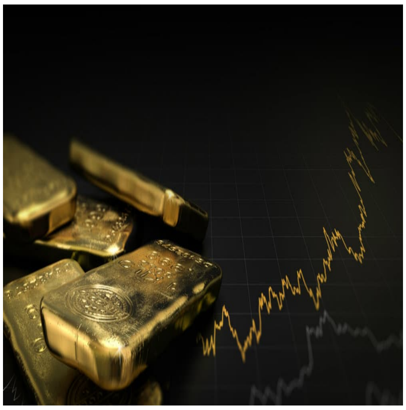

Why Kinross Gold Stock Price Plunged 10% Today

Description

What happened?

default watermark

Kinross Gold's (TSX:K)(NYSE:KGC) share price tanked by nearly 10% Thursday. At the time of writing, its stock was trading at $6.74 per share — down 9.5% from the previous session's closing price. Today's sharp declines extended Kinross Gold's year-to-date losses to 28% compared to more than 20% advances in the **TSX Composite Index**.

So what?

Kinross Gold is a Toronto-based gold mining firm that also focuses on the exploration and acquisition of gold-related properties. It currently has a market cap of $9.3 billion and has a dividend yield of about 2.1%.

Earlier today, Kinross Gold revealed its intentions to acquire the Vancouver-based gold exploration firm **Great Bear Resources** (TSXV:GBR) in a deal worth about $1.8 billion. Kinross noted that it would translate into $29 per Great Bear's common share on a fully diluted basis — significantly higher than GBR stock's Wednesday closing price of $22.93 per share. That's one of the reasons why Great Bear's share prices rallied by about 24.4% to $28.52 per share after this news came out today.

In contrast, Kinross Gold's investors seemingly found the deal too expensive and not worth paying this huge premium, which triggered a selloff in K stock today.

In order to justify the deal, Kinross, in its press release, said that Great Bear's flagship Dixie project is "ideally located in a highly attractive jurisdiction." It added that the project "has excellent potential to become a top tier deposit that could support a large, long-life mine complex and bolster Kinross' long-term production outlook."

Now what?

Great Bear requires shareholder approval for this acquisition deal. Nonetheless, the deal has already been unanimously approved by the boards of both companies, which is expected to close in the first quarter of next year.

In the recent past, Kinross Gold has faced many challenges due to a fire at the mill of its Tasiast site. On the positive side, its long-term growth outlook largely remains strong with an expected rise in its production next year. While investors might find its Great Bear acquisition deal expensive at the moment, it might pay off well in the long run, I believe, due to the great potential of the Dixie project. That's why investors — who are looking for exposure to gold — may want to buy Kinross Gold stock on the dip now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:K (Kinross Gold Corporation)

default watermark

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jparashar
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/09/04
Date Created
2021/12/09
Author

jparashar

default watermark

default watermark