Interested in Gold Companies? Check This Out!

Description

Examples of commodities are oil, wheat, and beef. These are products that are essential to everyday life. However, once these products are used, they can't be reused. For example, once a person eats a steak, the steak is gone. You would need to go out and buy more steak for tomorrow.

However, there *are* some reusable commodities like gold and silver. These commodities can be crafted into jewelry, art, and so forth. They will still exist because they do not disappear after being used. Unlike other commodities, there is a finite amount of gold in the world, which is critical especially given its value. Investing in companies that mine gold is one of the best ways to indirectly invest in this sort of commodity.

In this article I will compare the two largest Canadian mining companies: **Barrick Gold Corporation** (TSX:ABX)(NYSE:GOLD) and **Agnico Eagle Mines Limited** (TSX:AEM)(NYSE:AEM).

Overview

Founded in 1983, Barrick Gold is the second-largest gold mining company in the world. It is currently headquartered in Toronto, Canada. The company originally started out as an oil and gas company, but has since transformed into a mining company.

It has mines in North America, South America, the Middle East, Africa, and Australia. Because it is such a vast enterprise, it can produce millions of pounds of gold annually.

Agnico Eagle Mines was founded thirty years before Barrick Gold, in 1953. It is a Canadian-based gold producer headquartered in Toronto, Canada. It has mines in Canada, Finland and Mexico and the United States.

Valuation and performance

In terms of market capitalization, Barrick Gold takes the gold. Its market cap is currently three times

larger than Agnico Eagle Mines, with a market cap of $63.41 billion compared to Agnico's measly $20.51 billion.

When trying to determine whether companies are undervalued, we can compare price to earnings ratios to that of the broader market. Barrick Gold currently has a price to earnings ratio of 14.79, while Agnico Eagle Mines has a price to earnings ratio of 49.23.

Because the price to earnings ratio of Agnico Eagle Mines is much greater the current average price to earnings ratio of the **S&P/TSX 60** (17.63), we can infer that it is currently trading at a very high premium relative to both Barrick Gold and the Canadian market.

Another crucial statistic to take into consideration is total revenue growth. From 2018 to 2019, Barrick Gold's total revenue grew from $9.83 billion to $13.18 billion, representing a 34.16% increase in revenue. Meanwhile, Agnico Eagle Mines' total revenue only grew from $2.97 billion to $3.38 billion, representing only a 13.86% increase over the same period.

Agnico Eagle Mines' lack of total revenue growth may have been the leading factor causing the stock to only increase 20.97% over the past year, while Barrick Gold stock soared 70.38% over the same period. From a five-year perspective, Barrick Gold's stock price increased 166.32%, while Agnico Eagle Mines stock only grew 124.71%.

Foolish takeaway

Despite being the younger company, Barrick Gold has found a way to dominate the mining industry through its excellent geographic reach. It produces four times more total revenue than its largest competitor and trades at a much lower premium.

With these factors in mind, investors should look to invest more into Barrick Gold due to its outright superiority over Agnico Eagle Mines.

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TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:AEM (Agnico Eagle Mines Limited)

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Date
2025/08/25
Date Created
2020/07/21
Author
jedlloren

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