# Is Kinross Gold Corporation Finally Worth a Shot?

## Description

**Kinross Gold Corporation** (TSX:K)(NYSE:KGC) is not a popular stock these days, but the company has made some good progress in its turnaround efforts and gold bugs are starting to take notice.



Let's see if Kinross deserves to be on your radar in 2016.

### A long road to recovery

Kinross was a $20 stock just five years ago, but a terrible acquisition coupled with the slide in gold prices pummeled the company into near oblivion. Today, the shares trade for about $2.60.

Back in 2010, Kinross bought Red Back Mining for US$7.1 billion. The deal was supposed to be a game changer that would secure the miner's place as a major player in the global gold space.

Unfortunately, the deal loaded up the balance sheet with debt and almost destroyed the company.

The prized asset in the portfolio was the Tasiast gold mine in Mauritanina. The project has turned out to very problematic and Kinross has written down most of the Red Back acquisition cost as gold prices plunged from US$1,900 in 2011 to below US$1,100.

### The brighter side of the story

Tasiast still isn't making money, but the company believes it can change that by boosting the mine's processing capacity from 8,000 tonnes per day to 38,000 tonnes per day.

The expansion would take place in two steps, with the initial investment of US$290 million expected to raise capacity to 12,000 tonnes. This would improve gold output from 260,000 ounces per year to 368,000 ounces per year, and Kinross believes it could bring all-in sustaining costs (AISC) down to US$725 per ounce in the first two years.

How will Kinross pay for this?

The company has done a great job of cleaning up the balance sheet and reducing expenses.

Kinross finished Q3 2015 with US$1.025 billion in cash and cash equivalents and long-term debt of US$1.73 billion. The company also has US$1.5 billion in available credit lines.

Cash flow for Q3 came in at US$206.6 million and the company spent US$171.3 million on capital projects, so the funds from operations at current prices are enough to keep the business running.

Kinross recently spent US$610 million of its cash to buy assets from **Barrick Gold**. The new mines should add 430,000 ounces per year of production and help bring down AISC in the coming year.

As for Tasiast, Kinross still has enough cash to push ahead with the expansion.

**Is Kinross a buy?**

Buying any gold stock requires the belief that bullion prices are headed higher. If the precious metal can muster a rally, Kinross will certainly soar, and it looks like the company is setting up to deliver stronger operating results in the coming years.

A takeover bid is another potential catalyst for the stock. Kinross is in decent shape and it holds an impressive portfolio of assets.

If you are a gold bug, it might be worthwhile to keep an eye on the stock.



**CATEGORY**

1. Investing
2. Metals and Mining Stocks

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