



## 3 Reasons Barrick Gold Corp. Is the Best Gold Stock to Buy Today

### Description

Despite recently reporting a second quarter 2014 loss of US\$269 million, which saw **Barrick Gold Corp's** ([TSX: ABX](#))(NYSE: ABX) share price nose dive, the company is still an important addition to any portfolio.

So let's take a closer look at the reasons why investors should buy Barrick Gold.

#### 1. Recent share price softness leaves it attractively valued

Barrick is one of the most attractively priced of all the senior gold miners, with an enterprise value of a mere seven times EBITDA and for this price you receive access to a company with a range of high-quality geographically diversified mining assets. This EV-to-EBITDA is significantly lower than **Goldcorp Inc.'s** (TSX: G)(NYSE: GG) 17 times and much of this can be attributed to the market's perception of risk in Barrick compared to Goldcorp.

It was only at the end of last year when the company had to move fast to shore up its over-leveraged and battered balance sheet through a series of monster asset writedowns and a dilutive equity raising. Barrick also booked a Q2 2014 writedown of \$514 million related to its joint Jabal Sayid copper project, because it was classified as being for sale. Barrick had to book the value of the asset on its balance sheet at fair value less disposal costs, essentially making this a paper loss with the project still expected to come online in 2015.

Another positive was the completion of the ramp down of the massive Pascua-Lama project, the suspension of which forced Barrick to take a massive \$5 billion writedown last year, on schedule and on budget.

While these asset writedowns are headline-driving news, investors have forgotten they have removed costly liabilities from Barrick's balance sheet. The equity raising went off without a hitch boosting the strength of Barrick's balance sheet. This has left the company well positioned to leave its troubles behind and rebuild its fortunes in 2014 with a stronger balance sheet and a lower cost structure.

## **2. A relentless company-wide focus on cost management continues to boost margins**

Barrick continues to operate with some of the lowest costs in the gold mining industry and these costs continue to fall with management focused on cutting operating costs company-wide. This saw Barrick report Q2 2014 all-in sustaining costs of \$865 per ounce, which represents a 4% hike compared to the previous quarter but a healthy 5% drop compared to Q2 2013.

These consistently low all-in sustaining costs saw Barrick reissue its 2014 guidance, with lower all-in-sustaining costs expected for the full year. The new guidance has forecast all-in sustaining costs at between US\$900 and \$940 per ounce, or 2% to 4% lower than originally forecast. Barrick is able to generate a healthy margin per ounce of gold produced and this will continue to be reflected in its bottom line over the remainder of 2014, particularly with gold having rallied off weaker prices earlier this year.

## **3. Gold is fast shaping up as one of the biggest bets being made by institutional investors**

I have already written a series of articles explaining the big bets on a recovery in precious metals being made by Wall Street and other big-name institutional investors. But it is Barrick which has attracted one of the biggest bets of all from institutional investors, with billionaire George Soros plowing US\$120 million into the company.

With the majority of Barrick's costs being fixed even a small appreciation in the price of gold will generate considerable earnings for the company, making it like the majority of miners a leveraged play on gold. This means investors will gain a 'bigger bang for their buck', than if they were to invest in the physical metal or an ETF, which merely tracks the performance of gold.

It is clear that despite Barrick's perceived woes the big end of town sees considerable value in Barrick and a rebound in precious metal prices would see Barrick's share price bounce nicely, making now the time to invest.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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