



## Barrick Gold Corp. or Yamana Gold Inc.: Which Is a Better Bet Right Now?

### Description

Gold continues to push higher, and investors are finally starting to believe the rally might have some legs.

Let's take a look at **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) to see if one is a better pick right now.

### Barrick

Barrick's shareholders have suffered for years as ill-timed acquisitions and a bigger-at-all-costs mentality saddled the balance sheet with massive debt just as the gold and copper markets prepared to roll over.

The result has been years of write-downs and a plummeting stock price. Barrick traded for \$50 per share five years ago. Last September it dropped below \$6.

In early 2015 Barrick's new management team launched an ambitious strategic overhaul. The company cut staff, slashed expenses, and committed to reducing the US\$13 billion debt pile by US\$3 billion before the end of the year.

Few pundits believed Barrick would hit the target given the weakness in the gold sector and the company's track record of mismanagement. To the market's surprise Barrick pulled it off and the Q4 report will likely show that Barrick finished the year with about US\$10 billion in long-term debt.

The company still has work to do to improve the balance sheet, but all-in sustaining costs (AISC) dropped to US\$771 per ounce in Q3 2015, and free cash flow in the quarter hit US\$256 million. That's pretty good given the market conditions.

Barrick produced 1.66 million ounces of gold in the third quarter of 2015, and the full year probably came in above six million ounces.

Gold has surged about US\$170 per ounce since mid-December, which would translate into an extra

US\$1 billion in cash flow this year if the price gains hold.

The company has a market capitalization of about US\$14 billion.

## **Yamana**

Yamana's shareholders have also suffered. The stock traded as high as \$20 per share in late 2012, but debt issues combined with a sliding gold price sent the stock into a free fall that bottomed out below \$2 in September 2015.

In an effort to streamline the business operations, Yamana placed its non-core assets into a new company called Brio Gold. The initial plan was to sell the group in order to raise cash to reduce debt.

Yamana was unable to get the price it wanted, and management decided in December to hold Brio Gold until market conditions improve. That is starting to look like a wise move given the recent surge in gold prices.

If Yamana is able to unload Brio Gold at an attractive price, it will go a long way to solving the debt problem. Yamana has net debt of roughly US\$1.7 billion and a market capitalization of about US\$2.4 billion.

The company has done a good job of reducing costs through the downturn and AISC came in at a reasonable US\$841 for Q3 2015. Yamana's 2016 gold production is expected to be 1.2-1.3 million ounces.

## **Which should you buy?**

Both stocks will run higher on continued gold strength, but Barrick's cost structure is lower and the company is making solid progress on its turnaround efforts, so I would go with the industry giant at this point.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **POST TAG**

1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:YRI (Yamana Gold)

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aswalker

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