

Yamana Gold

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Yamana Gold Q4 results miss; cuts dividend by 42%

Yamana Gold (TSE:YRI) (NYSE:AUY) shares were hovering around flat on Wednesday, a day after the company announced it swung to a net loss in the fourth quarter as metal prices suffered, while also saying it has decided to cut its dividend by 42%. Gold production was also lower in the latest period.

For the three months to December 31, the Toronto-based gold miner, which has operations in Brazil, Argentina, Chile and Mexico, reported a net loss of \$583.9 million, or 78 cents per share, compared with a net profit of \$169.2 million, or 22 cents per share, a year earlier.

The latest quarter included an impairment charge of \$535.8 million, net of taxes. Adjusted earnings were \$36.7 million, or 5 cents per share, down markedly from \$197.4 million, or 26 cents per share, in the same period of 2012, missing analyst estimates.

The company said the lower earnings were a result of reduced realized metal prices, lower volume of metal sales, as well as higher cash costs and an equity loss from its 12.5% interest in Alumbra in Argentina.

Revenues were down to \$420.7 million from \$629.5 million as the average realized price of gold in the fourth quarter fell to \$1,277 an ounce, compared to \$1,692 per ounce in the same quarter of 2012. The average realized price of copper, the miner's other chief commodity, declined 5% to \$3.37 per pound, while the silver price dropped 33% to \$20.63 an ounce.

Lower metal prices lowered total revenues for the fourth quarter by 58%, Yamana said.

Total production for the fourth quarter of 2013 was 303,768 gold equivalent ounces, a decrease of 6% from the fourth quarter of 2012, due to lower output from its Chapada, Jacobina, El Peñón, Minera Florida and Mercedes mines.

All-in sustaining costs for the period were \$935 per gold equivalent ounce, on a co-product basis, slightly higher than the company's own guidance of \$925 an ounce.

For the year, Yamana produced 1.2 million gold equivalent ounces, a very slight drop from 2012, caused by 600,000 less of silver output. Total revenue for 2013 shed 21%, while cost of sales increased by nearly 10%.

The Toronto-based company declared a first quarter 2014 dividend of 3.75 cents per share, representing an annualized dividend of 15 cents per share, down from the previous annual dividend of 26 cents per share. The decline comes as rapid changes in metal prices the past year have "significantly compressed margins", notwithstanding efforts to reduce costs.

"Gold mining companies are in the business of monetizing gold production," said CEO Peter Marrone.

"The payout to shareholders through dividends can be represented by ounces of gold sold and the margins at the time.

Share Information

Code: YAU

Listing: TSX NYSE LSE

Sector: General Mining - Gold

Website: www.yamana.com

Company Synopsis:

Yamana Gold Inc. is a Canadian-based gold producer with significant gold production including other precious metals and copper, gold development stage properties, exploration properties, and land positions in Brazil, Argentina, Chile, Mexico, Central America and the United States. Yamana has seven operating mines and five development projects providing direct employment opportunities to over 8,700 individuals.

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If you look at the compression of margins that has occurred with the rapid decline in metal prices over the past year, the dividend payout of equivalent ounces from previous years would decline significantly.

"When looking at current metal prices and margins, one can see that the same number of gold ounces providing a higher cash distribution before would have a lower cash value today. In setting our dividend, we took these issues into account."

Shares of Yamana were down by one penny on Wednesday afternoon, trading at C\$11.51 in Toronto. So far this year, the stock has climbed over 25%.

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