Agnico Eagle Mines Ltd. vs. Kinross Gold Corporation: Which Is a Better Gold Bet?

Description

Expectations that the U.S. will delay its long-awaited interest rate hike until 2016 have sparked a short rally in bullion, and Canadian investors are starting to kick the tires again on the country's mining companies.

Let's take a look at **Agnico Eagle Mines Ltd.** (TSX:AEM)(NYSE:AEM) and **Kinross Gold Corporation** (TSX:K)(NYSE:KGC) to see if one is a better bet for an extended gold rally.

Agnico Eagle

Agnico Eagle has weathered the four-year gold storm better than many of its peers, and the stock is actually up more than 25% since the beginning of the year.

In the second quarter of 2015, Agnico Eagle reported net income of US$10 million. Operating cash flow was just under US$190 million, and the company spent about US$116 million on capital projects, so cash flow is easily covering the capital outlays.

Many of the miners are struggling with heavy debt loads, but Agnico Eagle isn't one of them. The company finished the second quarter with US$1.18 billion in long-term debt. That's quite low considering the size of the company, and it gives Agnico Eagle a lot of room to manoeuvre in a challenging environment.

Production for 2015 is expected to be about 1.6 million ounces at an average all-in sustaining cost of $870-890 per ounce.

Kinross

Kinross is enjoying a nice surge right now, but the stock is still down about 15% on the year and off 85% over the past five years.

The bloodbath is a result of the company's disastrous US$7.1 billion acquisition of Red Back Mining

Inc. in 2010. The assets have not lived up to their potential, and gold prices have been on a downward trend for the past four years.

As a result, Kinross has written off most of the purchase price and worked hard to clean up its balance sheet.

At the end of Q2 2015, Kinross had its debt level down to US$2 billion and held more than US$1 billion in cash and cash equivalents.

Adjusted operating cash flow for the quarter was about US$162 million, and the company spent just under US$130 million on capital projects. Like Agnico Eagle, it is adequately covering its capax with cash flow.

All-in sustaining costs for the quarter were US$1,011 per ounce.

Which one is a better bet?

Agnico Eagle has lower production costs and the balance sheet is stronger. Both stocks will rise significantly if bullion continues to surge, but Agnico Eagle provides better downside protection in the event that the latest gold rally is just another head fake.

At this point, Agnico Eagle is probably a smarter bet.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:K (Kinross Gold Corporation)

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Date
2025/08/26
Date Created
2015/10/21
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