



Why Turquoise Hill Resources Jumped 18% on Monday

Description

Turquoise Hill Resources ([TSX:TRQ](#))([NYSE:TRQ](#)) shares jumped 15% on Dec. 13 after an announcement from **Rio Tinto** ([NYSE:RIO](#)) affected the mining company. Rio Tinto holds a 51% stake in Turquoise Hill.

What happened?

Turquoise Hill became affected by Rio Tinto's cancellation of a \$2.3 billion loan from the Mongolian government. This comes as Rio Tinto plans to accelerate its work on its Oyu Tolgoi [copper and gold](#) project. Oyu Tolgoi holds one of the largest deposits of copper and gold in the world. Given its close quarters with China, accounting for half the consumption of copper, this is a huge appeal to the company.

In fact, it's even tied to the electric vehicle (EV) sector, with copper needed three to four times more than an internal combustion engine vehicle. China continues to be the largest producer and consumer of EVs in the world.

The mine is 34% owned by the Mongolian government at this point, with the rest held by Turquoise Hill. Rio Tinto, meanwhile, holds a 51% stake in Turquoise Hill.

So what?

The project has been surrounded by [problems](#) from the start. The Mongolian government continued to delay the project but stated it would aim for a 2023 completion. The cancellation will hopefully not only see the disputing come to an end and a project completed, but a return to dividends for investors.

The Oyu Tolgoi project may now become what it originally was intended for: Rio Tinto and Turquoise Hill's flagship growth project. But as costs went out of control and the underground expansion hit \$1.4 billion more than original plans, it became a headache — never mind COVID-19 disruptions.

Together, Rio Tinto and Turquoise Hill made an offer to “reset the relationship” to deliver better value and “build a stronger partnership” with the Mongolian government.

Now what?

Even with shares climbing 15% overnight, Turquoise Hill remains a great deal. It trades at a price-to-earnings ratio of 6.44, and EV/EBITDA of 7.28. Shares have been dropping since May, hitting 52-week lows, as Turquoise Hill missed third-quarter earnings.

This news might just put the company back towards 52-week highs around \$25 per share. Given the strong news, a positive report from the Mongolian government could send shares climbing even higher. Combine that with the growth in the EV market, and you could have a major portfolio winner.

CATEGORY

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2. NYSE:TRQ (Turquoise Hill Resources)
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Author
alegatewolfe

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