2 Undervalued Gold Stocks Set to Double

Description

Gold has been quietly regaining its lustre. In the midst of market volatility, investors turn to gold as a hedge against a recession. Having some sort of exposure to the precious metal is an important part of any diversification strategy.

It's no secret that the majors have struggled. Gold prices hit a peak in 2011 and then quickly crashed. Unfortunately, many of the majors were unprepared haven taken on a significant amount of debt. They were caught up in their own success, buying up any new property they could find.

Unfortunately, this led to over payment and write-offs when the price of gold crashed. Over the past number of years however, miners have taken a more disciplined approach to growth. There are also several junior producers who look very attractive today. Miners such as **Leagold Mining** (TSX:LMC) and **SEMAFO** (TSX:SMF).

Record quarterly production

Let's start with gold production — a key metric for any miner. Ideally, investors will want to see increased production and a path toward growth.

In 2018, Leagold and SEMAFO achieved record quarterly production. Leagold produced 302,550 oz of gold, up 58% over full-year 2017. It almost doubled revenue from $193 million to $376 million.

Likewise, SEMAFO increased production by 18% to 244,600 oz and revenue jumped by almost 15% over 2017.

Production is set to double

The best part is that both miners expect to grow production at a rapid pace. Leagold is already producing at a pace of 400,00o oz per year (up 32% from 2018) with a mid-term plan to reach 700,000 ounces annually, which will be achieved through the development of internal projects.

For its part, SEMAFO is expected to reach record production between 390,000 and 430,000 ounces in 2019. At the mid-range, this represents 68% growth over full-year 2018 production. It is also expected to generate significant cash flows as all-in sustaining costs are expected to average between $685–$735 per ounce. This makes it one of the lowest-cost mid-tier producers.

Cheap gold stocks

This is where it gets interesting for gold investors. SEMAFO is trading at a cheap forward price-to-earnings (P/E) of 12.38 with a P/E to growth (PEG) ratio of only 0.41. A PEG of under one is a sign that the company's share price is undervalued as its stock price isn't keeping up with expected growth rates.

Out of the 12 analysts covering the company, 11 rate the company a "buy" while the lone outlier has a "hold" rating on the stock. They have a one-year average price target of $5.20, which implies 32% upside.

Leagold is even cheaper. It has an incredibly cheap forward P/E of 6.48 and a PEG of 0.18. Analysts have a one-year average price target of $3.66, almost double today's share price.

Foolish takeway

As investors rotate out of high-risk stocks, gold can be a haven for investors. As the price of gold rises, these two junior miners will benefit in a big way. Even if the price of gold remains stagnant, there is a level of safety as both are growing production at a rapid pace.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/07/02

Date Created
2019/03/29
Author
mlitalien