



## Barrick Gold Corp. Is Selling Assets; Should Investors Join In and Sell Their Shares?

### Description

In its 2014 year-end report, management at **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) declared that 2015 would be the year that they would be “taking Barrick back to the future.” This is a tongue-in-cheek reference to the year that Marty McFly travelled into the distant future of 2015, which offered viewers glimpses of hoverboards, holographic billboards, and self-tying shoes. However, investors are less concerned about 80s-movie references and are more worried about whether there is still a future for Barrick Gold.

Barrick Gold should be focused on going back to when its production and profits were much higher. Even though Barrick remains the top producer of gold by sales, analysts see a near future where Barrick falls to number four.

### Rocky revenues

Due in part to continued low prices of gold and diminished production, revenues in Q4 dropped to \$2.5 billion from \$2.9 billion, adding to the concern among investors. What makes matters worse is the net loss that Barrick posted in Q4 of \$2.85 billion, just slightly worse than the net loss of \$2.83 billion during the same period last year.

In 2014 Barrick saw its gold sales drop by over 1 million ounces to 6.5 million ounces. This was a major factor in revenues declining to \$10.2 billion in 2014 from \$12.5 billion in 2013. Net income managed to recover in 2014, with a loss of only \$2.6 billion compared to the net loss of \$10.3 billion in 2013.

### Assets for sale

These disappointing revenues and losses have forced Barrick to make some difficult decisions in order to mount any sort of recovery. This is old news to investors, as we saw Barrick sell a pair of its Australian mines for \$400 million in 2013 in an effort to rejuvenate the company.

It seems that investors are in line for another encounter with Barrick, as the company has pledged to

reduce its \$13 billion debt by \$3 billion in 2015. Barrick is looking to accomplish this by selling another one of its Australian mines and a mine in Papua New Guinea.

Barrick has already begun to work with **Credit Suisse Group AG** to find potential buyers for the mines, which analysts at TD Securities believe could earn Barrick US\$1.1 billion. Investors should be aware that the sales of these two mines will cost Barrick 762,000 ounces of gold production per year.

### **Equinox bust**

Another issue being faced by Barrick is the total failure of its \$7.32 billion purchase of **Equinox Minerals Limited** and its Lumwana copper mine in 2011. Thanks in part to the Zambian government raising open pit taxes from 8% to 20%, Barrick announced that it would be idling its Lumwana mine and was forced to take a \$930 million impairment charge in Q4.

This is above and beyond the \$3.8 billion write-down Barrick suffered in 2013 because of its acquisition of Equinox Minerals Limited.

### **Stock prices of the future today**

As Barrick is looking “Back to the Future,” investors are wishing the company would go back to the past, when it had a market value of \$50 billion instead of the \$14.8 billion it is at today. Analysts looking forward predict an average price target of \$14.80 for Barrick, but the most recent reports are closer to the \$12.00 range. This is very concerning for investors, as Barrick closed Monday at \$15.99, still within the middle of its 52-week range.

Those looking to pick up Barrick at a bargain may have to wait a little longer for the price to dip down a little further. The timing shouldn't be too far off, as the company begins to sell off properties and idle its Lumwana copper mine. The question of when the stock price could recover is another issue, as investors are more likely to get a hoverboard than a Barrick share price over \$40.00 again.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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