



Should You Buy Kinross Gold Corporation or Yamana Gold Inc. Today?

Description

Gold continues to rally, and investors who missed the big move are wondering which miners still offer a shot at some decent upside.

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

Kinross

Kinross was a \$20 stock in late 2009, but a disastrous deal followed by the gold rout took the ticker right down to \$2 per share this January. Today the shares are trading near \$6.50.

Kinross spent most of the past five years cleaning up the balance sheet after the 2010 purchase of Red Back Mining saddled the company with a nasty debt load. The crown jewel of the Red Back deal was supposed to be the Tasiast mine in Mauritania, but the site has struggled to turn a profit since the acquisition.

That situation is about to change.

Kinross recently announced plans to invest an additional US\$300 million to expand Tasiast. The project will increase throughput by 50% and is expected to boost production at the mine by 90% by 2018. All-in sustaining costs (AISC) at the facility should come down to US\$760 per ounce, which would make the mine quite profitable at current gold prices.

Total 2016 production across all the properties is expected to be 2.7-2.9 million ounces at AISC of US\$890-990 per ounce.

Kinross has a market cap of US\$7 billion.

Yamana

Yamana has a similar story.

Ill-timed acquisitions and a plunge in gold have been painful for long-time shareholders. The stock traded as high as \$20 per share in late 2012 and also bottomed out around \$2 in January. The recent surge in gold has moved the stock back above the \$5.50 mark.

Part of the company's restructuring plan included the placement of non-core assets into a new company called Brio Gold. Yamana originally wanted to sell off Brio to help pay down its US\$1.7 billion debt load, but management decided late last year to delay the spin-off.

That move is starting to look like a smart one as gold has surged more than US\$200 per ounce in 2016.

Yamana still has to deal with the debt and plans to reduce it by US\$300 million over the next two years through cash flow from operations and the sale of some other assets.

Yamana delivered 2015 production of 1.28 million ounces of gold at AISC of US\$842 per ounce. In the fourth quarter AISC came in at US\$753 per ounce. Those are pretty good numbers and indicate the company is making progress on the cost side of the business.

Output for 2016 is expected to be 1.23-1.31 million ounces. Yamana has a market cap of US\$4.5 billion.

Which should you buy?

Both stocks are going to ride the gold surge higher, but I would give Kinross the edge today, even though it has a higher cost structure.

Production is more than double that of Yamana, so Kinross should have more torque to the upside on rising prices. The balance sheet is also in better shape, and the Tasiast expansion should drive production higher in the coming years while lowering overall AISC.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
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3. TSX:K (Kinross Gold Corporation)
4. TSX:YRI (Yamana Gold)

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