Goldcorp Inc. vs. Kinross Gold Corporation: Which Is the Best Investment?

Description

Gold prices are staging a rebound and the bullion bugs are wondering if this is the start of a new bull run.

There are certainly lots of skeptics, and previous mini-rallies have proven to be head fakes. However, the other side of the trade says the stars are finally beginning to align for a big upward move in gold prices.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Kinross Gold Corporation** (TSX:K)(NYSE:KGC) to see if one is a better bet for a possible gold rally.

Goldcorp Inc.

Goldcorp's stock price has bounced nicely off the December lows, and the shares look like they have some momentum.

The company just announced an all-stock deal to acquire Probe Mines Ltd. for $526 million. The deal gives Goldcorp control of the Borden Gold project.

The acquisition is a good fit for Goldcorp because the Borden properties are located close enough to Goldcorp's Porcupine mine that the ore from both locations can be processed in one facility.

Goldcorp can make strategic acquisitions right now because it has a healthy balance sheet. The company finished the third quarter of 2014 with just US$3 billion in total debt. The company also finished Q3 with US$376 million in cash and cash equivalents.

On January 12, Goldcorp announced record gold production for the fourth quarter, and the company expects production growth of 20% in 2015. The company also sees all-in sustaining production costs for the year of between $875 and $950 per ounce.

Goldcorp pays a dividend of US$0.60 per share that yields about 2.5%. With the expected increase in production and lower capital costs in 2015, investors might see an increase in the distribution.

Goldcorp has a market capitalization of about $23 billion.

Kinross Gold

Investors can be forgiven for wanting to stay away from Kinross. All of the major gold companies have had a rough ride in the past few years, but Kinross' five-year chart is downright nasty. The stock has given up more than 80% of its value during that time as bad investments and a plunging gold price have decimated the company's market value.

Could the bottom finally be in for Kinross? Maybe.

The company reported solid Q3 2014 earnings of $70 million, a 29% gain over the same period in 2013. Average realized gold prices were actually 5% lower compared to Q3 2013, so the company is doing a decent job reducing costs and improving output. All-in sustaining costs dropped by 15%.

The item that should catch the eye of investors is the company's improved balance sheet. Kinross added $100 million in cash during the first nine month of 2014 and finished the third quarter with cash and cash equivalents of $835.9 million.

With nearly $1 billion in cash on the books and a market cap of just $5 billion, Kinross could be a takeout target. The company has fantastic assets and is well positioned to benefit from higher gold prices.

Which should you buy?

If you are still concerned about volatility in the gold market, Goldcorp is the safer bet. If you think gold prices are definitely headed higher, Kinross probably offers greater upside potential, especially given the possibility of a takeover.

Buying mining stocks is not for everyone, but if contrarian picks appeal to you, take a peek at the following free report about two other Canadian stocks that could surge this year.

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1. NYSE:KGC (Kinross Gold Corporation)
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Date
2025/09/09
Date Created
2015/01/20
Author
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