



## 3 Reasons to Buy Goldcorp Inc. Over Barrick Gold Corp.

### Description

If you're looking to bet on the price of gold, the TSX offers plenty of ways to do that. One of the most tempting is troubled miner **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX), the world's largest gold producer. The company has gone through some tough times in recent years to say the least, but may be starting to turn the corner. At \$20, its stock price could be very depressed.

However, there are better options than Barrick, and below I'll take a look at one of them: **Goldcorp Inc.** (TSX: G)(NYSE: GG). So without further delay, here are the top three reasons to pick Goldcorp over Barrick.

#### 1. Flexibility

This is one of the biggest advantages that Goldcorp has over Barrick, and it comes from having a better balance sheet. To illustrate, Goldcorp had less than \$1 billion in net debt at the end of last year. By contrast, Barrick had over \$10 billion in net debt at the end of last year, which was actually an improvement over 12 months earlier.

What difference has this made? Well, over the past year, Barrick has been unloading mines right into a buyer's market. It's hard to imagine the company getting a fair price. Meanwhile, Goldcorp was bidding to acquire Osisko Mining Corp earlier this year — even though the attempt failed in the end, it shows that Goldcorp is able to pursue a target when there's a deal to be had.

So if the gold price falls further, Goldcorp should be much more resilient. Even if you think the price of gold will go up, this is a risk you have to account for.

#### 2. Track record

This point is rather self-explanatory for anyone who has followed the two companies. While Goldcorp has grown production responsibly, Barrick has done the exact opposite. The last few years alone have seen bad acquisitions, operational mishaps, and corporate governance problems, just to name a few of the issues with Barrick.

The difference in stock returns sums this up perfectly. Over the past 15 years, Goldcorp's shares have returned 15% per year, while Barrick's returns have been negative.

Thus, there could be something seriously wrong with Barrick's culture, and those kinds of problems can take a long time to fix.

### 3. Growing production

This last point ties into the first two perfectly. Because of Goldcorp's responsible past, it is able to grow production today. Meanwhile, Barrick's mine sales caused gold production to decrease 3.5% in 2013, and production is expected to fall again this year.

Of course, what should matter most is value creation, not just production growth. However, this is exactly when you want to be growing production — right when your competitors are struggling! This is, of course, when capital costs are lowest (as are those of acquisition targets).

To put it another way, Goldcorp is reloading right now, and if gold prices do rise, the company is all set to reap the rewards. With Barrick, the future is much more complicated, and your best bet is to stay away.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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