



Yamana Gold Inc. or Kinross Gold Corporation: Which Is the Better Bet Right Now?

Description

Gold is picking up another tailwind, and investors who missed the big move to start the year are wondering which names in the space still offer a shot at some hefty gains.

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

Yamana

Yamana has had a tough run in recent years, but the 2016 surge is a signal the pain might finally be over.

How bad has it been?

The stock fell below the \$2 mark in January of this year. Back in 2012 Yamana traded for \$20 per share.

Management has done a good job of navigating the downturn, but the balance sheet remains a concern as the company is sitting on roughly US\$1.7 billion in long-term debt.

Yamana plans to reduce debt by US\$300 million over the next two years through cash flow from operations and the sale of some non-core assets. Last year the executive team decided to put the brakes on plans to sell off the company's Brio Gold subsidiary, which was originally created with a pool of assets Yamana hoped to unload to get its financial house in order.

The decision to wait is looking like a smart one as operational improvements and the rally in gold prices are helping improve the value of the Brio portfolio.

Yamana generated Q1 2016 net earnings of US\$0.03 per share and reported adjusted free cash flow of US\$56 million. Gold production in the quarter came in at 308,000 ounces at all-in sustaining costs (AISC) of US\$804 per ounce.

Gold output for 2016 is expected to be 1.23-1.31 million ounces.

Kinross

Kinross has also endured some difficult years, but the company appears to have finally turned the corner after battling to repair the balance sheet in the wake of the ill-timed purchase of Red Back Mining in 2010.

Today, Kinross is carrying a manageable level of debt and is back in growth mode.

The crown jewel of the Red Back acquisition was supposed to be the Tasiast mine in Mauritania. The property has never lived up to expectations, but the situation is about to change as Kinross plans to invest US\$300 million to expand throughput by 50%. The result should be a 90% increase in production by 2018 with AISC dropping to US\$760 per ounce.

Recently purchased assets in Nevada should also help lower overall AISC in the coming years.

Kinross is targeting total 2016 production of 2.7-2.9 million ounces across all of its properties with AISC of \$US890-990 per ounce.

This stock also traded at \$2 per share in January. At the time of writing, Kinross is sitting at \$6.75 per share.

Which should you buy?

Both stocks will continue to rise on stronger gold prices.

Yamana has a lower cost structure at the moment, but Kinross is in better financial shape and should deliver stronger production growth. If you are a gold bug and plan to hold the stock for a number of years, Kinross looks like the better pick right now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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