



Looking at Canada's Gold Companies and More

Description

The past five years have not been kind to gold investors. Shares in **Goldcorp Inc.** (TSX:G)(NYSE:GG) have declined by over 55% over that time with a decline in excess of 20% coming in the past year alone.

With a 52-week low of slightly under \$16 per share, the current price of \$17.50 is not far from the bottom. Investors looking for exposure to the precious metals sector may just have found it. Given the lower price, the dividend yield of the gold miner is a very modest 0.60% at current levels. Clearly, income investors are not knocking on this door.

Instead, it is investors looking for capital gains who are taking notice of gold companies. As of the end of March, the amount of tangible book value per share of Goldcorp was about \$15.88 per share, which translates to a share price trading at a 10% premium to the net worth of the company.

Let's look at another big fish in the pond. Shares of **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX), which currently trade at a price near \$21, pay a similar dividend of less than 1%, while offering a significantly higher premium to tangible book value. The book value per share at Barrick is only approximately \$8.40 per share.

The reason investors need to consider the tangible book value when purchasing shares in any mining company is because revenues are derived from the mining of the raw material, which is sold once it's been brought back to the surface. Essentially, the higher the book value, then the more revenues and profits that are available to shareholders.

Mining companies can only sell what is owned. There are no manufacturing capabilities for mining companies.

To find a significantly attractive investment in the mining industry, investors may need to look outside the gold sector. Consider shares of **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)).

Shares of the mining giant trade at a price near the \$20 mark with the tangible book value per share measured at no less than \$29.30. Clearly, there is value to be brought back to the surface to be shared

with investors.

Before investing in any security, investors need to analyze the risk and reward characteristics as a function of the industry of each company. In the case of mining companies, there has traditionally been a level of consistency (oftentimes at a premium to book value) in regards to the share price vs. the tangible book value of the security.

For investors looking for more consistent (and less volatile) investments, investing in mining companies is probably not the way to go as the share price will fluctuate based on the price of the underlying commodity being mined. Large fluctuations are the norm. Be diligent.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
4. TSX:TECK.B (Teck Resources Limited)

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