



## Better Buy: Barrick Gold (TSX:ABX) or Kinross Gold (TSX:K)?

### Description

Amid the uncertainty in the equity markets and lower returns on bonds, investors have found refuge in the safe-haven asset, gold, leading to a surge in its prices. Year-to-date, gold prices have increased by over 27%. The increase in gold prices has benefited gold mining companies, such as **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) and **Kinross Gold** ([TSX:K](#))(NYSE:KGC), which have returned over 50% this year.

Meanwhile, industry experts are projecting gold prices to rise further. Although the broader equity markets have made a significant recovery from its March lows, the economic indicators are still weak, which could act as a headwind for the financial markets going forward.

So, I believe the stock markets could be highly volatile over the rest of this year. Besides the volatility, the announcement of stimulus packages from various governments and central banks could also drive gold prices higher.

As [reported](#) by CNBC on August 10, the CEO of U.S. Global Investors, Frank Holmes, expects gold prices to reach US\$4,000 per ounce over the next three years. With the expectation of gold price to remain elevated, which among Barrick Gold and Kinross Gold is a better buy right now?

### The case for Barrick Gold

Currently, Barrick Gold trades over 58% higher for this year. Besides its impressive second-quarter performance and high gold prices, the announcement of Warren Buffett's Berkshire Hathaway acquiring a stake in the company drove its stock price. In its SEC filing on August 14, Berkshire Hathaway reported that it had bought 21 million shares of Barrick Gold for approximately US\$564 million in the second quarter.

Meanwhile, Barrick Gold's revenue grew 48% on a year-over-year basis to US\$3.06 billion in the second quarter, driven by higher realized gold and copper prices. However, the production of gold dipped by 15% amid the planned shutdown of its Pueblo Viejo production and COVID-19 related shutdown in Argentina.

Its adjusted EPS came in at US\$0.23, which was an increase of over 155% from its previous year's quarter. Along with its top-line growth, the expansion in its adjusted EBITDA margin drove the company's earnings.

Further, the company's balance sheet looked stable, with its cash and cash equivalents standing at US\$3.74 billion. During the quarter, the company lowered its net debt by 25% to US\$1.4 billion, with no significant maturities until 2033.

For 2020, the management has projected its gold production to be in the range of 4.6 million ounces — five million ounces compared to 4.5 million ounces in 2019. Also, the management is hopeful that its copper production would rise this year. So, given the favorable prices and the expectation of an increase in its production levels, the company's outlook looks strong.

## Kinross Gold

On the back of strong second-quarter performance and high gold prices, Kinross Gold had hit its 52-week high of \$13.50 on August 5. However, the margin decline in gold prices has dragged its stock down to \$11.67. Despite the recent pullback, it still trades 90% higher for this year.

In its second quarter, the company's revenue grew by 20%, while its adjusted EPS rose 150%. Its attributable margins improved by 53% to US\$987 per ounce, driven by a higher average realized gold price and increased contribution from its low-cost mines. Further, the company's liquidity stood at US\$2.3 billion, with no repayments until September 2021.

Further, Kinross Gold's [long-term growth prospects look robust](#). Last month, it completed a pre-feasibility study of the Lobo-Marte project in Chile, which increased its gold reserve estimates by 6.4 million ounces. Meanwhile, the company is working with the government of Mauritania to get a 30-year exploitation license for its Tasiast mine.

## Bottom line

Although both companies have impressive growth potential, I would prefer Kinross Gold, given its attractive valuation and improvement in its operating efficiency. Currently, Kinross Gold trades at a forward price-to-earnings multiple of 11, while Barrick Gold trades at a premium with a forward price-to-earnings multiple of 23.8.

### CATEGORY

1. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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