



## IAMGOLD Corp. vs. Barrick Gold Corp.: The Race for Financial Supremacy

### Description

Investors interested in gold miners should closely examine how management is taking advantage of this high-gold-price environment and improving the company's financial flexibility. Two companies worth studying under the microscope are **IAMGOLD Corp.** ([TSX:IMG](#))([NYSE:IAG](#)) and **Barrick Gold Corp.'s** ([TSX:ABX](#))([NYSE:ABX](#)). IAMGOLD recently took a page from Barrick Gold's playbook by leveraging its improved valuation to raise some equity

The company announced this week that a syndicate of lenders have agreed to purchase 39 million common shares at a price of US\$5.15 per share for total proceeds of approximately \$200 million. A majority of the gross proceeds from the sale will go toward paying down \$150 million of its outstanding senior notes. The remainder will fund growth projects.

The share price fell by about 10% from the previous day's close, which is normal considering the discount that syndicates often require to purchase the shares. However, this is a good indication that there is significant appetite in the market for IAMGOLD shares, and the valuation used to calculate the share sale price wasn't too far off its trading levels.

If you remember, Barrick Gold announced in July its plan of reducing its debt by \$5 billion within three years with the goal of being debt free in 10 years. In raising capital to do this, the company would sell some additional non-core assets in Australia. So far the company has reduced its total debt by \$968 million and is on track to reduce it by another \$1.1 billion in 2016.

This is opportune time, while gold prices continue to rise, for companies to improve their financial flexibility. Company share and asset prices are heavily correlated to the price of gold, which has increased by roughly 25% in 2016.

It's difficult to compare these two companies' solvency ratios unless you drill down further into their corporate acquisition and development activities. However, it's still worth comparing these metrics. IAMGOLD's debt-to-equity ratio of approximately 30% is lower than that of Barrick Gold's, which is at 123%.

Examining their cash flow from operations for the first half of the year, IAMGOLD realized an average

gold price of \$1,228 per ounce, cash costs of \$751 per ounce, and a gold margin of \$477 per ounce. Barrick Gold realized an average gold price of \$1,221 per ounce, cash costs of \$565 per ounce, and a gold margin of \$656 per ounce.

Investors looking to increase their holdings of gold companies should consider stocks such as IAMGOLD and Barrick Gold. These are companies with management teams that understand the cyclical nature of the market and the importance of strengthening their financial positions to weather future volatility or capture growth opportunities.

From a behavioural-finance perspective, investors should still continue to flock to gold stocks as a way to offset any negative sentiment in the market. Also, if you consider the uncertainty surrounding global growth, the U.S. elections, and U.S. monetary policy, the near-term outlook for gold stocks is fairly bullish.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:IAG (IAMGOLD Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:IMG (IAMGOLD Corporation)

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## Date

2025/06/28

## Date Created

2016/08/15

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