



Should You Buy Kinross Gold Corporation Right Now?

Description

Gold stocks continue to find support despite the huge rally through most of 2016.

Let's take a look at **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) to see if it deserves to be a top gold pick right now.

A long road to recovery

Kinross has come a long way in its efforts to recover from the disastrous \$7 billion bet on Red Back Mining in 2010.

The acquisition was made shortly before gold prices peaked, and management has spent most of the past six years in survival mode.

With the balance sheet finally back in good shape and gold prices on the mend, Kinross is starting to focus once again on growth.

Last year the company negotiated a deal to purchase strategic assets in Nevada. Now the company is planning to expand operations at its Tasiast mine in Mauritania.

Tasiast came with the Red Back deal and was supposed to be the crown jewel of the company, but the property has never lived up to expectations.

That might begin to change in the next couple of years.

Kinross is planning to invest \$300 million to increase mill-throughput capacity by 50% to 12,000 tonnes per day (t/d). The expansion should reduce production costs by nearly 50% and output by almost 90% at the mine by Q2 2018.

Phase two would push throughput to 30,000 t/d, but the timing on that has not been announced.

Solid financials

Kinross reported solid results for Q2 2016. The company produced 671,000 gold equivalent ounces at all-in sustaining costs (AISC) of US\$988 per ounce. The numbers were pretty good compared with the same period last year when AISC was US\$1,011 per ounce.

Free cash flow for the quarter was US\$202 million, and the company finished Q2 with cash and cash equivalents of US\$968 million.

Long-term debt is down to just \$1.7 billion and total liquidity is about US\$2.5 billion.

Guidance

Kinross expects to produce 2.7-2.9 million ounces in 2016 at AISC of US\$890-990 per ounce. Capital expenditures to date are below the original forecast of US\$755 million for the year.

Should you buy?

At this point you have to be a long-term gold bull to buy any of the miners. If you are in that camp, Kinross should be on your radar.

The company still has some work to do to get AISC down to levels enjoyed by its peers, but there is finally some light at the end of the tunnel for this beleaguered stock.

The Tasiast expansion should go a long way in helping reduce overall AISC, as will the new assets in Nevada. There is also a chance Kinross could become a takeover target if mergers start to heat up in the gold space.

I wouldn't back up the truck today, but contrarian investors might want to consider a small position on a pullback.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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