



Should You Buy Kinross Gold Corporation or Barrick Gold Corp. Right Now?

Description

The gold rally continues to pick up steam, and investors who missed the surge are wondering which names in the mining sector still offer some upside potential.

Let's take a look at **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) and **Barrick Gold Corp.** ([TSX:ABX](#))([NYSE:ABX](#)) to see if one is a better bet.

Kinross

Kinross spent most of the past five years in survival mode after a horrible purchase loaded up the balance sheet with debt just before gold hit its 2011 peak.

What's the story?

Back in 2010, Kinross spent US\$7.1 billion to acquire Red Back Mining in a deal that many market observers consider to be the worst in the sector in recent history.

The deal included the Tasiast mine in Mauritania, which was supposed to be a game changer for the company. It certainly had a big impact, but not in the way Kinross expected.

Gold prices peaked in 2011 and Kinross was forced to write down the majority of the Red Back purchase. Tasiast never lived up to expectations, and the new management team has worked hard to right the ship.

Today, it looks like things are finally turning around.

Kinross has its debt load down to a manageable level, and the company is actually about to increase its investment in Tasiast. The move will see US\$300 million spent to expand the facility's throughput by 50%, which should boost production by 90% once the project is completed in 2018. All-in sustaining costs (AISC) at the site are expected to drop to US\$760 per ounce. That would make Tasiast quite profitable at the current gold price of about US\$1,300 per ounce.

Kinross is targeting total 2016 gold production of 2.7-2.9 million ounces at AISC of US\$890-990 per ounce.

Barrick

Bad deals, a massive debt load, and falling prices have also plagued Barrick, but a turnaround plan launched last year is starting to bear fruit.

Barrick managed to reduce its US\$13 billion debt load by US\$3 billion in 2015 through a series of assets sales, new partnership agreements, and streaming deals. Most market observers were surprised to see Barrick pull it off, and the company is already well on the way to shaving off another US\$2 billion in debt this year.

Barrick just reported Q1 2016 adjusted earnings of US\$127 million and generated US\$181 million in free cash flow. The company produced 1.28 million ounces of gold in the first three months of the year at AISC of just US\$706 per ounce.

For 2016, Barrick is targeting production of 5-5.5 million ounces at AISC of US\$760-810 per ounce. By 2018, the company expects AISC to be below US\$700 per ounce.

Which should you buy?

Both stocks are going to move higher on continued strength in gold prices, but Barrick's cost structure is significantly lower, so I would go with the industry giant at this point in the game.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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