



Is Kinross Gold Corporation or Goldcorp Inc. Attractive Today?

Description

Gold stocks have enjoyed a nice surge in 2016, and investors who missed the rally are wondering which names might offer the best upside on a continued move higher.

Let's take a look at **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) and **Goldcorp Inc.** ([TSX:G](#))([NYSE:GG](#)) to see if one is a better pick.

Kinross

Kinross has battled back from a disastrous deal in 2010 and is now focused once again on growth.

What happened?

The company spent \$7 billion to buy Red Back Mining six years ago in a deal that was supposed to launch Kinross into the big leagues. The result was quite the opposite as gold prices topped out shortly afterwards and the Red Back assets never delivered the results expected.

Instead of becoming a giant, Kinross floundered, eventually writing down most of the Red Back deal.

Considering the challenges, management has done a decent job of cleaning up the balance sheet. Long-term debt is down to US\$1.7 billion, and the company finished Q2 2016 with US\$968 million in cash and cash equivalents.

Moving forward, Kinross plans to invest US\$300 million to expand operations at its Tasiast facility. The mine was supposed to be the crown jewel of the Red Back acquisition but has yet to pan out.

That might change as the new investment should expand throughput by 50%, increase production by 90%, and reduce all-in sustaining costs (AISC) significantly.

Across the entire portfolio, Kinross expects 2016 production to be 2.7-2.9 million ounces at AISC of US\$890-990 per ounce.

Kinross has a market capitalization of US\$6.4 billion.

Goldcorp

Goldcorp used to be the go-to name in the gold sector, but the stock has fallen out of favour in the past couple of years.

Why?

The company is going through a restructuring process and has hit some speed bumps at a few of its mines. As a result, Q2 2016 production was 613,400 ounces, down from 908,000 ounces in the same period last year. That's not ideal, especially when gold prices are moving higher.

Going forward, the picture looks better.

Goldcorp recently closed its acquisition of Kaminak Gold, which owns the coveted Coffee mine located in the Yukon. Coffee is an open-pit project with three million ounces of indicated resources and a large land package with strong potential for additional near-mine discoveries.

Progress continues in the ramp up at the Eleonore mine that began commercial production last year, and Goldcorp is expanding operations at two of its other existing sites.

Management has confirmed 2016 production guidance of 2.8-3.1 million ounces at AISC of \$850-925 per ounce.

The company finished Q2 with long-term debt of US\$2.9 billion and cash and cash equivalents of US\$328 million.

Goldcorp has a market capitalization of US\$16 billion.

Which is a better bet?

Both stocks will continue to benefit from further strength in gold prices. Goldcorp has a lower cost structure and is much larger, so it would be my pick if you want a "safer" bet. Kinross probably offers better upside torque on an extended gold rally.

At this point, I would be inclined to take a wait-and-see approach on all of the miners. The rally appears to have stalled out, and the next move could go either way.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. TSX:K (Kinross Gold Corporation)

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Date

2025/09/08

Date Created

2016/08/15

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