



## Could Goldcorp Inc. and Barrick Gold Corp. Double by Year End?

### Description

Shares of **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) are trading near their multi-year lows, and contrarian investors are wondering if the bottom might finally be near for Canada's gold mining giants.

Let's take a look at the two companies to see if the risk/reward profile warrants a small position right now.

### Goldcorp

Goldcorp is often touted as the prettiest house on gold miner street, but the stock continues to languish. In fact, long-term shareholders are down more than 50% in the past five years and many are wondering if they should just cut their losses and move on.

That might not be the best move at this point.

Goldcorp is ramping up production at a couple of new mines and is doing a good job of bringing down costs.

The company's Cerro Negro mine in Argentina and its Eleonore mine in Quebec are very promising properties, and both have recently moved from the development stage to commercial production.

This is a turning point for investors because Goldcorp is increasing production from 2.9 million ounces in 2014 to as much as 3.6 million this year. At the same time, capital costs are dropping significantly. Last year Goldcorp spent US\$2.2 billion on mine development. This year that number should be less than US\$1.4 billion.

Goldcorp pays a dividend of US\$0.60 per share that yields 3.6%. Some analysts are concerned that the payout is too high, but the company has adequate cash and credit facilities to cover the distribution until the new mines hit full production capacity.

## Barrick Gold

Barrick's new management team is working hard at rebuilding trust with the investment community as it implements a plan to take the company back to the Barrick of old, when profits and the interests of shareholders were more important than big egos and growth at all costs.

The big issue is Barrick's monstrous debt load. The company started the year with US\$13 billion in debt, but is committed to bringing that down by \$3 billion by year end through the sale of non-core properties.

The picture isn't as bleak as it looks once you drill down into the numbers. Only \$1 billion of the debt is due in the next three years and Barrick has ample liquidity to carry it through the transition process.

The company recently sold two properties for US\$850 million, so investors are seeing progress.

On the operations side, Barrick's all-in sustaining costs are below US\$900 per ounce and the company expects to deliver positive free cash flow this year.

Good news is also coming out of Zambia, where the government is going to roll back plans to hike royalty rates on Barrick's massive Lumwana copper operation.

### Could Barrick and Goldcorp double?

A rally in gold prices through the rest of the year would certainly put a huge tailwind behind gold stocks, and these two companies could easily surge 100% from their current levels on the back of a big move in bullion.

While possible, this scenario is probably a bit ambitious for even the most bullish of the gold bugs. However, a double over the next three years is possible given the operational improvements at both companies. At this point, the upside potential looks like it outweighs the downside risks.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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