Is This Small-Cap Stock a Golden Opportunity?

Description

Investors buy commodity stocks because they're volatile. Investors aim to buy low and sell high. This can't be truer for small-cap, growth-focused mining stocks, such as **GoldMining** (TSX:GOLD).

In the past five years, GoldMining has traded as low as about $0.40 per share and as high as $3 per share. So, investors could have gotten a seven-bagger! However, it's impossible to catch the bottom and sell at the high. Moreover, you'll notice that the stock has been in a downward trend since late 2016. If you're looking for a quick trade for big gains, you could be waiting for a long time.

GoldMining only moved from the **TSX Venture Exchange** to the **Toronto Stock Exchange** in June, so you might not have heard of the stock. The company is a mineral exploration company that acquires and develops gold assets in the stable regions of the Americas. It now controls a diversified portfolio of resource-stage gold and gold-copper projects in Canada, U.S.A., Brazil, Colombia, and Peru.

There's much to like and dislike about the company.

What to like about GoldMining

GoldMining has large insider ownership — about 20% to be exact. So, management's interests are aligned with the interests of its shareholders. The company also has about 36% held by institutional investors and about 41% held by retail investors. It has seven key shareholders, including **IAMGOLD** and Sprott Global.

GoldMining has strategically made a number of acquisitions since 2012, when there has been a bear commodity market. That's when assets can be bought at cheaper prices.

GoldMining has a solid balance sheet with about $9.5 million of net cash.

From a valuation standpoint based on a price-to-book ratio (P/B) of 1.58, GoldMining is trading at the low end of its valuation range. In comparison, its five-year P/B is about 3.5.

What to dislike about GoldMining

As of the last reported quarter, GoldMining hasn't made any sales yet. And of course, it's operating at a loss.

For its acquisitions, it tends to like using a mix of cash and equity. Each time it pushes out common stock, it dilutes existing shareholders.

Investor takeaway

As of now, GoldMining can only be considered a speculative growth or, at best, an aggressive growth investment, as it has no revenue and no profit. Investors interested in making a bet should wait until the stock ends its current downward trend and starts turning around before buying a position.

Investors are probably better off looking for other businesses that have revenues, profits, and a surer chance of becoming multi-baggers — even if it means taking longer to get there.

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