



## Here's Why This Gold Stock Is up 41% in 2019

### Description

Looking back at the stocks that have rallied this year, we can get a sense as to investor sentiment. In 2019, we have seen gold stocks rally and cannabis stocks taking a beating. This is a reflection of two things; first, that [investors have become a little more risk averse](#), looking for more defensive stocks, and second, that investors are looking for value as well as attractively priced stocks.

If you think that this trend will continue, it is worth looking into **Agnico-Eagle Mines** ([TSX:AEM](#))([NYSE:AEM](#)). This stock has soared 41% so far in 2019, as investors have gravitated toward more defensive stocks. It is the search for a safe haven to see them through these days of increasing uncertainties, risks, and geopolitical tensions that has led investors to gold stocks such as Agnico-Eagle.

Besides a general shift in investors' risk appetite, there are plenty of company-specific reasons why Agnico-Eagle stock has outperformed so far in 2019. Let's take a look.

### Operational excellence

\$19 billion Agnico-Eagle is a leading gold producer with assets in politically safe areas such as Canada and Europe. It is this strategy of keeping their assets in politically safe regions that has afforded Agnico-Eagle stock with its premium gold stock status. Similarly, the company's operational excellence means that this stock is a low risk way to get exposure to the defensive gold sector.

Last week, Agnico reported a more than solid quarterly result that highlights the level of quality of this company. Earnings came in above expectations, cash flow came in above expectations, and the company is now free cash flow positive. Agnico remains a best-in-class operator that continues to achieve industry-leading costs and that maintains an exceptionally strong balance sheet.

### Significantly increasing production and dividend growth

With the commissioning of the company's Meliadine mine and commercial production achieved in May,

and with the company's Ameruq mine having started production in the third quarter of 2019, Agnico has seen rapidly rising production. In the next few years, estimates are calling for a more than 30% increase in production from 2017 to 2021.

The addition of these high-quality mines and the corresponding increase in production has put Agnico in the very positive position of increasing its dividend. Last week, Agnico increased its dividend by an impressive 40%. Since 2000, Agnico has grown its annual dividend per share from \$0.08 to the current \$0.70. That's a compound annual growth rate of more than 12%. The stock is now trading at a dividend yield of 1.16%, and [dividend growth remains in the cards for the company](#).

## The rally in gold prices means great riches for Agnico

Agnico's realized gold prices rose 23% versus last year's third quarter to US\$1,480 per ounce, and being unhedged, Agnico has full exposure. This, along with production increases, resulted in a 357% increase in earnings per share and a 154% increase in cash flow from operations to \$350 million.

Gold prices are currently trading at just over \$1,500 per ounce, and with some analysts expecting gold prices to easily rally to north of US\$2,000 per ounce, upside to Agnico-Eagle stock remains big.

## Foolish bottom line

A very uncertain economic as well as political environment in the world today has propped up defensive "safe-haven" stocks such as gold stocks. Agnico-Eagle is the leader in the group, with rapidly accelerating low-risk production and cash flows, which have motivated the company to return some of this cash flow to investors via dividend increases. The stock has rallied big this year, and with rapidly increasing gold prices as well as sector rotation into defensive stocks, Agnico-Eagle stock's outperformance can easily be sustained into 2020.

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1. Dividend Stocks
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