



Goldcorp Inc. vs Barrick Gold Corp.: Which Is Better for Dividend Investors?

Description

Over the past five years, **Goldcorp Inc.** (TSX: G)(NYSE: GG) and **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX) shares are off 50% and 70%, respectively. I guess you could say they split 2:1 the hard way. But if you're a contrarian investor, the recent turmoil could be seen as a buying opportunity.

Which miner is a more appetizing stock? Certainly, Goldcorp and Barrick have plenty in common. Both mine gold. Both pay dividends. And with central banks around the world ramping up the printing presses, the long-term outlook for commodity prices remains bright.

However, there are also some key differences that investors need to consider. Let's see how the two companies stack up on a range of measures. Which stock can be counted on to deliver reliable dividends?

Dividend history: Goldcorp started paying staggered dividends to shareholders in 2001. But in 2004, the company started a monthly distribution program and it has not skipped a single payout since. Barrick has an even longer history of rewarding shareholders, mailing out a dividend every quarter since 1987. However, management was forced to cut its payout 75% last year under the weight of falling gold prices. *Winner: Goldcorp.*

Dividend yield: No contest here. Goldcorp yields 3.1%, almost double Barrick's yield of 1.8%. If you're looking for current income, Goldcorp is your first choice. *Winner: Goldcorp.*

Operating costs: According to Dundee Capital Markets, Goldcorp can haul an ounce of gold out of the ground for US\$1,060, versus today's spot price of US\$1,200. Barrick, in contrast, requires gold prices above US\$1,170 to remain profitable. That leaves little wiggle room to pay off debt or other expenses, let alone reward shareholders with dividends. *Winner: Goldcorp.*

Debt load: As legendary investor Warren Buffett once said, you get to see who's swimming naked when the tide goes out. That has definitely been the case in the gold mining industry. To fund its expansion during the boom years, Barrick took on big helpings of debt. Today, the company has 50 cents in debt for every dollar in enterprise value. Goldcorp, in contrast, has been much more conservative. Less than 15% of the company's enterprise value is comprised of debt. *Winner: Goldcorp.*

Valuation: Today, both stocks are cheap. However, Goldcorp is the most expensive name of its large-cap peers trading at 8.6 times EV/EBITDA (enterprise value to earnings before interest, taxes, depreciation, and amortization). Barrick is one of the cheapest at a meager 6.3 times EV/EBITDA. *Winner: Barrick.*

Management: Don't get too caught up in Barrick's cheap multiple, however. Management has consistently chosen to deploy shareholder capital into poor projects. If you take Barrick's retained earnings and add back all of the dividends paid out, the company has not made a nickel over its entire lifetime. Goldcorp's executives, in contrast, have a much better track record when managing shareholder capital. That's why the stock has consistently traded for a premium valuation. *Advantage: Goldcorp.*

The verdict

Neither company has a sustainable dividend at current gold prices. However, Goldcorp has the size and scale to better weather the industry's current doldrums. If you're looking for exposure to precious metals and want a little income to boot, then this company is the better bet.

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1. NYSE:B (Barrick Mining)
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