

News Focus

Desmond-backed Mountain Province Diamonds claims it is turning corner

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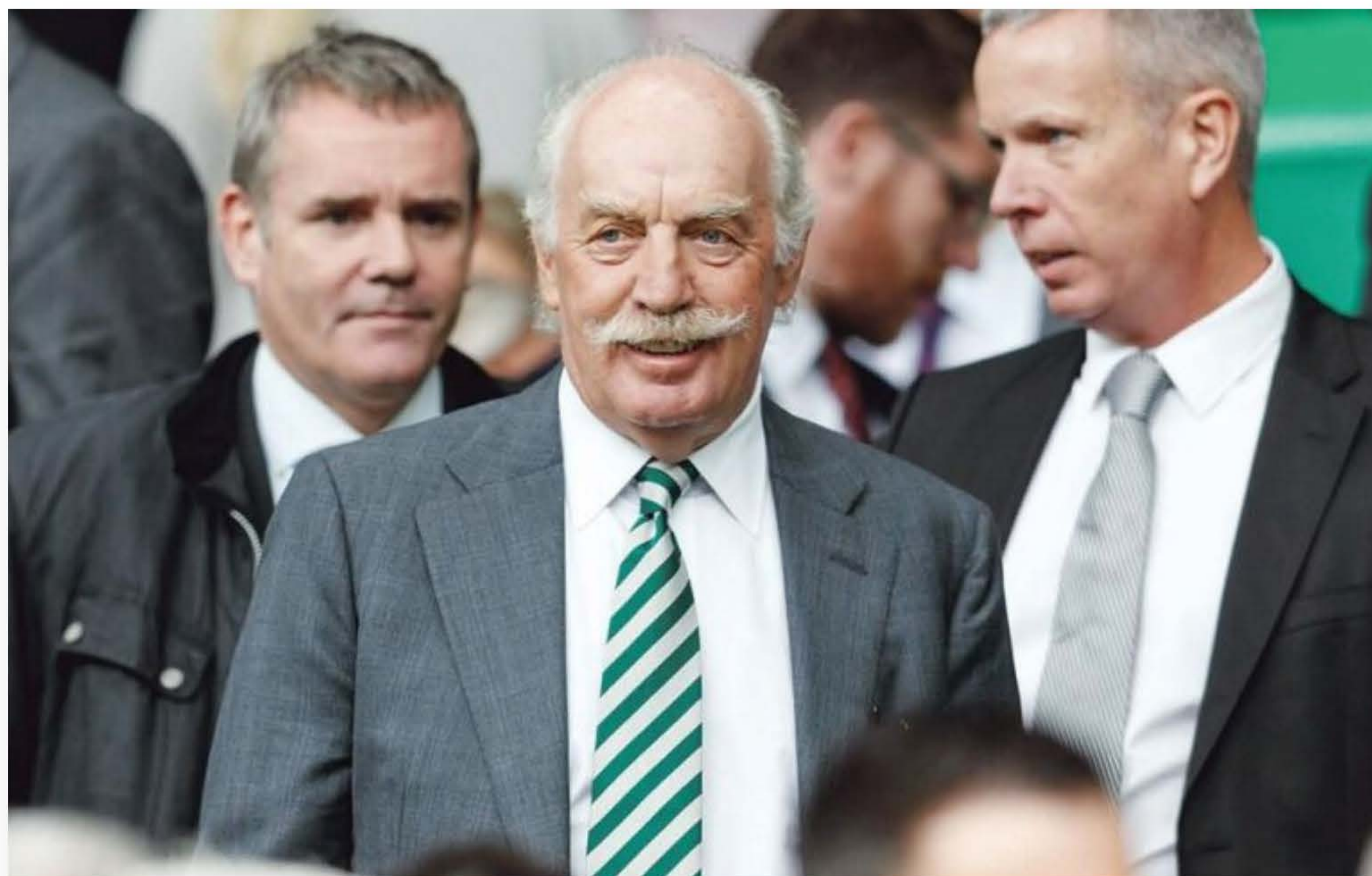
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Dermot Desmond: key backer of diamonds firm

Mountain Province Diamonds - the Canadian diamond company backed by Dermot Desmond - might be turning a corner, it claimed last week.

The company announced that it had made CAN\$156 million in sales in the first half of 2019, compared with \$165 million the year before, while its earnings before tax fell 21 per cent from \$74.7 million in 2018 to \$58.8 million.

That performance was largely due to “continued pressure on prices” for its smaller, cheaper categories of diamonds, it said, while prices for larger diamonds “remained stable”.

And while it noted that “broader macro-economic uncertainties are further dampening market sentiment”, it claimed the market was beginning to shift.

The company said that production of rough diamonds had declined by 3.1 per cent to 145 million carats in 2018 and that this “trend is expected to accelerate with the recently announced closure of the Argyle mine in 2020”.

The closure of the Argyle mine in Western Australia is expected to remove 14 million carats from the global supply, while “at the same time there continues to be long-term growth forecast for global diamond jewellery consumption”.

According to independent diamond industry analyst Paul Zimmisky, “the market is still digesting a multi-year high water mark in rough diamond production which peaked in 2017”.

Zimmisky said that this increase in supply had squeezed all segments of the market, leading to pressure on a lot of companies such as Mountain Province.

“All of that said, I am of the opinion that the market is currently in better shape than it was a few years back from a supply standpoint, but I think the final innings of this change is especially painful for the remaining mid-stream players.

“If end-consumer demand remains stable, I think by this time next year supply fundamentals will have normalised,” he said.

Earlier this year, giant US investment firm BlackRock said the performance of Mountain Province Diamonds had “disappointed the market” and trimmed back its stake in the company.

In the last year the company’s share price has fallen from a high of CAN\$2.82 to just under CAN\$1.30 at the close of trading last week.

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