



Should You Own Goldcorp Inc. or Kinross Gold Corporation Today?

Description

Gold is taking a new run at US\$1,300 per ounce, and investors who think the rally might have legs are wondering which stocks offer the best shot at some decent upside.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) to see if one is attractive right now.

Goldcorp

Goldcorp used to be widely considered the top pick among gold miners, but the company ran into operational challenges in the past few years and even cut the dividend.

As a result, investors bailed out of the stock, and Goldcorp continues to linger near its recent lows. The stock price is down 9% in 2017 and off more than 25% in the past 12 months.

Is a recovery on the way?

Management is working hard to turn things around, and it looks like better days could be on the horizon.

The company reported Q2 2017 net earnings of US\$135 million compared to a loss of US\$78 million in Q2 last year. Gold production rose from 613,000 ounces to 635,000 ounces, and all-in sustaining costs (AISC) fell from US\$1,067 to US\$800 per ounce.

Goldcorp says it is on track to deliver a 20% increase in production, a 20% increase in reserves, and a 20% decrease in AISC over the next five years.

Kinross

Kinross has also worked hard to turn itself around after a painful slide in the wake of its 2010 acquisition of Red Back Mining.

The US\$7 billion deal closed shortly before gold peaked, and the assets have not delivered as expected. Kinross subsequently wrote down the value of the majority of the deal, and investors

watched in horror as the stock fell from \$20 per share in early 2010 to \$2 in 2015.

Investors who had the courage to step in at the low are sitting on some nice gains. Kinross currently trades for \$5.40 per share and is up 28% in 2017.

What's the story?

Kinross has cleaned up the balance sheet and is once again investing in growth through strategic acquisitions and organic developments at its existing sites.

One project to watch is the Tasiast facility in Mauritania. Tasiast came as part of the Red Back deal and was supposed to be the game changer for Kinross. The company is now investing US\$300 million in an expansion that should boost production by 90%. A second phase is under consideration.

Kinross reported Q2 2017 adjusted earnings of US\$54.9 million compared to a net loss of US\$9.8 million in Q2 2016.

AISC came in at US\$910 per ounce compared to US\$988 per ounce in the same period last year.

Once the Tasiast expansion is complete, AISC should improve at the site and help lower overall production costs.

Is one more attractive?

You have to be a gold bull to own any of the mining stocks. If you fall in that camp, I would probably make Goldcorp the first choice today.

The stock remains under pressure, despite the operational improvement, and investors might not be fully appreciating the improvements that should come through in the next few years.

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