



This Intermediate Gold Miner Is Poised to Rally Higher

Description

Substantial economic and political uncertainty have helped to buoy precious metal prices in recent months, causing gold to surge to over US\$1,343 per ounce, leading many analysts to proclaim that the yellow metal has entered a [new bull market](#). Even a firmer U.S. dollar and higher interest rates, which are usually viewed as being bad for gold, have failed to prevent its rally. There are signs that gold will remain firm for the foreseeable future, making now the time for investors to bolster their exposure to the yellow metal. One intermediate gold producer that has performed strongly is **SSR Mining** ([TSX:SSRM](#))([NASDAQ:SSRM](#)), which gained 66% over the last year.

Solid 2018 results

Despite this strong gain, SSR Mining still appears attractively valued and will move higher as a range of positive catalysts, including firmer gold and higher production, boost earnings. The miner owns three operating mines and another three advanced-stage development projects, giving it reserves of 39 million silver ounces and almost four million ounces of gold.

The company has been steadily increasing its gold production, which, for the full year 2018, rose by 5% year over year to 300,763 ounces, although total gold equivalent production declined by 6% to 336,208 ounces. A key reason for this was lower silver output because of a sharp decline in production at the Puna operations in Argentina, where the 2018 average grade of ore processed declined by 25% compared to 2017 to an average of 114 grams of silver per tonne of ore (g/t).

SSR Mining's 2018 operating expenses also increased, seeing cash costs rise by 5% year over year to US\$736 per gold equivalent ounce produced and all-in sustaining costs (AISCs) by 12% to US\$1,088 per ounce.

The decline in gold equivalent production combined with a weaker realized silver price and higher AISCs impacted SSR Mining's 2018 financial performance. Operating income plunged by a whopping 70% year over year to US\$30 million to see the miner report a net loss of US\$31,000 compared to a US\$71.5 million profit a year earlier.

Nonetheless, SSR Mining is forecasting that 2019 gold equivalent production compared to 2018 will rise by somewhere between 4% and 17% to be in the range of 350,000-395,000 ounces. Of that production, 84% will be comprised of gold, allowing SSR Mining to benefit from firmer prices and the buoyant outlook for the yellow metal, while minimizing the impact of [weaker silver](#) on its financial performance.

The miner has also forecast that cash production costs for 2019 will be lower than 2018, falling by up to 9% to be somewhere between US\$670 and US\$730 per gold equivalent ounce produced. That — along with firmer precious metals prices and higher production — will give earnings a solid boost. Any notable uptick in SSR Mining's bottom line should translate into significant gains for its stock.

Is it time to buy SSR Mining?

The miner is also focused on developing its operating assets to reduce costs and expand production at a healthy clip. SSR Mining is aiming to boost gold equivalent production at its Marigold mine to 266,000 ounces annually by 2021, which is 30% greater than 2018 at a cash cost of US\$603 per ounce produced. For its low-cost Seabee mine, it expects annual 2021 production to rise by 12.5% compared to 2018 to 108,000 ounces at a cash cost of US\$504 per gold equivalent ounce sold. The ongoing development of SSR Mining's 75% joint venture Puna Operations in Argentina will substantially boost its silver output.

As a result, SSR Mining anticipates that combined 2021 gold equivalent production will reach close to 500,000 ounces at a cash cost of around US\$600 per ounce sold. That would give its earnings a healthy bump, especially if silver firms to over US\$16.50 and gold breaks through US\$1,400 per ounce, as many analysts are predicting. This will act as a powerful tailwind for SSR Mining's stock, causing it to appreciate further when gold commences its next leg up.

CATEGORY

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2. Metals and Mining Stocks

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Date

2025/08/23

Date Created

2019/02/26

Author

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