



Down Over 25%: Is Lundin Mining (TSX:LUN) a Buy at These Levels?

Description

The rising inflation and the Federal Reserve tightening monetary policies have made investors nervous, leading to a substantial pullback in the equity markets. The **S&P/TSX Composite Index** has fallen by 10% compared to its April highs. Amid the weakness in the broader equity markets, **Lundin Mining (TSX:LUN)** has corrected around 25% from its April highs. Meanwhile, let's analyze whether the correction has made Lundin Mining an attractive buy.

Meanwhile, let's first look at its recently reported first-quarter performance.

First-quarter performance

Lundin Mining is a Canadian mining company that operates in Brazil, Chile, Portugal, Sweden, and the United States, producing copper, zinc, gold, and nickel. Last month, the company [reported solid first-quarter earnings](#), with its top line growing by 45.4% to \$991.1 million. Higher realized metal prices and increased copper production drove its revenue. Its realization price increased by 18%, 54%, 23%, and 95% in copper, zinc, gold, and nickel, respectively.

Supported by higher prices, the company's gross margin expanded from 37.1% to 48.3%. Its adjusted EPS doubled to \$0.40. Further, the company's adjusted EBITDA increased by 66% to \$588 million. Meanwhile, the company generated \$317.3 million of cash from its operations exceeding its capital spending of \$144.9 million. Amid its robust cash flows, the company closed the quarter with net cash of \$704.9 million, representing an increase of \$141.8 million from the December-ending quarter. So, the company's balance sheet looks solid.

Having discussed its first-quarter performance, let's look at its growth prospects.

Lundin Mining's outlook

Analysts are bullish on copper, zinc, and nickel. Amid the ongoing geopolitical tensions, copper and zinc prices could remain elevated in the near to medium term. The rising volatility could prompt

investors to find refuge in gold, thus driving its price higher. So, higher metal prices could benefit Lundin Mining.

Notably, the company closed the acquisition of Josemaria Resources, which could further strengthen its position in copper production. It also focuses on several expansion initiatives at various mining locations, which could boost its output in the coming years. Meanwhile, for this year, its production is on track to achieve its previously stated guidance. Compared to the previous year, its copper and nickel production could increase. So, I believe the company is well positioned to benefit from higher prices.

Valuation and dividends

Amid the recent pullback, Lundin Mining is trading at an attractive valuation. Its NTM (next 12-month) price-to-sales and NTM price-to-earnings stand at 1.7 and 7.4, respectively. With a quarterly dividend of \$0.09/share, its forward yield currently stands at 3.44%.

Bottom line

Lundin Mining could continue to be volatile in the near term amid the weakness in the broader equity market. However, long-term investors should utilize the steep correction to [accumulate the stock](#), given its growth initiatives, strategical acquisitions, higher prices, and attractive valuation.

Meanwhile, analysts are favouring a “hold” rating for the stock. Of 21 analysts covering the stock, 11 have issued a “hold” rating, while eight analysts have given a “buy” rating, and two analysts have issued a “sell” rating. The consensus price target represents an upside potential of above 30%.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:LUN (Lundin Mining Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. rnanjapla

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/19

Date Created

2022/05/10

Author

rnanjapla

default watermark

default watermark