



## Is Newmont Goldcorp (TSX:NGT) About to Pass Barrick (TSX:ABX) for Gold Industry Leader?

### Description

The gold mining sector is one that has been heating up this year. As the price for gold has started to rally due to a number of factors in the global economy and financial markets, gold mining stocks have been some of the best performers, and investors have been rushing to store their capital in safe-haven assets, while trying to beat the rush of other investors.

One of the top companies that investors tend to lean towards due to its massive size and reputation for being a world-class operator is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

However, **Newmont Goldcorp** ([TSX:NGT](#))(NYSE:NEM) has become a contender for top gold company after its takeover of Goldcorp earlier this year significantly increased its size and operating ability.

Newmont now has 14 operating mines and two joint ventures on four different continents, though 90% of its reserves are located in the Americas or Australia.

With the new integrated operations from its acquisition, it's now targeting stable production of six million to seven million ounces annually.

Now, with the major acquisition complete and after a few quarters of operations, the company is focused mainly on optimizing its operations to grow production and drive down costs. Though its costs and production are already strong, the company believes it can continue to improve.

So far in 2019, with the production it has done up until the end of the third quarter, it expects to do roughly 6.3 million ounces of production at average all-in sales costs of just \$965 per ounce.

This compares to Barrick's all-in sales cost of \$984 on the 1.3 million ounces of gold produced in the third quarter. Barrick only expects to produce a total of 5.1-5.6 million ounces of gold this year, less than Newmont has done up until this point.

As Newmont grows, it can cut company-wide costs by improving the operations of all its mines in the

portfolio.

Digital tools are just some of the investments the company is making to improve its operations and optimize its business. There are a number of new digital tools and technological advances it has integrated into its operations and will continue to do so, as it sees room for improvement.

It's a top-quality gold producer and one that is highly exposed to the price of gold, which is what most investors want when buying a gold company. Newmont estimates every \$100 that gold's price rises, it will see an increase to its free cash flow of roughly \$450 million.

Newmont has also refinanced some debt recently and sits in a comfortable position. Net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) stands at just 1.4 times. For reference, Barrick's net debt to EBITDA is roughly 1.1 times, and although it's less, both companies are [very stable](#).

On a valuation basis, it's clear Newmont is the more attractive stock. For starters the companies have similar size annual production rates with Newmont producing more, and similar costs of production and selling, yet Barrick's market cap is approximately \$8.8 billion more, at roughly \$39.7 billion versus just \$30.9 billion for Newmont.

With the fall in gold's price this week, it has created a great buying opportunity for either of these stocks, and given that none of the problems in the global economy have been truly solved, I don't expect this discount to last.

Both companies will benefit from increased investor interest in the sector, be it through gold ETFs or because they are the two of the biggest gold miners in the world.

If I had to choose one, it would be Newmont, which continues to impress and hasn't even fully integrated its Goldcorp acquisition yet, so we should expect to see more synergies over the near term.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

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