



2 Gold Mining Stocks Canadians Can Buy in Q2 2022

Description

Investors have seen the equity markets swing wildly in the first quarter of 2022. The possibility of multiple interest rate hikes coupled with an inflationary environment and geopolitical concerns triggered a selloff in the first two months of 2022.

Traditionally, the equity markets and gold prices have had an inverse relationship. So, if you expect stock market indices to lose further momentum, you buy and hold gold mining stocks such as **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)) and **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) right now.

Barrick Gold

One of the largest gold miners in the world, Barrick Gold is valued at [a market cap](#) of US\$50 billion. The Canada-based miner has successfully built a portfolio of tier-one mining assets, allowing it to produce 500,000 ounces of gold per year with at least 10 years of productive life remaining.

Barrick Gold estimates to produce 5.5 million ounces each year through 2030 while lowering the all-in sustaining costs (AISCs) significantly. Barrick Gold estimates AISCs to decline from US\$1,000 per ounce in 2021 to US\$900 per ounce by 2026, which should increase profit margins and earnings for the company.

Barrick's top-tier mining portfolio is supported by a robust balance sheet. It has lowered debt over the years and improved free cash flow from the sale of non-core assets. Barrick returned US\$1.4 billion to shareholders via dividends and repurchases and was still net cash positive for the second consecutive year.

In the last three years, Barrick has distributed US\$2.5 billion to shareholders. The company's strong fundamentals allowed it to increase quarterly dividend payments to US\$0.10 per share in 2022, up from US\$0.03 per share in 2017.

Investors should note that for every \$100-per-ounce increase in gold prices, free cash flow derived from Barrick's old operations increases by \$1.5 billion, showcasing its operating leverage provided by

six tier-one assets.

Similarly, [an increase](#) for every \$0.50 per pound of copper will improve free cash flow by \$800 million, which, in turn, will support dividend increases. Barrick's declining capital investment and AISCs should increase free cash flow going forward.

Franco-Nevada

Franco-Nevada is a streaming and royalty company with a diversified portfolio and agreements tied to metals including gold, platinum, silver, as well as commodities such as iron ore and gas. Over 50% of its revenue is generated from gold.

Franco-Nevada earns revenue from royalties and streaming, reducing risks associated with mining. Historically, capital expenditures and cost overruns have hounded mining companies, but Franco-Nevada is poised to profit when mining partners focus on expansion and exploration. These royalty contracts allow Franco Nevada to generate cash by selling commodities and reinvesting returns in new deals.

This business model has allowed Franco-Nevada to increase dividends for 15 consecutive years. Further, a debt-free balance sheet increases financial flexibility for Franco-Nevada and accelerates investments in other agreements.

Analysts tracking Franco-Nevada forecast its earnings to increase at an annual rate of 12.5% in the next five years. Comparatively, adjusted earnings rose by 14.9% annually in the last five years.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:FNV (Franco-Nevada)
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