



Barrick Gold Corp. vs Agnico Eagle Mines Ltd.: Which Stock Is Set to Soar?

Description

Mr. Market pretty much left the gold sector for dead in 2015, but a recent surge in market volatility and rising geopolitical tensions are bringing investors back in to the game.

Let's take a look at **Barrick Gold Corp.** ([TSX:ABX](#))([NYSE:ABX](#)) and **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)) to see which one is more likely to take off if gold catches a tailwind.

Barrick

Barrick is about a year in to a major restructuring process that few pundits believed would bear fruit when it was announced.

Last year, management set an ambitious goal of reducing the company's massive US\$13 billion pile of debt by \$3 billion before the end of 2015. The final results will be announced in the Q4 earnings report, but it looks like the company pulled it off through a series of transactions that included asset sales, streaming deals, and new partnerships.

Barrick is also on track to achieve \$2 billion in cash flow improvements by the end of this year.

Lower gold prices have really put the pinch on the mining sector, but Barrick managed to deliver positive free cash flow of US\$256 million in Q3 2015. One reason for the turnaround is the company's new operating model, which employs a disciplined approach to capital allocation and a 15% hurdle rate for all investments.

All-in sustaining costs (AISC) for Q3 came in at US\$771 per ounce and AISC for full-year 2015 was expected to be below US\$870 per ounce. That puts Barrick among the lowest-cost producers in the industry.

Barrick produced more than six million ounces of gold in 2015.

Agnico Eagle

Agnico Eagle is known for having one of the best balance sheets in the industry. The company finished Q3 2015 with just US\$1.2 billion in long-term debt and had US\$208 million in cash and cash equivalents. The outstanding balance on the US\$1.2 billion credit line was US\$350 million.

Agnico is also a low-cost producer. Third-quarter 2015 AISC came in at US\$759 per ounce compared to US\$1,059 per ounce in Q3 2014. The large improvement came as a result of a 26% increase in production combined with lower admin expenses and reduced capital outlays.

Agnico produced about 1.65 million ounces of gold in 2015. New gold findings in recent quarters have added to the resource base, and investors should see solid production growth in the coming years.

Which should you buy?

Both companies will do well on a gold rebound, but Agnico Eagle is the safer bet. The company has a much stronger balance sheet and lower production costs. The stock also holds up better in tough markets.

Agnico Eagle's stock price is pretty much unchanged from a year ago. Barrick's shares fell 22% over the past 12 months.

If you are looking for more torque on a gold surge, Barrick is definitely an attractive choice, but it also comes with a lot more risk. I would probably go with Agnico Eagle at this point.

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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