



Are Troubled Miners Barrick Gold Corp. or Teck Resources Ltd. Right for Your Portfolio?

Description

Barrick Gold Corp. ([TSX: ABX](#))(NYSE: ABX) and **Teck Resources Ltd.** (TSX: TCK.B)(NYSE: TCK) have both had a rough three years. Over this time, the two companies' stocks have fallen by 66% and 33%, respectively.

Each has had its share of problems, to say the least. But are these companies ripe for a turnaround? Below, we take a look.

The case for Barrick Gold

Barrick's wounds are very deep, and are much more self-inflicted than those at Teck Resources. The company has spent an enormous amount of money on an acquisition in Africa (Equinox) and a project in South America (Pascua Lama), both of which have ended in disaster. To make matters worse, gold prices have fallen from nearly \$1,900 per ounce in 2011 to just over \$1,200 today.

As a result, Barrick has an overstretched balance sheet, which is really hampering the company. Mines have had to be sold off (right into a buyer's market). Capital plans have had to be deferred. And with production shrinking, in addition to the share price, morale is very low.

There is some good news: Barrick will not be expanding internationally for quite some time. Now the company is in scale-down mode, determined to right the ship. But that leads to bad news: The company has little ability to focus on the long term. And if gold prices do eventually recover, Barrick may not be able to take full advantage.

So at this point, there are just too many problems with Barrick today. Your best bet is a wait-and-see approach with this company.

The case for Teck Resources

Like Barrick, Teck Resources has a history of missteps. The most notable was the disastrous \$14.5 billion takeover of Fording Coal in 2008, right before the financial crisis erupted. The move nearly

bankrupted Teck.

But more recently, Teck's falling share price is not the company's doing. In fact, Teck has stayed relatively disciplined in recent years. The real problem has been China, where slowing growth has slashed commodity prices. This is especially relevant with steelmaking coal, which is where Teck makes about half its profit.

To be more specific, steelmaking coal prices have fallen by more than half in the last three years. And there's a real possibility that prices will continue to fall — this will happen if China's building construction slows, which many observers believe has to happen.

So at this point, Teck is really a bet on China. But that is a very risky bet as well, and your money is probably better suited for safer investments.

The verdict

Both of these companies are incredibly risky, and should probably be avoided. If you're looking for better alternatives, five are detailed in the free report below.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
4. TSX:TECK.B (Teck Resources Limited)

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