



Better Buy: Barrick Gold Corp. vs. Goldcorp Inc.

Description

Gold stocks tend to perform well following an interest rate hike, so it's time to invest in the gold sector.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is the world's largest gold mining company, and **Goldcorp Inc.** (TSX:G)(NYSE:GG) is the fourth-largest.

The two companies released their 2017 second-quarter results on July 26. You may wonder which company is a better buy. Let's find out by comparing the two gold giants.

Barrick Gold Corp.

The biggest gold producer reported a 2017 second-quarter profit of \$1.08 billion, or \$0.93 per share.

Earnings, adjusted for non-recurring gains, were \$261 million, or \$0.22 per share. This is up 65.2% from \$158 million, or \$0.14 per share, in last year's second quarter. Analysts had expected Barrick Gold to earn \$0.18 per share. Year over year, Barrick Gold's EPS has grown by 675%.

The Toronto-based company posted revenue of \$2.16 billion for the quarter. This is up 7.5% from \$2.01 billion last year.

Gold production in the second quarter was 1.43 million ounces — up 6.9% year over year. All-in sustaining costs, the industry benchmark, were \$710 per ounce — down 9.2% and below estimates of \$720-770. Those costs are among the lowest in the industry.

Barrick Gold was able to reduce its total debt by \$309 million to \$7.44 million. The company expects a full-year production of 5.3-5.6 million ounces and all-in sustaining costs of \$720-770 per ounce.

Barrick Gold currently has a return on equity of 27.83%, a return on invested capital of 16.33%, and a net profit margin of 31.74%.

A few days ago, we learned that Tanzania's government and Barrick Gold have started talks to resolve a tax dispute involving **Acacia Mining**. The government accused Acacia, in which Barrick holds a

majority stake, of evading taxes over the years by under-declaring exports. Acacia denies the accusations and has been hit by a \$190 billion tax bill.

Barrick Gold shares are down nearly 2% since the beginning of the year.

Goldcorp Inc.

Canadian gold producer Goldcorp reported better-than-expected earnings on July 26, helped by lower costs.

The world's fourth-biggest gold producer by market value reported net earnings of \$135 million, or \$0.16 per share, for its 2017 second quarter, which ended June 30.

A year ago, the company reported a loss of \$78 million, or \$0.09. This loss was mostly due to a reduction in production at Penasquito, its biggest mine, following a maintenance shutdown and a slow restart.

Adjusted for one-off items, earnings were \$0.12 per share, beating analysts' estimate of \$0.09 per share, on average, according to **Thomson Reuters**.

The Vancouver-based company produced 635,000 ounces of gold in the second quarter at a cost of \$800 an ounce. This represents production that's 4% larger than the 613,000 ounces of gold it produced at a cost of \$1,067 per ounce in the second quarter of 2016.

Goldcorp left its 2017 gold production forecast unchanged at approximately 2.5 million ounces. However, it lowered its forecast for all-in sustaining costs to \$825 an ounce from a previous \$850, reflecting progress on its cost-reduction program.

Goldcorp currently has a return on equity of 3.48%, a return on invested capital of 3.51%, and a net profit margin of 13.22%.

Goldcorp's share price is down more than 12% since the beginning of the year and is trading very near its 52-week low.

Which gold producer should you invest in?

By comparing the two gold giants, one is standing out from the other, even if the two have had a better-than-expected second quarter.

With continued profitability and net debt reduction, Barrick Gold is well in advance of Goldcorp. It also benefits from low cash costs and solid free cash flows. I bet that Barrick Gold is going to do better than Goldcorp in the months to come.

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2. Metals and Mining Stocks

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