



3 Beaten Up Gold Stocks With the Potential to Double

Description

In 2013, the price of gold shed more than 25% as investors moved away from the precious metal. Reasons for the decline included increased supply hitting the market, a decrease in central bank purchases, and investors shrugging off the potential inflationary result of U.S. Federal Reserve quantitative easing.

And since shares in gold companies are so levered to the price of the yellow metal, they had a terrible year. Shares in the **iShares Global Gold Index Fund** ([TSX: XGD](#)) ended the year down 47%. Shares in some of the bigger names performed even worse, as investors fled to the exits.

As the price of gold has continued its downward spiral, many investors have begun to see opportunities in the sector. Companies are cutting unprofitable production, slashing costs, and laying off workers, all in an attempt to get back to previous glory. If it all goes as planned, these companies will be in terrific shape once the price of gold retests those highs.

Here are three that are poised to do well in the future.

Barrick Gold

Barrick Gold ([TSX: ABX](#))(NYSE: ABX) was perhaps the epitome of the excessiveness that plagued the industry during good times. Executives were paid extremely well, assets were acquired no matter what the cost, and debt was piled on the balance sheet to pay for it all. It's little wonder why Barrick was one of the worst performing names in the sector, and currently trades at levels 60% lower than its 2012 highs.

The company has turned things around lately, and seems to be on the right track. Chairman Peter Munk — whom many blame for the excessive compensation issue — is on his way out, and Barrick's management seems to be taking corporate governance seriously. The company has also paid down debt, written off assets acquired at the peak of the market, and has seen good preliminary results out of its Goldfields mine in Nevada.

The company also has maintained an internal target of \$1,100 per ounce of gold, well below the

current \$1,290 level. This conservatism will serve the company well going forward.

Argonaut Gold

Shares in **Argonaut Gold** ([TSX: AR](#)) have also performed poorly since its 2012 peak, falling more than 50% and currently sitting close to three-year lows.

Unlike Barrick's management, Argonaut Gold expanded prudently, as the company has two mines in Mexico that are currently in production and three in advanced exploration stages. Two of these mines are located in Mexico with the third in Ontario. The company has indicated that Magino, the Ontario mine, has potential reserves of 6.3 million ounces. Production from Magino is still a couple of years away, since the company is still acquiring permits. But if the price of gold goes up in a significant way, Argonaut is well positioned by having low-cost production come online.

The company's balance sheet looks great as well. It is debt-free, and is currently sitting on more than \$150 million in cash. It also managed eke out a small profit in 2013.

IamGold

Shares in **IamGold** ([TSX: IMG](#))([NYSE: IAG](#)) have been perhaps the worst performing in the sector, shedding more than 80% from its highs.

IamGold's balance sheet is rock solid. The company has a book value more than three times the value of the stock, is currently sitting on a healthy cash balance, and its long-term debt is less than 15% of total assets. The company is on record saying that its strong financial position will allow it to explore acquisition opportunities, which could be a boon for stock price.

It has diversified operations, with mines in North America, South America, and Africa. It also has a niobium mine in Quebec, which is used mostly in alloys that end up in gas pipelines.

Foolish bottom line

While looking at companies that are down significantly from previous highs can be difficult, it's one of the most effective ways to find stocks poised to increase substantially. When it comes to gold companies, ultimately most are levered to the price of gold. All gold companies can do is set themselves up to benefit from when prices of the underlying metal goes up. These three have that potential.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:IAG (IAMGOLD Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:AR (Argonaut Gold Inc.)
5. TSX:IMG (IAMGOLD Corporation)
6. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)

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Date

2025/07/21

Date Created

2014/04/03

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