Gold’s Latest Pullback Makes Now the Time to Buy Kinross Gold Corporation

Description

The last year has been a wild roller-coaster ride for investors in gold miners, because gold keeps fluctuating wildly as a range of events exert both a positive and negative influence on its price. The yellow metal’s latest pullback has caused the majority of gold miners to decline in value, thus triggering a buying opportunity for investors.

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One senior gold miner that stands out is **Kinross Gold Corporation** (TSX:K)(NYSE:KGC). After gold’s latest decline, its share price has weakened to be up by just under 1% for the last year, leaving it attractively valued and creating a buying opportunity for investors.

Now what?

Kinross owns and operates a globally diversified portfolio of operational gold mines located in Brazil, Russia, the U.S., and West Africa. These assets give it reserves of 31 million gold ounces across nine operational mines and annual production, according to Kinross’s 2017 guidance, of 2.5-2.7 million ounces.

Production continues to grow, rising by 3.5% year over year for the second quarter 2017. Impressively, expenses are falling with all-in sustaining costs (AISCs) for the quarter down by almost 8% compared to a year earlier.

These are all important traits for a gold miner to possess in an operating environment where gold remains firm and will likely appreciate further over coming months.

These solid results leave Kinross on track to meet its 2017 guidance. AISCs are expected to be US$925-1,025 per ounce produced. In an operating environment where gold is trading at above US$1,300 per ounce, this bodes well for a solid increase in profitability.

Just recently, Kinross announced that it is positioning itself for further growth by investing US$1 billion across two of its operational mines: the Tasiast mine in Mauritania and Round Mountain in Nevada.

The Tasiast phase two project, which has a budget of US$590 million, aims to lift annual gold production to 812,000 ounces, or more than double its full-year 2016 output, generating US$2.2 billion in cash flow between 2018 and 2029. This project will have notably low AISCs of US$655 per ounce produced, which are among some of the lowest in the industry.

It also plans to invest US$445 million in Round Mountain, which will add 1.5 million ounces of gold reserves and extend the mine life by five years.

Importantly, for what is a capital-intensive industry, Kinross anticipates funding both projects from existing liquidity. At the end of the second quarter 2017, it has cash and cash equivalents totaling US$1.1 billion and undrawn credit facilities of US$1.4 billion.

The significant uptick in production, along with low AISCs, will give Kinross's margins a healthy boost, leading to greater profitability.

So what?

Gold's latest pullback has sparked some concern among market pundits over the outlook for gold miners, but with fundamentals indicating a favourable outlook for the yellow metal, the recent weakness makes now the time for investors to bolster their exposure. Senior gold miner Kinross ranks as one of the best means of doing so. The planned investment in expanding the Tasiast and Round Mountain mines will drive costs lower and gold production higher, which should lead to greater profitability and give earnings a healthy bump, ultimately causing its stock to appreciate.

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