



TFSA Investors: 1 Gold Stock Set to Outperform in 2021

Description

Kinross Gold ([TSX:K](#))([NYSE:KGC](#)) is a well-managed Canadian gold company. In fiscal 2021, Kinross expects [production to increase](#). The company expects this increase to be driven largely by life-of-mine extensions and projects, enhancements to productivity and operational efficiency, and exploration success identifying new ounces around existing operations.

Record cash flow leading to increased financial strength

Longer term, through the end of the decade, and as projects in Kinross's [current pipeline](#) come online, the company forecasts average annual production of 2.5 million Au eq. oz. (gold equivalent ounces), with additional upside opportunities. Kinross's record cash flow has increased the company's financial strength.

Strong production and disciplined cost and capital management

The combination of strong production, disciplined cost and capital management, and a strong gold price appears to have led to outstanding financial results in fiscal 2020. Adjusted operating cash flow increased by 59% over the previous year, while free cash flow grew to over \$1 billion, a six-fold increase compared with 2019.

Continued prospects for strong cash flow

Further, Kinross's attributable margins increased by 53% to \$1,051 per ounce sold, outpacing the increase in the average realized gold price of 27%. Kinross's adjusted net earnings appears to have more than doubled to approximately \$970 million. Given the strength of Kinross's financial position, and continued prospects for strong cash flow, the company instituted a sustainable quarterly dividend of \$0.03 per share.

Investment-grade balance sheet

Also, Kinross has continued to strengthen the company's investment grade balance sheet, ending the year with just over \$1.2 billion of cash and cash equivalents, compared with \$575 million at the end of 2019, and with total liquidity of approximately \$2.8 billion. Kinross ended 2020 well positioned to fund the company's growth and continues to reduce debt and return capital to shareholders.

Robust pipeline of development projects and opportunities

With Kinross's growing production profile and costs trending downwards, the company expects to have a peer-leading free cash flow yield over the next three years. Kinross also has a robust pipeline of development projects and opportunities. Kinross has successfully advanced the company's portfolio of low-risk development projects in 2020 while expanding the project pipeline with attractive new opportunities in the company's existing jurisdictions.

Excellent job in ensuring projects advance on budget and on time

Kinross has also done an excellent job in ensuring projects advance on budget and on time. For example, the company's Tasiast 24k project advanced on budget and on schedule in 2020. The project is expected to increase throughput capacity to 21,000 tonnes per day (t/d) by the end of 2021, and to 24,000 t/d by mid-2023 to increase production, reduce costs, and generate significant cash flow and attractive returns.

Enhance partnerships

Furthermore, Kinross also reached an agreement in principle with the Government of Mauritania to enhance the company's partnership. In fiscal 2020, Kinross completed the acquisition of the Chulbatkan property in Russia, a large and highly prospective licence area. In 2020, drilling focused on the Udinsk resource pit, the first project expected to be developed at Chulbatkan, supporting the advancement of a pre-feasibility study which is expected to be completed in the fourth quarter of fiscal 2021.

Overall, Kinross appears to be operating very well and could be a great stock to own in 2021.

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