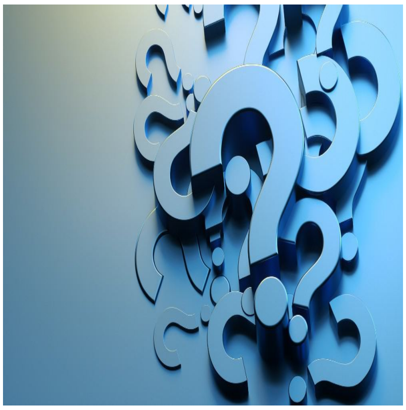

Is Ivanhoe Mines (TSX:IVN) a Buy at a 24% Discount?

Description

When you are looking for discounted stocks, an important to note is whether the stock is *as* discounted as it's going to be (for the near future) or the stock will slump further down. For many companies, the dip *is* the main attraction, so you should try and maximize the benefit from this angle and buy when the drop reaches its full depth.

It's difficult to predict and pinpoint, but it's better to wait and buy a few percentage points higher than the lowest (on the recovery route) rather than jump the gun and buy when it's halfway fallen. This is what's going on with **Ivanhoe Mines** (TSX:IVN) at the moment.

Is the stock as discounted as it's going to be?

Ivanhoe stock is currently trading at a 24.5% discount from its yearly peak, but the downward movement has not been linear or sharp. The stock peaked at the end of February, and since then, it has dipped twice — 21% and 20%, respectively. But even if we take the "staggered" shape of the decline into account, it's improbable that the current depth or a discount in the range of 20-30% is the full extent.

And the primary reason for it is the rapid post-crash climb that pushed the stock up 450% in roughly two years. The post-pandemic growth was disproportional to the pre-pandemic growth patterns, but it's also unsustainable, considering the stock's performance in the last decade. Even in its currently discounted state, the stock is trading at an 85% premium to its 2017 peak.

Another factor feeding the unsustainable growth theory is the uncharacteristically high valuation, which indicates that the current growth might be unsustainable.

If the stock is set to fall to its pre-pandemic peak, the discount will be significantly heavier and more brutal than the current 24% one.

Is the company an excellent long-term investment?

Even if you can buy it at a fantastic discount, if a company is not a decent long-term holding or doesn't offer adequate return potential in the short term, it might not be worth buying. However, that's not the case with Ivanhoe Mines.

The company's main attraction is that it offers exposure to a decent portfolio of metals — from precious metals like palladium, platinum, and gold to EV/battery-focused metals like zinc and nickel. Also, even though the bulk of Ivanhoe stock's appreciation happened after the 2020 crash, it *did* offer decent cyclical growth before the pandemic.

In the last 10 years, the stock has appreciated 700% and 118% on two separate occasions, both of which happened in well under two years.

Foolish takeaway

The market capitalization of the company currently puts it in the large-cap range, but with a sizeable enough fall, it's expected to reach the mid-cap range soon. However, this doesn't mean its portfolio of Southern African projects will be worth any less or if its cyclical growth potential is diminished.

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