



## Time to Buy Kinross Gold Corporation?

### Description

**Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) is finally showing signs of a recovery.

Let's take a look at the long-beleaguered gold miner to see if it deserves to be on your buy list today.

### Market darling?

Kinross is up more than 35% in 2017 compared to modest gains for most of the companies in the sector.

The rally is a welcome change for long-term investors who have watched the miner struggle through most of this decade.

### What's the story?

Kinross bought Red Back Mining in 2010 for US\$7 billion in a deal that is widely viewed as one of the worst in the gold mining sector. The company wrote down the majority of the purchase in the years that followed as gold prices plunged and the acquired assets failed to live up to expectations.

At one point, some pundits questioned the company's ability to survive the rout.

### How bad was it?

Kinross fell from \$20 per share in early 2010 to \$2 per share in late 2015. The stock has since recovered some of the losses and now trades for about \$5.70.

Investors who had the guts to get in at the bottom are enjoying the gains, and those that stayed on the sidelines are wondering if more upside is in the cards.

Interestingly, the one asset that was the largest disappointment in the Red Back deal is now driving new interest in the stock.

## Tasiast

The Tasiast mine in Mauritania was supposed to be the jewel in the crown of the Red Back portfolio, but the asset has failed to deliver on its potential.

That might begin to change.

Kinross is spending US\$300 million to expand operations at the mine. According to the Q1 2017 earnings release, the project is on time and on budget with full production expected to begin in the first half of 2018.

Production should jump 90% once the first phase is completed, and Kinross believes the effort will result in much lower all-in sustaining costs (AISC) at Tasiast.

The company is currently evaluating the feasibility of a second expansion. The study should be completed by Q3 2017.

Assuming phase two gets the green light, Tasiast is set to become the largest producer in the Kinross portfolio with average annual production of close to 1.2 million ounces.

## Balance sheet

Management has done a good job of cleaning up the balance sheet. Kinross finished Q1 with total debt of \$1.7 billion, cash and cash equivalents of \$1.1 billion, and undrawn credit facilities of \$1.4 billion.

None of the debt is due before 2020.

## Should you buy?

Kinross is in recovery mode, and the market is finally starting to see the potential of Tasiast.

AISCs are still quite high at US\$953 per ounce, but Kinross is making good progress on cost reductions, and AISCs should continue to fall in the coming years.

If you are bullish on gold over the long term, Kinross is worth considering for your portfolio today.

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1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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