



Yamana Gold Inc vs. Kinross Gold Corporation: Which Gold Miner is a Better Bet?

Description

Over the past two years, shares of **Yamana Gold Inc** ([TSX:YRI](#))([NYSE:AUY](#)) and **Kinross Gold Corporation** ([TSX:ABX](#))(NYSE:ABX) have fallen 51% and 67% respectively. The running joke in the industry is that they split 2:1 the hard way.

But if you like going against the crowd, the turmoil in the mining industry could be seen as the perfect buying opportunity. The only question, which stock is a better bet for investors?

Certainly, Yamana and Kinross are both levered bets on higher gold prices. However, there are also some key differences that need to be considered. Let's see how the two companies stack up on a range of measures.

Safety: The words 'safe gold miner' almost sounds like an oxymoron. Yamana's portfolio includes properties throughout Central and South America. There is some real geopolitical risk here. That said, Kinross's two largest mines are located in Russia. With all of the tension between that country and the west, investors have completely written off these properties. *Winner: Yamana.*

Valuation: However, you could argue that the market is overreacting. Today, the entire Kinross Corporation (including equity and debt minus cash) is worth \$5.3 billion. By comparison, **Eldorado Gold**, whose production totals less than a third of Kinross', is worth \$5.7 billion. **Goldcorp**, which produces roughly the same amount of gold as Kinross, is worth more than \$21 billion. That makes the stock look absurdly cheap. *Winner: Kinross.*

Operating costs: Low gold prices have left miners with little wiggle room to pay off debt or other expenses, let alone reward shareholders with dividends. That said, Kinross can haul an ounce of gold out of the ground for about US\$750, versus today's spot price of US\$1,200 per oz. Yamana, in contrast, needs gold prices above US\$850 per oz to remain above cash flow breakeven. *Winner: Kinross.*

Earnings growth: Based on analyst estimates compiled by *Reuters*, Kinross earnings per share are expected to shrink 17% over the next five years. By comparison, production at Yamana is soaring. The company is expected to deliver 15% annual EPS growth over the same period. *Winner: Yamana.*

Dividend yield: No contest here. Yamana has still managed to eke out small dividends to shareholders and yields about 1.4%. Kinross, in contrast, was forced to cut its dividend completely. So if you're looking for current income, then Yamana is your first choice. *Winner: Yamana.*

Debt load: When the tide goes out, you get to see who's swimming naked. And that has definitely been the case in the mining sector. Companies took out huge portions of debt to fund their expansions during the boom years. That said, both Kinross and Yamana have always managed their balance sheets conservatively. However, Yamana has the smallest debt load of the two. *Winner: Yamana.*

And the results are in...

Look, both of these stocks are risky investments. However, Yamana has the better means to weather today's low gold prices. If you're looking for exposure to precious metals, then this company is your best bet.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:K (Kinross Gold Corporation)
4. TSX:YRI (Yamana Gold)

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