



Gold Investors: What Company Should You Invest in?

Description

For as long as anyone can recall, gold has been seen as a safe store of wealth. Wars have been fought over the precious metal, and empires have collapsed because not enough of it was hoarded.

Fortunately, investing in gold has never been easier, but picking the time to invest as well as finding the right gold producer remain as difficult as ever to predict. Here's a look at two of the primary gold producers on the market and which one represents the better option for your portfolio.

Yamana: efficient, lean, and productive

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)) is quite possibly enjoying 2016 more than the other gold producer in this article. As recently as last fall, the company was trading in the \$2 range, and the outlook of the company was vastly different than it is now.

Currently, Yamana is trading at \$6.22. The company has spiked 142% this year, thanks in part to an increase in gold prices, but also more importantly due to the company tightening costs, becoming more efficient, and reducing debt.

In the most recent quarter the company announced that it had gotten all-in sustaining costs down to just US\$804 per ounce and produced 308,000 ounces for the quarter. Last year the company managed to reduce debt by US\$286 million and plans to move forward by a further US\$300 million reduction over the next few years.

Another factor working in Yamana's favour is its operations in Brazil. As recently as late last year, Yamana had considered selling the underperforming assets, but eventually opted not to. Instead, the company focused on another mine that has panned out to be much better than expected.

Barrick: debt reduction and efficiency

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is another gold producer that is thoroughly enjoying 2016. While gold producers are accustomed to carrying large debt, the Barrick of years past had a debt load far greater than the company could carry.

Roughly a year ago the company had a staggering US\$13 billion in debt—far above any of the company's peers at the time. The company realized this and instituted an aggressive turnaround plan that was focused on debt reduction and improving efficiency. Assets were sold, costs were cut, and staffing levels were reduced.

One year later, Barrick's debt has been slashed by US\$3 billion. Even more impressive is that Barrick is targeting a further US\$2 billion to be slashed this year. On the efficiency side, Barrick managed to get all-in sustaining costs down to an industry-best US\$706 per ounce in the most recent quarter. Considering that gold prices are creeping upwards to US\$1,300 per ounce, those efficiencies and reduced debt payments mean increased revenues for the company.

The company currently trades at \$25.86—up by an incredible 152% year-to-date thanks in part to the increased demand and pricing for the precious metal.

The better investment

This is a tough call. Both companies exhibit excellent investment opportunities for investors and have adopted strategies to reduce debt. But if I had to pick one of these companies to invest in, it would be Barrick. Barrick has made incredible strides in becoming efficient and reducing debt, and rising gold prices will continue to fuel investments into the company.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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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