



Gold Companies Report: Barrick Gold, Kinross, and Yamana

Description

As advertised in [yesterday's preview](#), the word of the day in goldland is "impairment". And somewhat surprisingly, it's the company that didn't announce a write-off that is taking heat from the market.

After combining for \$7 billion in write-downs when they last reported quarterly earnings, **Barrick Gold** (TSX:ABX,NYSE:ABX) and **Kinross** (TSX:K,NYSE:KGC) did their thing once again and announced a combined \$11.1 billion in impairments this time around.

\$8.7 billion of these charges are attributed to Barrick and \$2.4 billion to Kinross. To this, the market has seemingly said, "bravo" as both stocks are currently trading higher than they were yesterday.

The reason for this enthusiasm is the better than expected earnings that both companies reported as well as an indication that they're getting their respective houses in order with significant cost curtailments under way.

Perhaps most applicable to investors in both companies is the fact that Barrick cut its dividend from \$0.20/quarter to just \$0.05/quarter and Kinross cancelled its next dividend payment altogether. These moves are expected to save the company's \$450 million and \$90 million respectively. With a \$0.20 annual payout, Barrick's yield falls from 4.6% to 1.2% and of course, Kinross drops to 0%.

You know a lot of hate is priced into a stock when it's up on a day when a considerable portion of the firm's equity is written-off and the dividend is cut.

Yamana (TSX:YRI) on the other hand has been a relative outperformer in this group year-to-date. The stock is *only* down 39% versus Barrick at -49% and Kinross at -44%. Even though Yamana didn't announce a write-down, or cut its dividend, it did disappoint on earnings and lowered its production guidance through 2015.

The company had been expecting to reach production of 1.75 million ounces of gold by 2015 but now estimates it will only get to 1.55 million ounces. Reasons for this include a slow ramp-up of growth projects, cost curtailment programs, a focus on profitability, and a re-evaluation of the company's higher cost operations.

Foolish Takeaway

Investing has a lot to do with gauging expectations. When expectations are low, it doesn't take much good for a stock to move higher, and that's what we have going on in the gold space right now. This sector has been obliterated, and expectations essentially have nowhere to go but up. If the price of gold can find a bottom, or especially lift from here, this entire sector is poised to rip higher as expectations brighten.

While the gold sector may be poised for a bounce, another resource that is potentially on the verge of a major move higher is uranium – the key ingredient for nuclear power. [Click here now](#) to download our special **FREE** report "**Fuel Your Portfolio With This Energetic Commodity**". We think you'll be surprised at how bright the future is for uranium, how far these 2 stocks have fallen, and how quickly they could rebound.

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Fool contributor Iain Butler owns shares in Barrick Gold and Yamana. The Motley Fool does not own any stocks mentioned at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)
5. TSX:YRI (Yamana Gold)

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