

Investors Take a Shine to Barrick Gold Corp.'s Earnings; Should You Buy?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX), one of largest producers of gold in the world, announced fourth-quarter earnings after the market closed on February 18, and the results surpassed the expectations of analysts on both the top and bottom lines. The company's stock responded by rising over 5% in the trading session that followed, so let's take a closer look at the results and its outlook on fiscal 2015 to determine if we should consider buying into this rally, or if we should wait for a better entry point in the trading sessions ahead.

The results that ignited a rally

Here's a summary of Barrick's fourth-quarter earnings results compared to what analysts had anticipated and its results in the year-ago period.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.15	\$0.13	\$0.37
Revenue	\$2.51 billion	\$2.46 billion	\$2.94 billion

Source: *Financial Times*

Barrick's adjusted earnings per share decreased 59.5% and its revenue decreased 14.7% compared to the fourth quarter of fiscal 2013, as its adjusted net income fell 57.1% to \$174 million. The company's steep decline in net income and double-digit decline in revenues can be attributed to it selling just 1.57 million ounces of gold during the quarter, a decrease of 14.1% year-over-year; the average realized price of gold falling to \$1,204, a decrease of 5.3% year-over-year; and its all-in sustaining cash costs rising to \$925 per ounce of gold, an increase of 2.9% year-over-year.

Here's a quick breakdown of eight other notable statistics and updates from the report compared to the year-ago period:

1. Total gold production decreased 10.9% to 1.53 million ounces.
2. Total copper production decreased 3.6% to 134 million pounds.
3. Total copper sold increased 3.7% to 139 million pounds.
4. Average realized copper price decreased 12.9% to \$2.91 per pound.
5. Cash costs decreased 1.7% to \$1.78 per pound of copper.
6. Fully allocated costs decreased 2.6% to \$2.27 per pound of copper.
7. Adjusted operating cash flow decreased 65.8% to \$371 million.
8. Barrick ended the quarter with \$2.7 billion in cash and cash equivalents, an increase of 12.3% from the end of the year-ago period.

Barrick announced that it would be maintaining its quarterly dividend of \$0.05 per share, and the next payment will come on March 16 to shareholders of record at the close of business on February 27.

Barrick provided its outlook on fiscal 2015, calling for the following performance:

- Total gold production of 6.2-6.6 million ounces
- All-in sustaining costs of \$860-\$895 per ounce of gold
- Cash costs of \$600-\$640 per ounce of gold
- Total copper production of 310 million-340 million pounds
- Cash costs of \$1.75-\$2.00 per pound of copper
- Fully allocated costs of \$2.30-\$2.60 per pound of copper
- Capital expenditures in the range of \$1.9-2.2 billion

Should you buy into the rally?

Barrick Gold Corp. is one of the world's largest gold producers, and decreased sales and increased expenses led it to a weak fourth-quarter performance, but the results surpassed analysts' expectations, so its stock reacted by rising over 5%.

I think the post-earnings pop in Barrick's stock could be the start of a sustained rally higher, because it still trades at inexpensive valuations, including just 23.6 times fiscal 2014's adjusted earnings per share of \$0.68, only 18.6 times fiscal 2015's estimated earnings per share of \$0.86, and a mere 14.2 times fiscal 2016's estimated earnings per share of \$1.13.

In addition, Barrick pays an annual dividend of \$0.20 per share, which gives its stock a generous 1.25% yield and makes it both a value and dividend growth play today.

With all of the information above in mind, I think Barrick Gold Corp. represents one of the most attractive long-term investment opportunities in the gold industry today. Foolish investors should take a closer look and consider initiating long-term positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
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Date

2025/08/04

Date Created

2015/02/20

Author
jsolito

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