# Should Gold Bugs Buy Agnico Eagle Mines Ltd. or Barrick Gold Corp.?

## Description

Gold is finally regaining some of its shine, and investors are wondering which names in the sector are the best choices for an extended bullion rebound.

Let's take a look at **Agnico Eagle Mines Ltd.** (TSX:AEM)(NYSE:AEM) and **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX) to see if one is a better pick.



Both companies report all of their financials in U.S. dollars.

**Agnico**

Gold investors often overlook Agnico, but that might not be the smartest move. The company has held up well compared with its peers during the gold rout, and the stock is actually in positive territory for the year.

There's good reason for that.

Agnico reported Q2 2015 net income of $10 million. Operating cash flow in the quarter was about $190 million and the company only spent about $116 million on capital projects. That means cash flow is easily covering growth expenditures.

The company has very little debt when compared with other miners. In fact, Agnico finished Q2 with just $1.18 billion in long-term debt. That's not bad considering the company has a market cap of $6.3 billion.

Production came in at 404,000 ounces for the second quarter, a 24% increase over the same period last year. Guidance for 2015 is set at 1.6 million ounces and the company could beat that number given the strong first-half output of about 808,000 ounces.

All-in sustaining costs are expected to be $870-890 per ounce this year.

Agnico pays a quarterly dividend of $0.08 per share.

**Barrick**

Barrick sits at the other end of the debt spectrum. The company finished 2014 with $13 billion in long-term debt. That’s a lot for a company with a market capitalization of $8.6 billion.

Management is working hard to reduce the debt load by $3 billion before the end of the year, and it looks like the goal will be met or even exceeded.

Barrick’s balance sheet woes have been the reason for the company’s terrible stock performance compared with its peers. While Agnico is up since the start of the year, Barrick’s shares are down more than 20%.

The company is still keeping its head above water, and the recent surge in gold prices will help.

Barrick is targeting all-in sustaining costs of $840-880 per ounce for 2015 production of 6.1-6.4 million ounces.

**Which should you buy?**



Agnico is certainly a safer bet. The company has very little debt and is making money in the current environment. If you like the long-term outlook for gold, but are still concerned about the next two or three years, Agnico is probably the smarter choice.

Barrick is a turnaround play. If management can get the debt load down to a reasonable level without diluting the pants off its shareholders, the stock could rebound significantly on continued gold strength. The only risk is a reversal in gold to new lows before Barrick can get the balance sheet sorted out.

If you think gold has bottomed, Barrick probably offers more upside potential than Agnico.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks

**TICKERS GLOBAL**

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:AEM (Agnico Eagle Mines Limited)

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