



## This Major Canadian Gold Stock Is Set for a Big Rally in January 2020

### Description

With the major rally in the price of gold and gold stocks ongoing since last summer — and picking up steam recently — there have been plenty of opportunities for investors to make big gains.

The price of gold mining stocks tends to be highly volatile, especially when compared to the underlying price of gold, although that does mean the stocks fall faster than the price of gold. When gold is appreciating, these stocks are rapidly accelerating.

One stock that has thus far lagged behind the rest of the industry, despite its major stature in the sector as one of the biggest [industry leaders](#) is **Newmont Goldcorp Corp** ([TSX:NGT](#))([NYSE:NEM](#)).

In the last six months — essentially since the rally had just begun — the **iShares S&P/TSX Global Gold Index ETF**, which essentially tracks the gold mining industry has grown more than 1.5 times as fast as Newmont.

What makes this even more interesting, however, is that Newmont is actually the largest holding in the fund and nearly a fifth of the fund's total value, so its own performance has weighed down the fund, meaning that it's actually underperformed by even more than it looks like just comparing the two securities.

This underperformance by one of the industry's leading companies can't last forever, and given Newmont's massive production capabilities and well-managed operations, its rally will probably be sooner rather than later.

In 2020 and though to 2024, the company is expecting to produce and incredible 6.2 million to 6.7 million ounces per year.

The company has a long history of executing on its projects, and has set up this stable production profile by improving the efficiency of its mines to realize its increased potential.

Its production is so large that for every \$100 the price of gold increases, Newmont expects its free cash flow will grow by \$400 million.

One of the main drivers of growth for Newmont over the next few years will be its work to find synergies in its operations and decrease its production costs to grow its margin.

It estimates that its all-in sales costs will be around \$975 in 2020, with that number decreasing to roughly \$850 by 2023.

This reduction in cost and already high-quality operations will lead to major free cash flow growth over the next few years. If the price of gold can just stay flat at \$1,500, the company will earn more than \$10 billion in free cash flow over the next five years.

Newmont also continues to prioritize strong financials aiming to keep its investment grade balance sheet with the aim of keeping its net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) to just 1.0 times.

In addition to its high-quality current operations, Newmont also has numerous growth projects located worldwide, giving it the flexibility to begin production in regions that make the most economic sense.

It's been so successful and profitable in the past that it returns some of the largest amounts of cash to shareholders through both its industry-leading dividend and major share repurchasing plan announced in December 2019.

Not only is Newmont one of the best gold producing companies that investors can buy for the long run, but the company is also run by one of the best management teams with a disciplined and shareholder focused capital allocation.

Fuelled by its many catalysts and its \$1 billion share repurchase program, the growth in its shares will be huge this year on top of the dividend that currently yields about 1.3%.

## **CATEGORY**

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. NYSE:NEM (Newmont Mining Corporation)
2. TSX:NGT (Newmont Mining Corporation)

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