Is Now the Time to Bet on Barrick Gold Corp.?

Description

On Wednesday, **Barrick Gold Corp.** (TSX: ABX)(NYSE: ABX) reported results for the third quarter of 2014, and results were better than expectations, particularly on the cost side.

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As a result, the company has revised its guidance for 2014. Barrick now expects all-in sustaining costs to be $880-$920 per ounce for the year, down from previous 2014 guidance of $900-$920 per ounce. The company also bumped up its expectations for copper production.

The low cost numbers represent a real shift for Barrick, and are the result of some tremendous cost-cutting efforts. So is now the time to take a chance on the company? Below, we take a look at three reasons to do so.

1. Improved discipline

This is a change that was desperately needed at Barrick. When gold prices were high, the company was spending billions on wasteful projects and unwise acquisitions. Mine costs were through the roof, but no one seemed to care. So when gold prices plunged, the company was caught red-handed, and the stock has suffered tremendously.

But now spending is much more under control. To illustrate, all-in costs are down to $951 per ounce so far this year. In 2013, that number was $1,269. Capital spending is also under control, expected to decrease by at least 50% relative to last year. Better yet, roughly half of capital expenditures are taking place in Nevada, a safe jurisdiction that Barrick is very familiar with.

2. Financial flexibility

At first, this seems to be a point of weakness. After all, Barrick still has over $13 billion in debt, a massive number for a company valued at only $16 billion. But the company's debt is not as much of a burden as one would think.

In fact, only $1 billion of debt is due by the end of 2017. In the meantime, Barrick has $2.7 billion of cash and a $4 billion undrawn credit facility. So even if the gold price plunges, then the company's debt will not sink the company.

To be fair, Barrick's debt will likely impede the company from doing any major acquisitions. But given the miner's recent history, a break from acquisitions is probably a good thing.

3. A depressed price

Despite these improvements, Barrick's stock price is as depressed as ever. As of this writing, the stock price is down about 4% on the day, and has now reached a low not seen for decades.

Barrick is also trading at a significant discount to peers. For example, **Goldcorp** is valued more highly than Barrick, despite having about half the production.

So if you're looking to bet on the price of gold, Barrick may now be the way to do it. Otherwise, there are still plenty of great options for your portfolio. Five are revealed in the free report below.

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