



Is Barrick Gold Corp. the Top Gold Stock to Buy Today?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX), one of the largest producers of gold in the world, announced first-quarter earnings results after the market closed on April 27, and its stock responded by rising over 3% in the trading session that followed. Let's break down the quarterly results to determine if we should consider buying in to this rally, or if we should look elsewhere in the industry for an investment instead.

A quarter of year-over-year declines

Here's a summary of Barrick's first-quarter earnings results compared with its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q1 2015	Q1 2014
Adjusted Earnings Per Share	\$0.05	\$0.20
Revenue	\$2.25 billion	\$2.65 billion

Source: Barrick Gold Corp.

Barrick's adjusted earnings per share decreased 75% and its revenue decreased 15.2% compared with the first quarter of fiscal 2014, as its adjusted net income decreased 73.9% to \$62 million. These weak results can be attributed to three primary factors.

First, Barrick sold just 1.39 million ounces of gold during the quarter, a decrease of 14.4% year over year. Second, the average realized price of gold fell to \$1,219 per ounce during the quarter, a decrease of 5.1% year over year. Third, the company's all-in sustaining costs per ounce of gold rose to \$927 during the quarter, an increase of 10.6% year over year.

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

1. Total gold production decreased 12.5% to 1.39 million ounces

2. Total copper production increased 13.5% to 118 million pounds
3. Total copper sold increased 9% to 121 million pounds
4. Average realized price of copper decreased 15.8% to \$2.55 per pound
5. Cash costs decreased 12.8% to \$1.84 per pound of copper
6. Operating cash flow decreased 46% to \$316 million
7. Income before income taxes decreased 53.4% to \$194 million
8. Ended the quarter with \$2.26 billion in cash and cash equivalents, a decrease of 16.3% from the beginning of the quarter

Also, after the market closed on April 28 Barrick announced that it would be maintaining its quarterly dividend of \$0.05 per share, and the next payment will come on June 15 to shareholders of record at the close of business on May 29.

Is Barrick the top gold producer to buy today?

Even though I do not think the post-earnings rally in Barrick's stock was warranted, I do think it represents a great long-term investment opportunity. I think this because it trades at attractive valuations, including just 22.5 times fiscal 2015's estimated earnings per share of \$0.71 and only 18.4 times fiscal 2016's estimated earnings per share of \$0.87, both of which are inexpensive given its long-term growth potential.

With the inexpensive valuations in mind, I think Barrick Gold Corp. represents one of the best long-term investment opportunities in the gold industry today. Foolish investors should take a closer look and consider scaling in to long-term positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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