



Gold Miners: Are More Dividend Increases in the Cards?

Description

After successful cost cutting and debt reductions by gold miners, dividend investors are expecting more good news from gold miners: an increase in their dividend payouts.

Newmont Mining Corp. ([NYSE:NEM](#)) will consider a hike in its dividend payment when its board meets in October, according to a **Reuters** report citing the Colorado-based miner's chief executive officer.

The timing of this potential dividend hike may not be bad as the precious metal continues its upward journey this year.

As the world's biggest miners benefit from their much healthier balance sheets after going through a several years of cost-cutting measures and asset sales, worries of global security and U.S. political uncertainty have pushed gold futures near a nine-month high.

Gold was trading about 11% higher in 2017 to \$1,294.40 an ounce at the time of writing this report.

Newmont, the world's second-largest gold producer, will stand out if its board goes ahead with a dividend increase in October. That increase could be in the shape of a special one-time payment, or an increase in its gold price-linked dividend, the report speculated.

Is a Barrick Gold dividend increase next?

Should this policy of returning more cash to shareholders pressure other producers, such as the largest gold producer **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX), to further increase their payouts?

I don't see that's happening at least for Barrick Gold in 2017. After a 50% increase in the dividend payout in the first quarter of 2017, Barrick Gold is focused on diverting any extra cash it generates from operations to further cut its debt level.

The management has made it very clear that achieving and maintaining a strong balance sheet remains its top priority. The company plans to cut its total debt from US\$7.9 billion at the start of 2017

to US\$5 billion by the end of 2018. At least half of this debt reduction will come this year.

Barrick Gold cut its total debt by US\$309 million in the second quarter, or a total of US\$487 million year to date.

Investor takeaway

There is no doubt that dividend investors in Barrick Gold stock have very bad memories after they saw a massive 60% cut in dividend payouts in 2015, which took the quarterly payment from US\$0.05 a share to US\$0.02 a share.

But it seems the gold miners are on the right track, and investors will gradually see their dividend payouts return to normal levels as these companies show significant progress on restoring the balance sheet strength.

Trading at \$21.19 a share, Barrick Gold stock is trading close to the 52-week low of \$18.52. I think it's a good time for long-term investors to take some position in this quality stock, especially when its biggest competitor is signaling a dividend hike.

CATEGORY

1. Dividend Stocks
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1. NYSE:B (Barrick Mining)
2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:ABX (Barrick Mining)

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Date

2025/09/01

Date Created

2017/08/29

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