



## Yamana Gold Inc. or Barrick Gold Corp.: Which Should You Buy?

### Description

With precious metal prices falling so quickly, the mood amongst mining companies is absolutely dour. Many firms are struggling just to keep the lights on, let alone grow operations.

But now that the meltdown in gold prices appears to be over, investors are starting to pick through the rubble. **Yamana Gold Inc.** ([TSX: YRI](#))([NYSE: AUU](#)) and **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX) are two popular picks because of their exposure to precious metals. Let's take a look at these two stocks to see if one is a better bet right now.

### Yamana Gold

If you've been watching Yamana, you know nothing is going right at the gold giant. Operational issues have held back output. The company has written off millions of dollars in reserves. As a result, the stock is off 35% over the past two months.

Here's the thing: Many of these problems are already reflected in the share price. Today, Yamana trades at less than 0.70 times its book value. That's a steep discount to peers and the company's cheapest multiple in decades.

However, a couple of catalysts could close that gap. First, Yamana and **Agnico Eagle Mines Ltd.** haven't disclosed their strategy to develop the recently purchased Malartic mine. Most investors don't realize that there's a lot of room here to grow output and cut costs. The stock could be re-rated higher as management starts broadcasting their plan.

Second, last quarter Yamana reported a big bump in gold output. This means management has finally started to wrap its head around the production setbacks mentioned above. That situation should keep getting better through the rest of the year.

### Barrick Gold

The fundamentals at Barrick aren't much better. Over the past year, the company has been forced to lay off hundreds of employees and slash its dividend. Billions of dollars in shareholder capital

disappeared during its disastrous expansion into base metals.

However, there have been some positive developments at the gold miner. Former Chief Executive Jamie Sokalsky did a good job reining in costs and optimizing the company's portfolio. Selling off high-cost mines have been a big boost to profits.

Barrick is also cleaning up its notoriously bad reputation for corporate governance. Founder and chairman Peter Munk, the quarterback behind the company's disastrous expansion, resigned at Barrick's annual shareholder meeting. The firm replaced several board members and has revamped compensation practices.

Previously, *Barron's* magazine noted that the stock was trading at a discount to peers due to management's poor track record. They estimated that the stock could be worth as much as US\$35 per share if executives were to spin off more properties and rein in their expansion ambitions.

### **Foolish bottom line**

Of these two stocks, I lean heavily towards Yamana. There's more hidden value inbedded inside Barrick. However, I'm doubtful the management team is willing to take the steps needed to unlock that shareholder wealth. In the mean time, there're a number of likely catalysts that could send Yamana shares higher over the next six to ten months.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:YRI (Yamana Gold)

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