



Kinross Gold Corporation vs Goldcorp Inc.: Which Is a Better Bet?

Description

As gold prices remain mired in a slump, interest is quietly building around the miners.

Investing in gold companies hasn't been very rewarding in the past five years. In fact, it has been a disastrous trade, and many analysts still think you should give the entire sector a wide berth.

You can't blame them. Global markets appear to be resilient in the face of political instability and the U.S. dollar has been on a bull run for the past two years.

But those trends might be changing.

Greece is still a basket case, China's property bubble could burst at any time, instability continues to spread through the Middle East, and the dollar rally is showing some cracks.

On the production side of the gold equation, miners have become more focused on profitable growth rather than growth at all costs, and many have cleaned up their balance sheets.

As a result, some investors are looking at the broader gold picture and deciding that the bottom of the bullion cycle might finally be here.

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)) and **Goldcorp Inc.** (TSX:G)(NYSE:GG) are two of the stocks that would benefit from a renewed rally in the precious metal. Let's take a look both companies to see if one should be in your portfolio.

Kinross

Kinross has lost more than 80% of its value in the past five years and is now essentially a penny stock. One massive deal is responsible for most of that pain.

In 2010 the company paid US\$7.1 billion to purchase Redback mining. The deal gave Kinross control of the then-coveted Tasiast mine, but the project has turned out to be a disaster and Kinross has written off most of the value of the Redback assets.

The battle to right the ship has been long one, but the dark days might finally be behind the company.

Kinross recently reported better-than-expected Q1 earnings. Cash flow of US\$250 million easily covered the US\$150 million spent on capital projects, and 2015 production remains on track for 2.4-2.6 million ounces.

Kinross also finished Q1 with more than US\$1 billion in cash and cash equivalents, up more than 40% from the same period in 2014.

Goldcorp

Goldcorp is often touted as the best house on an ugly street when it comes to the miners.

The company delivered record production of 2.87 million ounces in 2014 and recently confirmed guidance of 3.3-3.6 million ounces for this year.

Capital expenditures are expected to drop from US\$2.2 billion last year to US\$1.2-\$1.4 billion in 2015. The higher production and reduced capital outlays should mean the 3% dividend is safe.

Which should you buy?

The mining sector is still a risky bet. If you believe gold has hit the bottom of its cycle, then both these companies offer big potential upside.

Goldcorp is much larger, offers a nice yield, and is better positioned to ride out tough conditions. Kinross comes with more risk, but the company could be a takeover target if the bullion market starts to get a tailwind.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:K (Kinross Gold Corporation)

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