



## Barrick's Boardroom Drama Heating Up – Hot Air Fills the Room

### Description

We published a [piece here yesterday](#) that chronicled some of the trials and tribulations that have gone on in Barrick's boardroom in the recent past. Part of the boardroom issues surround the seemingly excessive pay that the board has graciously granted to several of its members.

Our post echoed sentiments expressed in the *Globe and Mail* back on September 18<sup>th</sup>. The article slammed Barrick's corporate governance. In this morning's *Globe*, Barrick's founder Peter Munk has been given space to offer a rebuttal to the Sept. 18<sup>th</sup> piece. A Barrick board member, who happens to chair the compensation committee also chimes in.

It's clear from today's article that these two guys don't get it.

In Munk's missive he speaks of Barrick's track record from its inception. Number of employees, revenues, EBITDA, cash flows are all numbers he cites to expound on the virtues of his company.

The reality of it is, even though, as Munk says, Barrick has grown to an organization with 25,000 employees and had revenues of \$14.5 billion in the past year, shareholders have done anything but benefit from these seemingly impressive figures. And that's the board's job. To ensure corporations are operating to the benefit of its shareholders (aka owners), of which I might add, Munk is barely even one (relatively).

Two stats make this point excessively clear. First of all, at \$19 and change, Barrick's stock sits at the same level it was at in the early-90's. Barrick's revenues in 1992, \$540.4 million! When revenues grow as they have and the share price goes nowhere, that is by definition, growth for the sake of growth. Everything Barrick has done to turn \$540 million of revenues into \$14.5 billion has been a complete waste of time/effort when viewed through the lense of the shareholder.

And if that's not enough, even though Barrick has reported all of these "record" results in recent years, there's one figure on the financial statements that trumps them all. In the past two fiscal years, when some of these records were being set, Barrick's book value per share – an indication of a company's intrinsic value – moved from \$23.35/share to \$13.51/share. That is a ridiculous implosion of shareholder's equity! And again, because Munk is barely an owner, this evisceration of wealth is

essentially meaningless to him.

## The Foolish Bottom Line

Barrick's performance, and the antics of its board, are one of the top reasons why we Fools love to see management and board members have real skin in the game through sizeable stock ownership. That is the only way to truly put these higher-ups on our side. If nearly all of Munk's personal wealth was tied up in this entity, would he really have approved of deals that potentially could have eviscerated half of it? It's unlikely. Munk can trot out all the impressive figures he wants. For us Barrick shareholders, there are only two that matter – both of which are seemingly being completely ignored.

## What are you doing October 1?

Our senior investment analyst will unveil his [top two stock ideas](#) for new money now on Oct. 1. And YOU can be one of the select few investors to find out first — just [click here](#) to reserve your invitation.

*Fool contributor Iain Butler owns shares of Barrick Gold. The Motley Fool does not own shares of any companies mentioned.*

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1. Investing

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
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