



## Is Barrick Gold or First Majestic Silver a Top Stock to Buy Now?

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) and **First Majestic Silver** ([TSX:FR](#))(NYSE:AG) are currently trading near their 2021 lows at a time when many TSX stocks are hitting new highs. Is one of these stocks [undervalued](#) and a top contrarian buy right now?

### Barrick Gold

Barrick Gold traded at \$40 in August 2020 when the price of gold topped out around US\$2,080 per ounce. Since then, the price of gold has dropped about 16%, but Barrick Gold is down more than 40%. The mining stocks normally move more than the price of the metal, but the plunge in Barrick Gold's share price appears overdone.

The company is generating good profits, even at the current gold price around US\$1,750 per ounce. Barrick Gold's 2021 all-in sustaining costs (AISC) should be about US\$1,050 per ounce.

Investors focus on the gold business, but Barrick Gold also has copper operations. The price of copper is US\$4.25 per pound at the time of writing. Barrick Gold's Q2 2021 AISC for copper came in at US\$2.74, so that division is also very profitable.

Barrick Gold finished Q2 with effectively zero net debt. The board declared a special return of capital of US\$750 million, or about US\$0.42 per share in 2021, on top of the annualized dividend of US\$0.36 per share.

Investors should see a generous dividend hike for 2022.

Gold prices can be volatile, and additional downside is certainly possible, but Barrick Gold's stock price appears undervalued right now.

### First Majestic Silver

Silver differs from gold in that the metal has uses beyond jewelry. It is the best electrical and thermal conductor of all the metals and is used in many industrial applications. Silver is also becoming more important in medical settings, as it has antibiotic properties. Solar panels also use silver, as do smartphones.

The price of silver briefly soared to US\$30 per ounce earlier this year. At the time of writing, the white metal trades at US\$22.75 — the lowest it has been since last December. Silver demand should grow in the coming years, as its importance in medical and electronic applications increases.

First Majestic Silver is a good stock to get direct exposure to the silver market. The company operates silver mines in Mexico and the United States. Revenue in Q2 2021 hit a record of US\$154 million. All-in sustaining costs came in at US\$19.42 per ounce.

First Majestic finished the quarter with a solid balance sheet. The company has liquidity of US\$316 million, which includes undrawn credit facilities of US\$40 million.

The board raised the dividend by 33% when the Q2 results came out.

First Majestic could become a takeover target if silver prices continue to weaken and the shares get too cheap. At the time of writing, the stock trades near \$15 per share, giving First Majestic a [market capitalization](#) of less than \$4 billion. That's down 17% on the year and 50% below the 2021 high.

## Is one a better buy?

Ongoing volatility should be expected, but Barrick Gold and First Majestic both appear oversold today. If you think gold will outperform silver in the next few years, Barrick Gold is the way to go. Otherwise, First Majestic is a great stock to make a bet on silver.

I would probably go with Barrick Gold as the first choice due to its profitability and copper exposure. Silver fans might consider splitting a new precious metals investment between the two stocks today.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
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