



Is Goldcorp Inc. or Barrick Gold Corp. a Better Way to Play a Bullion Surge?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG) and **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) have taken a real beating over the past four years, but the recent rally in gold is starting to bring tire kickers back into the bullion space.

Let's take a look at both companies to see if one is a better bet right now.

Goldcorp

Goldcorp is often highlighted as the best pick among the gold miners. During the second quarter of this year the company delivered record production of just over 900,000 ounces. That was good for a 40% increase over the same period in 2014 and an indication that the company's newest projects are starting to bear fruit.

Production for 2015 is expected to be 3.3-3.6 million ounces with all-in sustaining costs of US\$850-900 per ounce.

Operating cash flow for the quarter was US\$528 million and the company delivered adjusted net earnings of US\$65 million, which isn't too bad considering the challenges facing the precious metals markets. Free cash flow for the quarter was US\$174 million.

Goldcorp's balance sheet is in decent shape. The company finished Q2 with US\$3.6 billion in long-term debt and just under US\$1 billion in cash and cash equivalents. Goldcorp also has US\$2.2 billion available in undrawn credit facilities.

The company cut its dividend when it reported the Q2 numbers and now pays a monthly distribution of US\$0.02 per share.

Barrick

Barrick sits at the other end of the debt spectrum.

The company finished 2014 with US\$13 billion in long-term debt. Management is working hard to get that number down, and it looks like Barrick will easily meet or even exceed its \$3 billion debt-reduction goal for 2015. The company is selling non-core assets and negotiating streaming deals to raise funds. At the end of Q2 Barrick had already hit 90% of the debt-reduction target.

Barrick isn't widely known for its financial discipline, but the company is trying to turn things around, and all projects must now meet a strict return-on-investment threshold.

With the progress made so far this year, the market is starting to believe the turnaround might actually succeed.

The debt load is still scary, but the company has some room to manoeuvre, with more than US\$2 billion in cash plus another US\$4 billion undrawn credit facilities.

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

Which should you buy?

Goldcorp is certainly the safer bet based on the health of its balance sheet. However, if you think gold prices have bottomed, Barrick probably offers more upside potential. The big risk with Barrick lies in the fact that gold could reverse course again before management gets the debt load down to a reasonable level.

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1. Editor's Choice

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

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Date

2025/08/04

Date Created

2015/10/14

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