



Here's Why I Just Bought BTO Stock

Description

This year has been a great time for investors to add stocks to their portfolios or add to positions they already own. Stocks from several sectors and industries have offered some compelling discounts, making this year's environment full of opportunities for long-term investors.

Personally, I've bought a handful of stocks this year, most of which are businesses I already owned. And one of my most recent purchases was **B2Gold** ([TSX:BTO](#))([NYSEMKT:BTG](#)) stock while it's been trading dirt cheap.

B2Gold is a gold producer with operating gold mines in Mali, Namibia, and the Philippines. It's my lone gold position and a stock that I have been holding for the long haul. So, while it's been on sale this year, I've used the opportunity to lower my average cost.

While there are many high-quality stocks to buy in this environment, here are three main reasons why B2Gold is one of the most recent stocks I've bought.

BTO stock is one of the top gold producers you can buy

When it comes to businesses that produce commodities, whether it's a precious metal like gold or energy such as natural gas, being a low-cost producer has many advantages.

And of all the [gold-producing stocks](#) you can buy in Canada, BTO stock has one of the lowest production costs. Furthermore, the company has an impressive track record of consistent growth in its production every single year.

In addition, B2Gold is a well-managed company. Management is consistently ensuring that the company's long-term potential remains intact while making decisions in the short-term.

Furthermore, management has done an excellent job managing headwinds this year, including an unusually rainy season in the third quarter. This impacted some production numbers negatively in the quarter, but due to the company's flexibility and strong management, guidance for the full year has

remained intact.

B2Gold's business has impressive economics

In addition to B2Gold's strong management, its impressive economics is another significant reason why it's worth an investment for the long haul.

Because it's a low-cost producer, as I mentioned above, it has significant competitive advantages over most of its peers. As gold prices fall, as they have been all year, B2Gold can remain more profitable for longer. When prices rebound, it can see more profitability at a quicker pace than many of its peers.

B2Gold's impressive margins also make it an excellent dividend stock. Because it has such significant margins and generates such strong cash flow, the stock pays an attractive dividend that has a [yield](#) of over 5%. Furthermore, that dividend has a manageable payout ratio.

Plus, on top of its strong cash flow, B2Gold also has a tonne of cash on its balance sheet, which reduces risk for the stock while also providing the company with an opportunity to look for value accretive acquisitions.

The stock is trading ultra-cheap

The fact that BTO stock is such a high-quality company is a prerequisite for any investment. However, the biggest factor in why the stock is a buy today is because it trades so cheaply. Buying cyclical stocks like gold producers, which you plan to hold for the long haul, makes the most sense when the sector is out of favour like it is today.

Therefore, as the price of BTO stock has fallen throughout the year, I've been waiting to pull the trigger. B2Gold was always a company I planned to hold for the long haul, so even though it's been consistently falling in price, I never once thought about selling.

First off, I understand why it's falling in price — due to yields rapidly rising and causing assets like gold to fall out of favour in this environment. I was aware of the risks and knew that this type of selloff was a possibility.

So now that the stock is trading ultra-cheap and at a forward enterprise value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio of just 2.8 times, it was a no-brainer to buy more of the stock and lower my average cost. After all, B2Gold's five-year average EV to EBITDA ratio is closer to 4.7 times.

So, while it's discounted and offering an attractive yield upwards of 5%, B2Gold is one of the top stocks to buy now.

CATEGORY

1. Dividend Stocks
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Author

danieldacosta

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