



Barrick Gold Corp. or Kinross Gold Corporation: Which Is the Better Buy Right Now?

Description

Gold stocks have given back some of their 2016 gains, and investors who missed the rally earlier in the year are wondering which names might be attractive today.

Let's take a look at **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Kinross Gold Corporation** ([TSX:K](#))(NYSE:KGC) to see if one is more attractive.

Barrick

Barrick embarked on an ambitious turnaround plan in early 2015 that few pundits believed would succeed.

At the time, gold was still falling, and the company risked being crushed by a US\$13 billion mountain of debt. Given Barrick's track record of mismanagement, it wasn't a surprise the market had some doubts.

A year and a half later, most analysts would say Barrick is making good progress.

Management sold non-core assets, struck new partnerships, and entered streaming agreements last year to raise enough funds to lower the debt level by US\$3 billion.

With gold on the mend and cash flow improving, Barrick is on track to shave another \$2 billion off the debt load in 2016, and says it could have debt down to US\$5 billion in three years and be debt free in a decade.

Operational improvements are also impressive. Barrick is targeting all-in sustaining costs (AISC) of US\$750-790 per ounce in 2016 on production of 5-5.5 million ounces. That makes it the lowest-cost producer among the big players in the industry.

The business generated US\$274 million in Q2 free cash flow. It was the fifth-straight quarter free cash flow has been positive.

Kinross

Kinross made a disastrous purchase in 2010 that almost buried the company.

What happened?

At the height of the previous gold rally, Kinross spent \$7 billion to acquire Red Back Mining in a deal that is widely viewed as one of the worst in the sector's history.

Gold prices topped out in 2011, and the Red Back assets, including the highly coveted Tasiast mine in Mauritania, have never lived up to expectations.

As a result, most of the deal was written down and just recently got to the point where Kinross's balance sheet is back in decent shape.

With the pain of the past behind it, Kinross is focusing on strategic growth. The company bought assets in Nevada from Barrick and is investing US\$300 million in Tasiast.

The Tasiast expansion should boost production by 90% and bring AISC at the mine down to US\$760 per ounce by 2018.

Kinross is expecting 2016 gold production of 2.7-2.9 million ounces at AISC of US\$890-990 per ounce.

Which stock is a better bet?

Both names will do well if gold resumes its rally, but Barrick's cost structure is much lower, so I would go with the giant today if you are planning to add a gold stock to your portfolio.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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Author

aswalker

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