

## Barrick Gold Corp: A Once-in-a-Lifetime Investment Opportunity?

### Description

Every successful investor has one, and maybe if they are lucky, two. We're talking about major investment success stories, companies that generated returns well beyond what investors were expecting.

One of the most popular ways to find one of these "once in a lifetime" investment opportunities is to buy a struggling company that manages to turn itself around. Unfortunately, it seems that more companies fail than make it, but I think **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX) could be the next major turnaround success story.

### Barrick Gold's fall from grace

Barrick Gold Corp. stock is currently in the dumps, at just under \$15 per share. The stock has plunged dramatically since gold's last bull run drove shares above \$50. While all gold miners are currently suffering to some degree, thanks to low gold prices, Barrick Gold's plunge was steeper than most because of the way the company operated during the last run up in gold prices.

As gold ascended, Barrick's goal was to expand operations as quickly as possible, no matter the cost. This resulted in the company's debt ballooning. When gold collapsed, the company found itself in a difficult position. Massive write-downs ensued. There were even concerns that the miner could go bankrupt.

The company has been slowly turning itself around, but with low gold prices, Barrick is not out of the woods yet. While declining operating costs mean that the company is not (yet) producing gold at a loss, the company still has a significant debt burden, even with the latest improvements. With the prevailing sentiment that there are even more losses in store for gold, Barrick's stock is bound to remain under pressure.

That is the bear case. Now we need to look at the other side. Commodities are cyclical, and with gold the safe-haven investment of choice for many investors, it is not a matter of if, but when gold will make another bull run.

### What if history repeats itself?

During the last bull run in gold (which arguably started in 2003) Barrick's stock appreciated from about \$22 to \$50. The stock's ascent was despite the common knowledge that the company was operating with a fairly high debt burden and was not the best positioned to survive an inevitable downturn in gold. Still, investors continued to purchase Barrick stock, assuming that high gold prices would continue to justify its risky business strategy.

Now, it is well known that the company is turning itself around, and the past has proved to be a major learning opportunity. That means that when gold recovers, many investors will be drawn back into the company, and I expect it will see even more upside than during the last bull run.

Barrick Gold has improved its bottom line. Although challenges remain, company is operating with a much-improved financial climate compared to before. There is still the potential for more downside in the stock, and we cannot predict exactly when Barrick or gold will bottom, but while many investors are preferring to play it safe with other gold miners that have a better financial position, these companies do not have the turnaround potential that Barrick does.

Barrick's current troubles could set the company up to be a turnaround story. If that proves true, its stock will soar, offering much higher returns than the safer investment picks — making it an investment opportunity of a lifetime.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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