2 Metals and Mining Stocks to Buy for 2022

Description

Metals and mining stocks have underperformed the broader market, and many appear oversold at current prices.

Newmont

Newmont (TSX:NGT)(NYSE:NEM) is the world's largest gold producer. The company also produces copper, silver, zinc, and lead. The merger of Newmont and Goldcorp a few years ago created a mining giant that is positioned well to benefit from high gold prices.

Newmont reported decent Q2 2021 results and continues to return cash to shareholders. The company repurchased US$149 million worth of shares in the quarter as part of a US$1 billion share-repurchase program. Newmont also paid a US$0.55 dividend in the three-month period.

The balance sheet is in good shape with US$4.6 billion in cash and US$7.6 billion in liquidity as of June 30. Growth continues to come from strategic acquisitions and the development of new mines. Newmont completed its purchase of GT Gold in May and gave the green light to its Ahafo North project in July. The mine is expected to generate an internal rate of return of more than 30% at current gold prices.

Gold sells for US$1,780 per ounce at the time of writing. Newmont reported all-in sustaining costs of US$1,035 per ounce in the quarter, so the company is making good margins in the current environment. Free cash flow was US$578 million in the quarter compared to US$388 million in the same period last year.

The Q4 results should also be solid when they come out next week.

The stock trades near $70 per share on the TSX right now compared to the 2020 high around $95. The pullback appears overdone given the profitability and the stable production outlook. Newmont is targeting average annual gold production of 6.5 to seven million ounces per year through 2025.

Assuming gold holds it current price or moves higher in the next few years, the stock appears oversold today.

Kinross Gold

Kinross (TSX:K)(NYSE:KGC) has trended higher in the past month after a steady decline through most of 2021. At the current share price of $7.75 the stock is down about 24% this year.

Kinross had a fire at the mill of its Tasiast site this summer, and that has put the operation out of service while the company makes the required repairs. The facility is expected to be up and running in Q4 2021.

Kinross has a strong development pipeline on the go that will increase production significantly in the next couple of years, as two major projects are completed. Despite the setback this summer, Kinross still expects production to grow from a revised 2.1 million ounces in 2021 to 2.7 million ounces in 2022 and 2.9 million ounces in 2023.

Kinross put a share-buyback program in place in recent months that will see the company repurchase up to 5% of the outstanding common stock over a 12-month period. Kinross also pays a quarterly dividend of US$0.03 per share. That's good for an annualized yield of about 2%.

The company has a strong balance sheet and is generating strong free cash flow at current gold prices.

Given the production growth outlook the stock appears undervalued right now.

The bottom line on cheap mining stocks

Newmont and Kinross appear cheap today, even if gold maintains its current price through 2022. If you are a gold bull and have a contrarian investing style, these stocks deserve to be on your buy list.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:K (Kinross Gold Corporation)
4. TSX:NGT (Newmont Mining Corporation)

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aswalker