



What to Expect From Barrick Gold This Earnings Season

Description

Barrick Gold ([TSX: ABX](#))(NYSE: ABX) is set to release its first-quarter earnings on Wednesday. With sharp declines in precious metal prices, investors should brace themselves for the worst. Let's take a look at what we're likely to see in this upcoming report.

What does Barrick have in store for shareholders this quarter?

Investors, get ready for another round of ugly numbers from Barrick. Over the past three months the Street has slashed its consensus earnings estimate for the upcoming quarter by nearly half to \$0.23 per share. For the full year, analysts have pared down their expectations 15% to \$1.29 per share.

Stats on Barrick

EPS Estimate	\$0.23
Year-Ago EPS	\$0.92
Revenue Estimate	\$2.65B
Sales Growth Year-Over Year	-22.90%

Earnings Beats Last 4 Quarters 3

Source: Yahoo! Finance

The past few years have been hard on Canada's largest mining company. Following an ill-timed

acquisition of copper miner Equinox Minerals in 2011 and spectacular costs overruns at its South America Pascua Lama mine, Barrick wrote off over U.S. \$19 billion in assets and was left saddled with over U.S. \$15 billion in debt. And while the company destroyed billions of dollars in investor capital, management enriched themselves with pay raises and lavish performance bonuses.

This has sparked something of a shareholder revolution at Barrick. Over the past year investors have successfully pushed for a revamp of the company's board of directors and its executive compensation scheme. Chairman Peter Munk, the quarterback behind this disastrous expansion, will announce his resignation at the Barrick's annual shareholders meeting this week.

As part of its plan to turn things around, recently appointed Chief Executive Jamie Sokalsky is slashing costs, selling smaller mines in Australia, unloading a minority stake in one of its Nevada properties, as well as a portion of its stake in African Barrick. In the company's upcoming conference call, investors should be sure to evaluate the company's cost cutting efforts. In lieu of higher commodity prices, squeezing more efficiencies out of existing operations will be the main earnings driver.

But even as the company works through its turnaround, Barrick might be on the verge of its biggest deal yet. Last week, reports surfaced that the company was in talks to merge with its largest competitor **Newmont Mining** ([NYSE: NEM](#)). However, negotiations between the two companies have ended, with both parties blaming each other for the breakdown.

No doubt this is a major disappointment for Barrick. A marriage between the two companies would have been the largest merger in the history of the gold industry. The resulting megaminer would be big enough to challenge the biggest firms in the resource industry.

The question now is whether or not Barrick will make a hostile bid. Mr. Munk has publicly admitted that he is reluctant to acquire Newmont because the premium to buy the firm would be enormous. However, investors trust Barrick's management team about as far as they can throw them and more ego boosting acquisitions are the last thing shareholders want right now.

Foolish bottom line

Hopefully with these merger talks behind the company, Barrick will refocus on its portfolio optimization efforts. In the upcoming report, further updates regarding the management's plans to reorganize Barrick's mining portfolio and cut costs will throw some light on what lies ahead for the company.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:ABX (Barrick Mining)

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