



Gold Investors: Kinross Gold Corporation vs. Barrick Gold Corp.

Description

Gold recently hit a new 2017 high, and investors are wondering which stocks might offer the best upside potential on further gains.

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

Kinross

Kinross is finally in growth mode after years of restructuring.

The company made an ill-timed purchase in 2010 that saddled the company with heavy debt just before gold peaked and began its multi-year slide.

As a result, Kinross wrote down most of the US\$7 billion it paid for Red Back Mining amid falling gold prices and underperformance from the acquired assets, including the Tasiast mine in Mauritania.

Are better days ahead?

Kinross is investing US\$300 million in Tasiast to boost production by 90% and lower the mine's all-in sustaining costs (AISC). The company is also evaluating a second phase of the expansion. Phase one should be complete in the first half of 2018.

Assuming phase two also goes ahead, Tasiast would become the company's flagship mine with annual production of about 1.2 million ounces.

Kinross finished Q1 2017 with total debt of US\$1.7 billion and cash and cash equivalents of \$1.4 billion, so the balance sheet is in good shape.

AISC came in at US\$953 per ounce in the first quarter.

Barrick

Barrick has also worked hard to clean up its balance sheet.

The company reduced debt from US\$13 billion at the beginning of 2015 to US\$7.9 billion at the beginning of this year. Management says debt will be down to US\$5 billion by the end of 2018.

Operational improvements have led to improved AISC, which came in at US\$772 per ounce for Q1 2017.

Barrick's stock enjoyed a strong recovery last year, but trouble at its Veladero mine and weaker-than-expected Q1 2017 numbers have hit the stock over the past two months.

Is one more attractive?

The market seems to think Kinross is the new go-to name in the sector. The stock is up 48% in 2017 compared to a 6% gain for Barrick.

Both companies are making good progress on their turnaround efforts and should benefit from higher gold prices.

If you want to own the industry leader, go with Barrick. If you think Kinross is might be in the early stage of a big run, it might be worth a contrarian shot.

Given the size of the Kinross rally since January, I would probably call it a coin toss between the two names today.

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Date

2025/09/05

Date Created

2017/06/08

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