



## Barrick Gold Corp.: Is the Turnaround for Real?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is trying to get back to its entrepreneurial roots, but the market isn't buying the story—yet.

Let's take a look at the current situation to see if Barrick deserves to be on your buy list.

### Strategy shift

Long-term shareholders are looking at Barrick's management team with desperate eyes. In the past five years the stock is down more than 65% and investors that bought the stock a decade ago are sitting on a 45% loss.

When looking at the chart, you might wonder why anyone would want to buy this name, but the management team might finally be turning the giant around.

Head office staff is being cut by 50% and the company has adopted a new plan that should put shareholder's interests first, although the recent battle over executive pay has a lot of pundits questioning the company's true dedication to the best interests of the stockholders.

Barrick says it will now evaluate every new project against a target return on capital of 15%. All assets that do not meet this standard will be sold, deferred, or cancelled. Recent actions suggest management is following through.

### Tackling the debt issue

Barrick has begun to sell non-core assets to pay down its mountain of debt.

In the past few days the company announced two deals that will bring in about US\$850 million. This is part of the commitment to reduce debt by US\$3 billion before the end of the year.

That sounds like a lot of money, and it is, but Barrick has a whopping US\$13 billion in debt sitting on its balance sheet. The number is a scary one for a company with a market value of just over US\$14 billion.

The bright side of the picture, if there is one, is that only US\$1 billion of the debt is due in the next three years. This gives the company a window of opportunity to work through the debt pile at a measured pace.

The company is not in financial straits. It started the year with US\$2.7 billion in cash and US\$4 billion in undrawn credit lines.

### **Production outlook**

Barrick produced 6.25 million ounces of gold in 2014 at all-in sustaining costs (AISC) of US\$864 per ounce. Production in 2015 should be 6.2-6.6 million ounces with AISC being US\$860-895 per ounce. Compared with its peers, these are pretty good numbers.

The company expects to deliver positive free cash flow in 2015 and is targeting a drop in AISC over the next two years.

### **Should you buy the Barrick turnaround story?**

Many investors who are bullish on gold are simply investing in other companies because they have more faith in the management teams.

Barrick could prove to be a big winner in the coming years if it manages to pull the turnaround rabbit out of its hat. The stock is still a risky bet and shareholders should be prepared for a dilutive equity issue at some point down the road, but buying when everyone else hates the name is often the best time to get in. If you have a contrarian spirit, taking a small position in Barrick right now might prove to be a profitable move.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/08/04

### **Date Created**

2015/05/26

### **Author**

---

aswalker

default watermark

default watermark