

B2Gold Corp.: If You Like Gold, This Is the Stock for You

Description

Last month **B2Gold Corp.** ([TSX:BTO](#))(NYSE:BTG) announced that it would sell up to US\$100 million of shares on the open market. After seeing its shares explode from \$0.86 to over \$3.50 since January, the company's management team decided to capitalize on the run, selling shares at a premium price.

With less than \$400 million in debt versus a market cap of over \$3 billion, it's not a guarantee that the new capital will be put towards paying down debt. Instead, it may be directed towards developing new projects or making an opportunistic acquisition.

In its press release the company specifically mentioned using funds for "discretionary capital programs, accelerated exploration at the Fekola Project in Mali and exploration and feasibility work at the Kiaka Project in Burkina Faso."

Throughout history, however, gold miners have proven to be extremely unskilled at capital allocation. Often, they spend capital at the peak of the cycle, leaving them riddled with debt and oversupply at market lows. Will this latest share offering improve B2Gold's future, or will it simply dilute shareholders over the long run?

Executing growth projects

Since the year began shares of B2Gold have handily beat the competition; the company's stock has more than doubled the returns of similar gold miners such as **Randgold Resources Ltd.** and **Semafo Inc.**, despite its smaller size.

A major reason for the run is that B2Gold is in a much better position to execute its gold projects. Whereas Randgold and Semafo already have positive profit margins, B2Gold is still burning cash. Its return on assets last year was negative 7% compared to Randgold's positive 6% and Semafo's positive 4%. The inability to generate positive returns has hampered B2Gold's ability to think long term and develop higher-quality assets.

The latest stock run, in combination with the share offering, could change that.

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Already last quarter, B2Gold produced 135,242 ounces of gold—11% higher than last year and 4% higher than expectations. Annual guidance for this year calls for roughly 530,000 ounces of gold production at a cost of US\$910 per ounce. If gold maintains its recent run (over US\$1,300 an ounce), profits could be right around the corner.

The biggest improvements, however, will be seen from mines under development. The latest share offering will help get its Fekola mine in Mali to full production and provide for improvement projects on its existing mines, including the Otjikoto mine in Namibia and the Masbate mine in the Philippines. From 2015 to 2018, production is expected to rise by over 60%.

Image Source: B2Gold Corporate Website

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This is the place to be

If you're a gold bug, there are few better options long term than B2Gold. Its latest share offering should be viewed as a major positive. Because of its limited debt load, the company avoided selling shares at their bottom. Instead, management waited for conditions to improve to sell stock at a premium rate and help finish up some major gold developments.

B2Gold looks like a great buy-and-hold mining stock.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. TSX:BTO (B2Gold Corp.)

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