



2 TSX Gold Stocks That Have Crushed the Coronavirus Bear Market

Description

Investors tend to consider alternate investments in a volatile market. Gold stocks are generally popular amid a recessionary market environment. The equity markets are expected to remain volatile in the upcoming months as unemployment rates rise higher. While the COVID-19 is expected to be a near-term headwind, the dreaded virus already had a massive impact on global economies bringing several industries to a standstill.

Investors who expect the markets to remain choppy can look to add some shine to their investments by considering gold stocks. Here, we look at two Canada-based gold companies that have outperformed the ongoing bear market.

Barrick Gold Corp.

I [recommended](#) **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) last month and the stock is up close to 60% since then. Barrick Gold has operations in 15 countries with an asset portfolio in the Americas, Africa, Saudi Arabia and Papua New Guinea.

This geographically diverse portfolio helps it mitigate risk. Several mining companies have had to shut down operations amid the pandemic; having businesses in multiple countries will diversify operational risk considerably.

Last year, Barrick Gold produced 5.5 million ounces of gold and generated US\$9.72 billion in sales. Its EBITDA stood at US\$8.8 billion, indicating a healthy margin of 90.5%, which has helped the company reduce debt significantly.

Barrick Gold [lowered debt by](#) 47% in 2019 and deleveraged its balance sheet. Its net-debt-to-EBITDA ratio is 0.25. This ratio can move higher if gold prices can sustain their momentum in 2020.

High profit margins will help the company increase dividends that currently stands at \$0.28 per share. Barrick Gold has a forward yield of just 1%, but has enough room to increase dividends considering its low payout ratio of 9%.

Gold mining companies such as Barrick Gold can multiply profits even with a small uptick in commodity prices. The company also generates significant amount of sales from mining copper, making it a strong bet in a volatile environment.

Barrick Gold stock has a forward price-to-earnings multiple of 34 and is trading at a reasonable valuation given estimated earnings growth of 54.9% and revenue growth of 12.4% in 2020.

Franco-Nevada Corp.

Franco-Nevada Corp. ([TSX:FNV](#))([NYSE:FNV](#)) is a gold royalty company with additional interests in platinum metals and other assets. It has a diversified portfolio of royalty properties in Canada, the United States and Australia.

This stock has gained over 55% since March 13, 2020. Franco-Nevada does not mine gold. It provides mining companies with capital for development projects in return for a percentage of their mineral production, which means the company doesn't invest heavily in capital expenditure and has an asset-light model.

Gold accounts for 65% of company sales in 2019. Analysts expect Franco-Nevada to increase revenue by 16.2% to \$980.5 million and earnings by 21.4% to US\$2.21. The stock is expensive with a forward price-to-earnings multiple of 86 and a price to sales multiple of 36.7.

Will Franco-Nevada's steady revenue growth, stable cash flows and robust capital management continue to drive its stock higher in 2020, despite sky-high valuations?

CATEGORY

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

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2. NYSE:FNV (Franco-Nevada)
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