Should You Buy Agnico Eagle Mines (TSX:AEM) Stock After its Q3 Earnings?

Description

The Canadian gold mining company **Agnico Eagle Mines** (TSX:AEM)(NYSE:AEM) released its third-quarter results on Wednesday after the market closing bell. The company's latest quarterly results largely beat Street analysts' estimates mainly due to higher gold production during the quarter. Before we find out whether or not these results could help AEM stock regain strength, let's look at some key highlights of its Q3 earnings report.

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Agnico Eagle Mines's Q3 earnings

In the September quarter, Agnico Eagle Mines's total revenue remained flat on a YoY (year-over-year) basis at US$974. However, the revenue figure was slightly higher compared to analysts' consensus estimates. The precious metals mining company achieved record quarterly gold production, as it produced 541,663 ounces of payable gold in Q3 — including production at its Hope Bay property.

While Agnico Eagle's third-quarter adjusted net profit fell by 21% YoY to US$149.3 million, it was more than 8% higher than analysts' expectations.

Agnico-Kirkland merger update

Exactly a month ago, on September 28, Agnico Eagle Mines revealed its intentions to buy its home market rival **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) in a deal worth about $13.5 billion. Investors reacted pessimistically to this merger and acquisition news initially, as AEM stock traded on a negative note on the announcement day. Kirkland Lake Gold stock also tanked sharply right after the announcement. Nonetheless, AEM stock has risen by about 10% since then.

In its Q3 earnings report, Agnico Eagle reiterated that this merger is likely to help it become one of the best gold mining companies in the world and improve its financial operating metrics. While the company has already received Canadian Competition Act's approval for this deal, both Kirkland Lake Gold's and Agnico Eagle Mines's shareholders are likely to vote on the deal on November 26.

Other key highlights

In the third quarter, Agnico's production costs, excluding the Hope Bay mine, stood at $832 per ounce — much lower than its production cost of $865 in the third quarter of 2020. Despite facing foreign exchange headwinds due to strengthening Canadian dollar against the U.S. dollar, its higher gold production helped it keep costs low in the last quarter.

Agnico Eagle also updated investors on its latest earnings report that its Odyssey underground project's development and exploration activities are on schedule and within the budget. The company expects shaft sinking activity at the project to start in October next year.

Should you buy Agnico Eagle stock now?

While AEM stock has risen by 7% in October so far, it's down 22% on a year-to-date basis. In contrast, the **TSX Composite Index** has yielded more than 20% returns in 2021. As of Wednesday, it has a decent dividend yield of 2.5%.

Overall, Agnico Eagle Mines has delivered outstanding revenue and earnings growth in the last couple of years. Its ongoing exploration activities along with its merger plans with Kirkland Lake Gold could help it maintain this strong growth trend in the medium term. That's why I find AEM stock attractive — especially for long-term investors who want to buy Canadian dividend stocks with good future growth prospects.

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