



Has Kinross Gold Corporation Finally Bottomed?

Description

Shares of **Kinross Gold Corporation** ([TSX: K](#))([NYSE: KGC](#)) are up 40% in the past month and new investors are wondering if now is the time to take a contrarian position in the stock.

The recent performance looks good, but the five-year chart tells a different story. The stock is down more than 80% since late 2009 and long-term holders of the shares are probably wondering if they should use the recent bounce as an opportunity to get out and apply the tax loss to other gains in their portfolios.

Let's take a look at Kinross to see if investors should buy, sell, or hold the stock right now.

Financials

In its Q3 2014 earnings statement Kinross reported adjusted net earnings of \$70 million or \$0.06 per share compared to \$54.4 million in Q3 2013. The results are encouraging given the lower average realized gold price of \$1,268 per ounce. Kinross received an average \$1,331 per ounce during the third quarter last year.

All-in sustaining costs came in at \$919 per gold equivalent ounce, a 15% drop compared to the same quarter in 2013.

Kinross also said it expects year-end capital expenditures to be \$630 to \$650 million, down from previous guidance of \$675 million.

Production for 2014 is expected to come in at the high end of 2.6 to 2.7 million gold equivalent ounces.

One other important note for investors is the addition of \$100 million in cash to the company's balance sheet in the first nine months of the year. At the end of September 2014, Kinross had cash and cash equivalents of \$835.9 million.

Projects

Kinross operates mines in Canada, the U.S., Russia, Ghana, Brazil, Chile, and Mauritania.

Kinross' \$7.1 billion purchase of Red Back Mining in 2010 at the height of the run up in gold prices has turned out to be a disaster for shareholders. In two massive write-downs, Kinross has cut roughly 80% of the value of the Red Back acquisition.

At the time of the purchase, the Tasiast project located in West Africa was expected to be a key driver of growth for Kinross. The mine has yet to live up to its original promise but things are improving. Q3 year-over-year production improved 18% due to higher mill grades, and production costs at Tasiast dropped 16% compared to Q3 2013.

An expansion project at Tasiast is in the final stages of evaluation and Kinross will decide whether or not to proceed in 2015.

Kinross recently increased its 2014 production guidance for its Russian mines. The company now expects output of 710,000 to 750,000 equivalent gold ounces for 2014. The previous guidance was 690,000 to 730,000.

The company also lowered its 2014 production cost of sales guidance for the Russian assets to a range of \$520 to \$550 per ounce. The original expectation targeted costs of \$560 to \$590 per ounce. The positive results are due to higher than expected gold grades at the Kupol and Dvoinoye facilities.

The mines located in the Americas are expected to finish 2014 with production at the high end of guidance and the low end of cost of sales. The Maricunga mine located in Chile is the star of the region. Production in the third quarter was up 83% year-over-year and hit a record 136,000 ounces.

Should you buy?

If gold stabilizes or moves higher through 2015, Kinross will do well. The company is making good progress on improving its balance sheet and reducing costs at its facilities. At a market cap of just \$4 billion, Kinross could easily be taken out by one of the big global diversified mining companies once the environment improves in the sector.

Buying the gold miners is still a risky bet and these volatile holdings should be balanced out with stable, long-term growth performers. The following free report discusses one top stock that should be the anchor of every Canadian portfolio.

CATEGORY

1. Investing
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