



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

Description

The last four years have been tough on gold miners and their shareholders.

After peaking above \$1,900 per ounce back in September 2011, gold has been on a nasty slide and gold stocks have followed it all the way down.

Goldcorp Inc. (TSX:G)(NYSE:GG) and **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) are two of the sector's fallen angels.

Let's take a look at both companies to see if one is a better choice to play a rebound in gold prices.

Goldcorp

Goldcorp is often cited as the prettiest house on an ugly street, but even this beauty has seen better days.

The company recently announced lower-than-expected production at its new Eleonore mine, and slashed the dividend by 60% when it reported Q2 earnings back in July.

Analysts expected the dividend cut, but a closer look at the numbers suggests it wasn't critical to do so.

Goldcorp delivered record second-quarter production of 908,000 ounces, a solid 40% increase over the same period in 2014. Adjusted operating cash flow was US\$358 million and adjusted free cash flow came in at US\$174 million, more than enough to cover the old dividend.

During the second quarter the company unloaded its 26% interest in **Tahoe Resources** for just under \$1 billion, and raised its credit facility by another US\$1 billion.

With just US\$3.36 billion in long-term debt and about US\$1 billion in cash, Goldcorp looks to be on pretty sound footing.

The company expects all-in-sustaining costs for 2015 to be US\$850-900 per ounce.

Kinross

In 2010 Kinross paid US\$7.1 billion to buy Red Back Mining Inc. in what might be the worst mining deal in recent history. Since then, the stock price has lost about 90% of its value and most of the Red Back assets have been written off.

Management has worked hard to get the company back on track, and there could finally be some light at the end of the tunnel.

Kinross finished Q2 with more than US\$1 billion in cash and cash equivalents and just under US\$2 billion in long-term debt. The only senior debt due before 2019 is a US\$250 million note due next year. Available credit is about US\$1.5 billion.

Adjusted operating cash flow for the quarter was US\$161.4 million and the company spent US\$128.5 million on capital programs. All-in sustaining costs for the second quarter were \$1,011 per ounce.

Cash flow is covering the capital projects and the bank account is building up nicely. If the company can get its production costs down another 10-15%, it should be in good shape.

Which should you buy?

Goldcorp is definitely the safer bet of the two given the strength of its balance sheet and its lower production costs. If you are a conservative bullion bull, that's the way to go. For gold bugs with a higher risk tolerance, Kinross would probably rally more on a surge in gold prices, and the company might become a takeover target given the fact that it is sitting on so much cash.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:K (Kinross Gold Corporation)

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