



This Mining Company Looks Like a Warren Buffett Stock

Description

Agnico-Eagle ([TSX:AEM](#))([NYSE:AEM](#)) is a high-quality Canadian gold mining company that has produced precious metals since the company incorporated in 1972. The company's mines are [located in Canada](#), Mexico, and Finland, with mining and development activities in Canada, Europe, Latin America, and the United States.

The company is fully exposed to gold prices due to the company's policy of not hedging gold prices. Agnico-Eagle has declared a cash dividend every year since 1983 and earns a large proportion of revenue and cash flow from the production and sale of gold in both ore bar and concentrate form. A smaller portion of revenue and cash flow is generated by the production and sale of by-product metals, such as silver, zinc, and copper.

In 2018, Agnico Eagle recorded production costs per ounce of gold of \$713, full cash costs per ounce of gold produced of \$637 on a by-product basis, and \$710 on a co-product basis on payable gold production of 1,626,669 ounces. The average realized price of gold increased by 0.4% from \$1,261 per ounce in 2017 to \$1,266 per ounce.

The company has a price-to-book ratio of 3.92 and market capitalization of \$19.07 billion. Debt is moderate at Agnico-Eagle, as evidenced by a debt-to-equity ratio of 0.37. The company has reasonable performance metrics with an operating margin of 11.27% and a return on equity of (5.18)% due to one-time losses.

Agnico Eagle's operating mines and development projects are located in politically stable countries that are supportive of the mining industry. The political stability of the regions in which Agnico-Eagle operates helps to provide confidence in evaluating current and future prospects and mining profitability. Agnico-Eagle feels that several new mines and recently acquired mining projects have long-term mining potential.

The company reported proven and probable gold reserves of 22.0 million ounces at December 31, 2018, a 7.2% increase compared with 20.6 million ounces at December 31, 2017, while the gold reserve grade increased by 8.4%. Agnico-Eagle also makes it a point to maintain sufficient liquidity

with \$307.9 million in cash and cash equivalents and short-term investments, along with approximately \$1.2 billion in undrawn credit lines. The company continues to maintain an investment-grade credit rating and has adequate financial flexibility to finance capital requirements at the mines and development projects from operating cash flow, cash and cash equivalents, short-term investments, and undrawn credit lines.

The company has strong senior management continuity as CEO Sean Boyd has over 30 years of service with the company. Agnico-Eagle has declared a cash dividend every year since 1983 and looks to consistently execute business strategy to provide a solid foundation for growth.

The company strives to deliver high-quality growth while meeting market expectations and maintaining high performance standards in health, safety, environment and community development. Agnico-Eagle is also focused on building a strong pipeline of projects to drive future production.

In summary, Agnico-Eagle is a great Canadian mining company that strives to build the production base and generate increased value for shareholders. It has some characteristics of what [Warren Buffett](#) looks for in an investment.

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1. Investing
2. Metals and Mining Stocks

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