

Earnings Preview: Barrick Gold Could Disappoint Shareholders...Again

Description

Investors still cringe when they think about **Barrick's** (TSX:ABX, NYSE:ABX) October earnings report. Thanks to plummeting gold prices, the last quarter was characterized by plummeting profits, a dividend cut, and some jaw dropping writedowns. All on this on top of a \$3 billion equity issue – the largest bought deal in Canadian history.

Unfortunately for Barrick shareholders the pain is only going to continue this quarter. At an industry conference last month, Chief Executive Jamie Sokalsky warned that Barrick warned of more cut gold reserves, lower metal production in the upcoming year, and another impairment charge to its troubled Pascua Lama mine.

Stats on Barrick Gold

Analyst EPS Estimate	\$0.41
Change From Year-Ago EPS	(61%)
Revenue Estimate	\$2.83 billion
Change From Year-Ago Revenue	(32%)
Earnings Beats in Past 4 Quarters	4

Source: Yahoo! Finance

Which way will Barrick's earnings move this quarter

Analysts have become more worried about Barrick's earnings in recent months by cutting their fourth-quarter estimates by \$0.06 per share and reducing their full-year 2014 projections by triple that amount. Fortunately, higher gold prices have put a floor underneath the stock with the share price rising 15% since the start of November.

Unfortunately shareholders should expect Barrick to report big write downs when it reports year-end results this week. In January the company announced that it's taking a more conservative stance towards calculating its gold reserves as the company continues to struggle with the consequences of lower gold prices. Barrick said it will use US\$1,100 an ounce to calculate its reserves this year, down by more than 25% from the US\$1,500 an ounce it used last year.

Last quarter Barrick also announced a major corporate reorganization in order to cut expenses. Shareholders will be watching the company's all-in-sustaining costs closely to see how Barrick is implementing this initiative. However, investors remain skeptical that the firm's cost base can be lowered sufficiently to generate an acceptable profit at current gold prices.

Before the company reports its results, Barrick also met some of its largest shareholders last week to discuss the company's corporate governance practices.

Disgruntled investors have been complaining about how Barrick is being managed which led to a major

boardroom shuffle late last year. Representatives from Caisse de dépôt et placement du Québec, the Ontario Teacher's Pension Plan and other big shareholders will talk to Barrick's new director Brett Harvey and the company's incoming chairman John Thornton.

Barrick has already made some major overhauls to its corporate governance practices in response to these demands. Founder and chairman Peter Munk announced that he will retire at Barrick's upcoming annual shareholder meeting in the spring and the company has nominated four new independent directors to its board.

However, many more changes are needed at Barrick if the company is to win back investors' trust. During the conference call, shareholders will be listening for any policy changes that come out of these discussions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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