



The 3 Biggest Takeaways From Barrick's First Quarter

Description

On Wednesday morning, **Barrick Gold** ([TSX: ABX](#))(NYSE: ABX) reported earnings for the first quarter of 2014. And it was not pretty. Net income shrunk by nearly three quarters on an adjusted basis, and 90% on a reported basis. Yet those results were still good enough to beat analyst estimates.

So what should shareholders make of this report? The following are the three biggest headlines.

1. Lower prices are taking their toll

Of course, this is why Barrick was still able to beat estimates. Everyone is well aware of the low gold price environment, and had already factored that into their forecasts for Barrick. For the quarter, the company's average realized gold price was \$1,285, down 21% year over year. Copper prices also slumped, with Barrick's average realized price decreasing 15% from 2013 levels.

2. The effects of scaling back

As the price of gold has slumped, Barrick has been forced to scale back its operations. Matters have been made worse by the company's very levered balance sheet. In response, Barrick has divested over \$1 billion worth of assets. This included high-cost mines in Australia, a decreased stake in African Barrick Gold, and a sale of the company's 33% stake of the Marigold mine in Nevada.

As a result, gold production decreased to a little under 1.6 million ounces during the quarter, a 12% decrease year over year. Barrick has reiterated its guidance for 2014 of 6.0-6.5 million ounces. Back in 2011, gold production was nearly 7.7 million ounces. But of course production growth is not top of mind for Barrick's investors anymore. Thanks to Barrick's divestitures and other cost-cutting efforts, "all-in sustaining costs" decreased by 11% to \$833 per ounce.

3. Peter Munk

The results from Barrick's first quarter will not be enough to overshadow Chairman Peter Munk, who retires today. Mr. Munk should be honoured and congratulated for all the work he's done over many decades, but he is retiring right in the middle of a firestorm. In a lengthy interview with the *Financial Post*

last week, he blasted the board of **Newmont Mining** ([NYSE: NEM](#)) as merger talks broke down.

He also didn't mince words about Barrick. When talking about Pascua-Lama, a failed project on the border of Chile and Argentina, he called it "a f—k up of such magnitude that they'll write books about it." His candour will be missed.

Foolish bottom line

The results that Barrick posted today are certainly ugly, but not unexpected. Meanwhile, today is more about Mr. Munk, one of Canada's most remarkable entrepreneurs. Barrick will not be the same without him, although this is not always a bad thing.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/07/26

Date Created

2014/04/30

Author

bensinclair

default watermark

default watermark