



3 Mining Stocks Worth Buying in 2019

Description

Buying shares of a mining company can easily lead to huge returns. If you're not careful, however, the risks could be as large as any sector of the market.

Due diligence is always important, but when looking at mining companies, it's imperative that you understand what you're betting on.

If you want some help, here are a few hand-picked selections from The Motley Fool team.

Teck Resources Ltd ([TSX:TECK.B](#))([NYSE:TECK](#))

Fool contributor Mat Litalien thinks Teck Resources is on the verge of something special. "The company is flush with cash and is committed to returning excess cash to shareholders," he wrote recently.

What's so special about this stock?

While Teck Resources is mostly known for its coal production, its revenue streams are also diversified across copper and zinc projects. Most recently, the company entered the oil and gas space through its investment in the Fort Hills energy project.

As Litalien highlights, Fort Hills ramped to full production this year, with the potential to add significant cash flow to Teck Resource's books.

Annualized EBITDA is expected to surpass \$500 million, which would boost company-wide EBITDA by more than 10%.

What will Teck Resources do with all this extra money?

"The company is generating significant cash and the expectation is that the company will announce either a special dividend or an expanded buyback program," concludes Litalien. Both of this routes

could add quick value to Teck Resources stock.

Lucara Diamond Corp ([TSX:LUC](#))

Lucara's 6.6% dividend has looked like a bargain for months. Historically, the yield has averaged only half of its current level.

Why is this dividend being priced so cheaply?

In March, I [covered](#) how temporary pricing headwinds were masking the dividends sustainability.

"Lucara's stock has pulled back recently due to weak selling prices," I explained. "For example, in 2017, the company achieved average prices of around \$850 per carat. In 2018, that metric fell to just \$502 per carat."

I argued that through the final half of 2019, investors should expect to see pricing pick up due to strengthening demand and supply dynamics. Early metrics suggest that's already happening.

In May, Lucara reported first-quarter pricing of \$512 per carat, up from \$401 in the first quarter of 2018. Operating margins per carat doubled to \$343 from \$170.

Lucara gets around 70% of its revenues from just 5% of its output, so results could be lumpy, but it's this lumpiness that provides the bargain entry point. While you wait for the stock price to be rewarded, enjoy Lucara's fully covered 6.6% dividend.

Sandstorm Gold Ltd ([TSX:SSL](#))(NYSEMKT:SAND)

Fool contributor Matt Smith named Sandstorm Gold his "top precious metals streamer to buy in 2019."

What's a metals streamer? This business model seeks to capitalize on the success of mining projects while avoiding costly pitfalls if any one project fails.

Specifically, Sandstorm Gold provides financing for other mining companies, giving partners upfront cash to develop the project in return for a percentage of future production.

If the mine succeeds, Sandstorm Gold reaps major rewards. If it fails, or simply costs more than forecast, Sandstorm Gold isn't on the hook for any additional funding.

Sandstorm Gold benefits most when gold prices rise, but its cost of production (based on outstanding deals) could reach just US\$600 per ounce by 2023.

It's no wonder that Smith believes that the risk profile of Sandstorm's portfolio is "relatively low and significantly less than those connected to gold miners."

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Date

2025/08/24

Date Created

2019/05/26

Author

rvanzo

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