Is it Time to Buy Goldcorp Inc. or Barrick Gold Corp.?

Description

Gold stocks are catching another tailwind, and investors who missed the rally through the first part of 2016 are wondering which names still hold upside potential.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX) to see if one is a better bet right now.

Goldcorp

Goldcorp used to be the go-to name of the big miners, but the stock has lagged its peers in recent times. High operating costs are responsible for the lack of investor interest, but Goldcorp is slowly getting back on track.

Management plans to cut US$500 million in mine-site costs and corporate expenses over the next two years. The company is also ramping up output at two new projects that began commercial production last year. As those facilities reach target capacity, all-in sustaining costs (AISC) should come down.

Goldcorp says it will produce 2.8-3.1 million ounces this year at AISC of US$850-925 per ounce. The Q1 results came in better than that with AISC of just US$835 per ounce.

Goldcorp's balance sheet remains in good shape. The company is carrying US$2.7 billion in debt and has US$3.2 billion in available liquidity. This positions Goldcorp well to take advantage of opportunities to add new assets as it recently did with the purchase of Kaminak Gold for $520 million.

Barrick

Barrick is in the middle of an impressive turnaround. The company used streaming deals, new partnerships, and the sale of non-core assets to reduce its US$13 billion debt load by US$3 billion in 2015. This year the company plans to cut debt by an additional US$2 billion.

At the same time, management is driving down costs. Barrick produced 1.28 million ounces of gold in Q1 2016 at AISC of US$706 per ounce. That's 24% lower than the AISC for the same period last year.

Production guidance for the full year is 5-5.5 million ounces at AISC of US$760-810 per ounce.

Earnings for the first quarter came in at US$127 million, and the company generated US$181 million in free cash flow.

Which should you buy?

Both stocks will continue to rise on strong gold prices, but Barrick's cost structure makes it a top pick right now. The company finally has its debt load under control and is generating positive free cash flow.

I wouldn't back up the truck just in case the market decided to reverse course. However, investors who believe gold is poised for a long-term rally should consider adding Barrick to their portfolios.

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1. NYSE:B (Barrick Mining)
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