This Industry Is About to Explode

Description

It’s no secret that investors are [doubling down] on gold. In a time when the markets are still volatile, with the first of possibly many market crashes behind us, investors are turning to gold to keep their cash safe. Analysts are on board with the decision, as some believe the price of gold could double by 2030.

But while many are recommending that investors take the safest option of investing in gold streaming operations, there are others who disagree.

Gold is now at a tipping point. Whereas some streaming operations may steadily climb, the gold producers could see the big gains. In the past year alone, gold prices soared 35% from US$1,250 to US$1,730, at writing. That means for the first time in years, these gold producers can actually compete with the royalty and streaming companies.

Streaming companies have traditionally been the choice of investors over the last decade. These streamers are great for investors seeking exposure to gold, but don’t want the risk of a mining company that could go bankrupt at any time.

But there’s one reason why gold miners, while not risk-averse, are the best way to generate income today. That comes down to mergers.

Gold producer partnerships

The gold sector has seen a wave of merges in the last two years. Even during the pandemic, since companies have been working on these mergers for years most mergers have gone ahead — keeping the gold industry strong while others industries sink.

In March, **Endeavour Mining Corp.** purchased **Semafo Inc.** in a $1 billion deal. In April, **Silvercorp Metals Inc.** made a $105 million deal to buy **Guyana Goldfields Inc.** In May, **Shandong Gold Group** paid US$149 million for **TMAC Resources Inc.**

Then of course there are the larger mergers of the past few years. **Barrick Gold Corp** acquired **Rangold Resources** for US$6 billion in 2018, and **Newmont Mining Corp**. acquired **Goldcorp Inc.** for US$10 billion last year.

It's about time, as there are too many gold producers out there, creating far too much risk for investors. But by merging, these intermediate gold producers cut their expenses, creating a larger portfolio of mines that not only mitigates risk, but also creates far more gold production overall.

Investors can now put their money toward a global mine with a diversified portfolio. It may be what many mines end up having to do to raise money for efficiently in this increasingly competitive environment.

Where to buy?

More recently, Vancouver-based **SSR mining Inc.** (TSX:SSRM)(NASDAQ:SSRM) announced a no-premium, all-stock merger of equals with **Alacer Gold Corp** that created a company worth US$4 billion. The company will continue under the SSR name, and the new combined entity will be able to produce about 780,000 ounces of gold per year.

It will also have US$450 million per year in free cash flow. The company will now operate in Canada, the U.S., Turkey and Argentina, creating a far more diverse portfolio.

While investors saw a slight jump in share price with the news, there is still time to get in on this growth stock. At The Motley Fool, we always recommend that if you're going to buy, it should be to buy for the long term.

SSR Mining offers a solid chance to bring in a significant amount of growth during this strong period of gold mining producers.

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