



Get Up To Speed on Barrick Gold

Description

By Christine Conway

On Oct. 31, **Barrick Gold** (TSX:ABX, NYSE:ABX) set out three releases:

- A \$3 billion public equity offering, which has received [a good amount of coverage](#).
- A debt tender offer.
- Its [third-quarter results](#).

With so much going on, it's easy for bits of information to get lost in the shuffle. Today, I'll provide an overview of the three releases for any investors playing catch-up.

The \$3 billion equity offering

In a bought deal offering with RBC Capital Markets, Barclay's, and GMP Securities, 163.5 million shares were purchased by these institutions at a fixed price of \$18.35 per share. The challenge now? Selling the shares. In a bought deal, the institutions that have purchased the shares have also taken on the risk of having to sell them. Barrick gets the \$3 billion regardless, and is therefore absolved of any further risk. At least from a financial standpoint.

And what to do with the newfound fortune? The bulk of the billions are already spent, with \$2.6 billion going to the repurchase of short- and medium-term debt. For example, there is \$700 million of 1.75% notes that Barrick had issued coming due in 2014, as well as \$350 million of 4.875% notes also coming due in 2014.

The debt tender offer

In addition to these short-term maturities, Barrick and its subsidiaries are offering holders of specific medium- to long-term notes payments in cash to purchase those notes before maturity. The notes, with coupon payments that range from 2.50%-7.75%, are set to mature between 2015 and 2023.

Why would investors give up the notes? There is an early tender offer of \$30 per \$1,000 of principal

that will go to investors who accept the offer before Nov. 15, 2013. The offer expires Dec. 2, 2013.

Third-quarter results

The third quarter echoed the need to conserve cash with a target to reduce annual costs by \$500 million. There had been job cuts on the table, with 1,850 position eliminated — 85% of which were done earlier this year. Now the operating model and procurement expenses are being reviewed.

There was also the suspension of the Pascua-Lama project, a mine located at the border of Chile and Argentina with approximately “18 million proven and probable gold reserves”. Barrick can still revisit this decision, but all in all Barrack is tightening its proverbial belt. (Read my Foolish colleague Robert Baillieul's take on Barrick's recent quarter [here](#).)

With a business tied to the price of gold, and the price of gold at multi-year lows, the top-line isn't going to help this company anytime soon. Therefore, costs need to be removed, which is exactly what Barrick is doing. Though not ideal, such is the nature of the commodity business.

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2. TSX:ABX (Barrick Mining)

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