



3 Reasons to Stay Away From Barrick Gold Corp

Description

Barrick Gold Corp ([TSX: ABX](#))(NYSE: ABX) seems to be one of the most hated companies in Canada, and its stock has fallen by over half in the past three years. Has that created an opportunity for contrarian investors to scoop up the stock at a discount? Well, not necessarily.

Below we take a look at three reasons why Barrick should stay out of your portfolio.

1. A poor track record

There's a great saying about what made Wayne Gretzky a great hockey player: He didn't skate to where the puck was; he skated to where the puck was *going to be*. Barrick seems to have taken the opposite approach.

Whether it was hedging gold prices, aggressively expanding, buying gold companies, buying copper companies, selling off assets, or firing executives, Barrick had awful timing with all of these strategic moves. Interestingly, each of these actions would have been brilliant had they been done a few years earlier — but Barrick was unwilling or unable to think ahead, and simply did what was in vogue at the time.

This has had devastating consequences. The stock is down by nearly 50% since 1996, despite gold's rapid rise in price. With such a poor long-term track record, there's a strong chance that the company's culture is the problem. If that is the case, then Barrick's performance is unlikely to improve any time soon, and you do not want to be a shareholder.

2. Costs might be higher than you think

Barrick likes to report various cost measures — in its annual report, you can find figures for “adjusted operating costs”, “all-in sustaining costs”, and “all-in costs”. The third number is likely the most useful, and it comes in at around \$1,300 per ounce, which is where gold trades at today.

So there is a good chance that if gold prices stay the same, Barrick is not even profitable. Yet the company is valued at over \$5,000 per ounce of production. Does that sound like a discounted stock to

you?

3. Better alternatives

Many investors own Barrick simply as a way of betting on gold. Luckily, there are better alternatives.

If you really want to own a gold mining stock, one stands out: **Yamana Gold Inc** ([TSX: YRI](#))([NYSE: AUJ](#)). Yamana has a better track record than Barrick, and wasn't expanding aggressively at the wrong time. Because of this, it was able to participate in the Osisko sweepstakes at a time when gold takeovers were not so pricey.

However, if all you want to do is bet on gold, I think ETFs are still the best way to go.

CATEGORY

1. Investing

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