estimated that second-half all-in sustaining costs (ASICs) were between US\$710 and US\$770 per gold ounce sold.

Gold output for the year was roughly 3% lower than the lower end of the miner's 2018 guidance of 387,000-407,000 ounces. That miss has also contributed to recent weakness surrounding Pretium's stock. The company's investigation into suspicious trading activity of its stock is also weighing on its value, but despite these issues, Pretium is still an attractively valued investment for investors seeking to bolster their exposure to gold.

Pretium has implemented strategies aimed at bolstering gold output, and their success is illustrated by fourth-quarter 2018 production expanding by a notable 28.5% year over year to 90,342 gold ounces. That bodes well for production to increase further over the course of 2019.

Production growth will be driven by Pretium's grade control program, and its plans to increase the volume of ore milled per day to 3,800 tonnes, which is a healthy 38% greater than 2018. The miner has secured the requisite permit required to increase the volume of ore processed and mined. This means

that Pretium is well positioned to benefit from higher gold, which will lift earnings.

The miner is also focused on reducing costs through the implementation of a range of operations efficiencies. For this reason, it expects that 2019 AISCs will fall compared to 2018, boosting profitability.

Demonstrated improvements in production consistency, higher ore grades, and lower costs will act as powerful tailwinds for Pretium's stock. There is a growing consensus that gold will [climb higher](#) over the course of 2019 with increasing economic uncertainty and a sharp uptick in geopolitical risk, which is being driven by the crisis in Venezuela, sparking a flight to safety among investors.

Pretium also strengthened its financial position and balance sheet during the second half of 2018. This included repurchasing a precious metals stream in December 2018 for US\$237 million, securing a US\$480 million credit facility and finishing 2018 with around US\$45 million in cash. That leaves Pretium in a position to finance the improvements required at Brucejack to increase production to 3,800 tonnes daily, including the US\$25 million upgrade to the mine's milling facility.

Is it time to buy Pretium?

Pretium's stock has been exceptionally volatile since production at Brucejack commenced in 2017. The miner has consistently missed forecasts, primarily because of the high variability of gold mineralization in the ore body being mined, disappointing the market. That has resulted in its stock plunging from 2017 highs, where it was trading at over \$12 a share to be down by 3% for the year to date.

Nonetheless, Brucejack is a world-class asset, and once Pretium has boosted mining and milling capacity as well as introduced further measures to control ore grades, production will expand at a solid clip. That — combined with its stronger balance sheet, the elimination of the 8% precious metals stream, and the latest sell-off — leaves it attractively valued, making it a volatile but solid play on higher gold.

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