



Why This TSX Stock Soared 200% Post-COVID-19 Crash

Description

Equities across the globe were relatively quick to recover post-COVID-19 crash. Canadian broader markets managed to surge around 45% since its record lows in March, marking one of the grand upturns of all time.

However, there are some **TSX** stocks that soared far beyond broader markets. One of them is **Pan American Silver Corp.** ([TSX:PAAS](#)) (NASDAQ:PAAS). The stock has soared 216% since the epic coronavirus crash in March. Let's see how it's placed for the future and whether it has any steam left.

Top TSX stock soared 216% since March

Pan American is a \$9.4 billion mining company that engages in the production of silver, gold, and base metals like zinc, copper, and lead. It is the world's second-biggest silver producer and has the biggest silver reserve globally.

Gold contributes nearly 54% of Pan American's revenues, while silver accounts for 28%. Mines in Mexico and Peru collectively contribute approximately 75% of the company's topline. Contributions from gold in its consolidated revenues notably increased in the last few quarters, mainly due to higher yellow metal prices.

Gold prices have rallied around 30%, while silver has rallied more than 23% in the last 12 months, significantly benefitting miners.

In 2019, Pan American's earnings doubled compared to a year earlier. However, in the first quarter of 2020, its bottom-line once again [plunged](#) in a loss driven by pandemic-related mine suspensions. Given the uncertainties, Pan American has not issued guidance for the full year 2020.

Growth outlook and challenges

Notably, once the production normalizes after the recent mine suspensions, higher prices of precious

metals could notably benefit Pan American. Also, Escobal mine, the company's acquisition last year, is still inoperative due to legal matters. Escobal is a high-quality silver mine, which could substantially boost Pan American's topline.

Pan American stock seems to have gone too far recently. It is up more than 145% in the last 12 months. Based on earnings estimates of 2020, it is trading at a valuation multiple of 80 times. That's significantly expensive against peers as well as against its historical average.

The Foolish takeaway

Interestingly, investors are paying hefty premiums for mining company stocks these days, mainly due to a bullish outlook for precious metals. However, in the case of Pan American, uncertainties in short to intermediate-term might dominate. Lower production amid the pandemic and keeping highly resourceful Escobal mine inoperative could be troublesome for the company.

In the last five years, Pan American Silver stock has delivered total returns of almost 350%. That means if one had invested \$10,000 in this TSX stock five years ago, they would have accumulated almost \$45,000 today. Investors should note that much of this gain has come in the last year amid rallying metal prices.

[Rosy outlook for traditional safe-haven—gold](#) could continue to impact Pan American's earnings positively. However, at the same time, uncertainties regarding its mines might weigh on its market performance. What concerns more is its current valuation. Even if Pan American outdoes near-term challenges, its financials do not justify the premium valuation.

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