



Why First Quantum Minerals Stock Rose 33% in 2021

Description

First Quantum Minerals ([TSX:FM](#)) stock ended yet another year with impressive double-digit gains. In 2021, FM's share prices rose by 32.5% to \$30.27 per share, marking its fourth straight positive year. By comparison, the **TSX Composite Index** delivered 21.7% positive returns.

In this article, we'll look at some key factors driving the recent rally in First Quantum stock and find out whether this rally could extend in 2022 as well.

First Quantum Minerals stock in 2021

If you don't know it already, First Quantum Minerals is a Vancouver-based metals miner with its prime focus on producing base metals like copper, nickel, and zinc and precious metals like gold and silver. It currently has a [market cap](#) of about \$21 billion.

In 2020, COVID-19-driven demand challenges and a weak price environment badly affected First Quantum's financial growth. Extra measures related to the pandemic also drove a 22% YoY (year-over-year) increase in its operating expenses for the year, despite its efforts to minimize costs. As a result, the company reported an adjusted net loss of US\$0.07 per share in 2020, even as its total revenue rose by 27.8% YoY.

As easing restrictions in 2021 propelled economic activities, First Quantum Minerals reported a significant improvement in its financial growth trend in the first three quarters. In Q3 2021, the company's revenue rose by 28.5% YoY to US\$1.8 billion. Its adjusted net profit for the quarter stood at US\$197 million — much higher compared to just US\$53 million in Q3 2020. Stronger copper and gold production, solid operating performance, and lifting restrictions on the number of personnel onsite [helped](#) First Quantum register notable improvements in its bottom line.

These factors also drove a major expansion in its profitability. In the September 2021 quarter, First Quantum's adjusted net profit margin expanded to 10.9% — significantly higher than just 4.6% in the September 2020 quarter and 6.1% in the full year 2019. This big and faster-than-expected financial recovery drove FM stock higher in 2021.

Could FM stock's rally continue in 2022?

Interestingly, First Quantum Minerals is one of a few mining companies that have delivered outstanding returns to its investors in the last few years. At the time of writing, FM stock was trading with 202% gains in the last three years, outperforming the broader market by a wide margin. The main TSX index has risen by only 45.3% during the same period. More importantly, First Quantum stock's rally has been supported by the underlying strength in its financials. That's why I find its recent gains sustainable without many downside risks.

While the re-emerging concerns about the new virus variants could hurt its output in the near term, its long-term growth outlook is likely to remain unaffected by these expected disruptions. In addition, consistently strengthening metals prices could help First Quantum improve its profitability further in the coming quarters. That's why any short-term dip in FM stock could present an opportunity for long-term investors to buy it cheap.

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