



## 1 TSX Stock up 15% This Month

### Description

In recent months, commodity and mining stocks have gained momentum on the back of rising inflation rates. One TSX stock that has outpaced the broader markets in the last month is **Turquoise Hill Resources** ([TSX:TRQ](#))([NYSE:TRQ](#)). Since the end of October, TRQ stock has gained close to 15% and is currently trading at \$18.25, valuing the company at [a market cap](#) of \$3.7 billion. In the last 12 months, TRQ stock is up by an impressive 40%.

Turquoise Hill Resources operates as a mining company and explores copper, gold, and silver deposits. It develops and operates the Oyu Tolgoi copper-gold mine located in Southern Mongolia.

### Turquoise Hill disappoints investors with Q3 results

In the [third quarter of 2021](#), Turquoise Hill reported revenue of \$623 million and adjusted earnings per share of \$0.17. However, analysts forecast the company's sales at \$673.2 million while earnings were estimated at \$0.92 per share. This revenue and earnings miss resulted in a pullback in TRQ stock on November 3, as shares were down close to 20%.

In Q3, the company increased copper and gold production by 16% and 256%, respectively. But the increase in production rates did not translate into earnings or revenue growth, which disappointed investors.

The Oyu Tolgoi mine is TRQ's only operating asset, and this lack of diversification increases overall risks for investors. Last month, Turquoise Hill disclosed funding requirements for Oyo Tolgoi are higher than previously anticipated and are expected to range around \$3.6 billion due to open-pit metal deferrals as well as underground delays.

Shortly after TRQ provided the update, several analysts reduced price targets on the stock.

**Canaccord Genuity** downgraded Turquoise's stock from "hold" to "sell" and reduced the price target on TRQ from \$19 to \$14. **Bank of Nova Scotia** also downgraded TRQ stock from "outperform" to "sector perform" and reduced the price target from \$29 to \$20.

## What impacted TRQ in Q3 of 2021?

Turquoise Hill Resources increased sales by 135.6% year over year in Q3 of 2021. Gold sales increased by \$193 million and more than doubled year over year due to a 338% increase in the volume of gold in concentrate sold. These gains were offset by a 6% decline in gold commodity prices. Comparatively, copper sales increased by \$164 million due to a 40% rise in copper prices and a 35% increase in copper volumes.

The company generated \$355 million in operating cash flows in Q3 of 2021 compared to just \$93 million in the prior-year period. Its gross margin rose by \$324 million due to an increase in revenue. These gains were partially offset by unfavourable movements in working capital, as contingency measures introduced in Q2 to improve short-term liquidity, unwound in the September quarter.

Turquoise Hill's net income per share in Q3 fell from \$0.64 due to the impact of a \$300 million deferred tax asset de-recognition.

We can see that TRQ stock has regained momentum in the past month, despite missing consensus forecasts and analyst downgrades. However, Bay Street has a 12-month average price target of \$15.16, which is 17% lower than its current trading price.

### CATEGORY

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2. Metals and Mining Stocks

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