



3 Reasons Why Barrick Gold Corp. Is Still Not the Best Way to Bet on Gold

Description

Once again, **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX) is in the news. To give the company some credit, this time it's for a good reason: The company is eliminating its corporate development team, which was responsible for looking for potential mines to buy. Since Barrick has no intention of acquiring mines at this time, the team is not needed. In fact, such a move was long overdue.

Is this a sign that the company is about to turn around? Is this the best way to bet on the price of gold? Are the shares trading at a bargain?

Not necessarily. Below are three reasons why Barrick should remain out of your portfolio, even if you believe in gold.

1. A corporate culture problem

Wayne Gretzky was a great hockey player because he always skated to where the puck was going, rather than where the puck already was. Barrick seems to have taken the opposite approach. As a result, its actions always seem to be a few years too late.

For example, the company hedged the price of gold when it was fashionable to do so, but before the gold price ran up dramatically. Likewise, the company made acquisitions at the wrong time, cut costs when it was too late, and most recently was selling high-cost mines into a buyer's market.

It's easy to see a pattern here. There's little reason to expect this to change — Barrick seems to have a culture problem, one that always leads to playing catch-up. That's never a good recipe for a company's stock price.

2. A short-term focus

It's fair to say that Barrick is on a short leash, and this comes with a very severe consequence: short-term thinking.

For example, Barrick has been under pressure to sell high-cost mines over the past year, which

has helped lower its overall cost figures. As a result, it sold some mines for a bargain price. Similarly, Barrick is under pressure to cut operating costs — this creates an incentive to cut down on the expenditures that are necessary for long-term production growth.

Likewise, Barrick has announced that further cuts at its corporate headquarters are in the works. How is this supposed to make its employees feel? Are they really going to do great work for the company, or are they going to be updating their resumes? These kinds of things do have a significant impact on company performance, even if they are hidden from the view of investors.

3. Better alternatives

Last but not least, there are far better ways to bet on gold. The best option is likely an exchange-traded fund because of its simplicity. Otherwise, there are gold streaming companies like **Franco-Nevada Corporation** that don't have to deal with a miner's operational issues. Finally, you could go with a best-in-class gold miner, such as **Goldcorp Inc.**

Barrick, on the other hand, has too many issues, and they will take a while to resolve. Your best bet is to avoid that wait.

CATEGORY

1. Investing

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1. NYSE:B (Barrick Mining)
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