



3 Gold Miners to Buy Now

Description

How could you describe the mood at this year's PDAC (Prospectors and Developers Association of Canada) mining conference in Toronto? Everyone's expectations are set at rock bottom.

However, there are some signs that [the end of the pain may be in sight](#) for the troubled industry. The rash of hostile takeover bids, namely for **Augusta Resources** and **Osisko Mining**, has injected some energy into the sector. And in recent weeks several juniors have been able to access financing in the capital markets.

There are bargains to found amidst the rubble. For investors willing to go against the herd, here are the three gold mining names to consider adding to your portfolio.

Goldcorp

Over the past year **Goldcorp** (TSX:G)(NYSE:GG) has been reworking mine plans, cutting spending and selling assets in order to lower costs and focus on the most profitable production.

Now those efforts are paying off. Last quarter the company reported an 11% drop in all in sustaining costs to US\$810 an ounce. And if the company can continue to deliver on its cost-cutting initiatives, Goldcorp should be able to drive earnings growth even without a corresponding increase in metal prices.

However, there's a growth story here too. Goldcorp is aiming to boost its output by more than 30% over the next few years. By 2017, the company is expected to produced 3.1 million ounces of gold annually, up nearly 15% from 2.7 million ounces last year. Improvements on both the top and bottom line provide plenty of catalysts to drive the company's share price in the coming year.

Silver Wheaton

Perhaps the best way to profit from a resurging mining sector is to buy companies that invest wisely in mines.

Take **Silver Wheaton** (TSX:SLW)(NYSE:SLW) for example. This business, known as a “metal streaming company”, invests in gold and silver projects around the world. It gives miners an upfront payment to finance projects in exchange for a piece of their future production. The benefit of this model is that streaming companies like Silver Wheaton don’t have to deal with the ongoing capital investments or cost overruns that have plagued the rest of the industry these past few years.

Silver Wheaton has also done a great job of taking advantage of the crisis in the sector to beef up its asset portfolio. Over the past two years the company has stepped up to provide financing for a number of cash-starved mining projects. If the industry ever recovers, these bets are going to prove rewarding for shareholders.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:ABX) is the poster child for everything that went wrong in the mining this industry over the past decade.

The company squandered billions of dollars in shareholder capital chasing overpriced acquisitions and runaway spending hampered the profitability of new mining projects. For the privilege of overseeing the awful stewardship, management and the board of directors lavished themselves with lush salaries and bonuses.

However, shareholders have been pushing for changes at the troubled mining giant. Last year under the leadership of new Chief Executive Jamie Sokalsky, Barrick has slashed costs, sold off high-cost mines, and reined in spending. The company has also vowed to focus on profitability and cash flow rather than growth for the sake of growth.

Barrick is also cleaning up its act in the boardroom. Chairman and founder Peter Munk, the director behind the company’s failed expansion campaign, has vowed to retire in April. The board has also promised to review its compensation practices to better align them with the interests shareholders.

There’s still plenty of work left to be done at Barrick. However, the company is starting to get its act together. And if the company can deliver on these changes, it could serve as a catalyst for the stock.

Foolish bottom line

The common theme amongst all of these picks is simple — quality. The mining industry isn’t out of the woods yet. Without a sharp rise in metal prices, low-grade companies won’t be able to generate enough cash flow to keep the lights on. Rather it will be the top tier companies, firms with strong balance sheets and low-cost operations, that will survive and thrive.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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