



Does Barrick Gold Corp. or Bombardier Inc. Have a Better Chance of a Turnaround?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) and **Bombardier Inc.** ([TSX:BBD.B](#)) may be in completely different industries, but they still have a lot in common.

Both companies have made strategic missteps. Both have gone billions over budget on big projects, resulting in far too much debt. Both have undergone some dramatic executive turnovers. And both have seen their shares plummet.

With that said, which of these companies has a better chance of a turnaround?

The case for Bombardier

Bombardier's problems can primarily be traced to the CSeries, which has been a disaster thus far. The jet program is US\$2 billion over budget and two years behind schedule, all while order totals remain below expectations.

That being the case, there's an argument that the future is much brighter. The CS100 is nearing the end of its test program, and should be certified later this year. This will reduce uncertainty for customers, which could easily lead to higher orders.

Better yet, Bombardier's liquidity issues seem to be over. The company raised over US\$2 billion in new capital, has cut costs, and is also divesting a stake in its train business.

Meanwhile, Barrick's problems may be just beginning. The miner is doing all it can, but debt remains at US\$13 billion. Production has been shrinking, and should continue to do so as mines are sold. If gold prices sink further, there's a real possibility of a cash crunch.

The case for Barrick Gold

Barrick has made a lot of mistakes in recent years, but it's gotten one thing right: costs have come down dramatically. To illustrate, all-in sustaining costs at Barrick's mines totaled US\$864 per ounce in

2014. Back in 2012 this number was over US\$1,000.

And at Barrick's core mines (which account for about 60% of production), all-in sustaining costs total roughly US\$750 per ounce, making these mines some of the most efficient in the world. So, Barrick's mines are very well positioned in the gold sector. And for this reason, if the gold price recovers, there's nothing stopping the company.

Meanwhile, Bombardier must compete against better-funded competitors such as **Boeing** and Airbus. These companies do not play nice. Airbus in particular is offering its A320 planes at bargain prices, just to keep the CSeries out of the picture.

So, even if the aerospace industry continues to prosper, Bombardier will be marginalized. Barrick has no such worries.

The verdict

A full recovery looks very unlikely for either company at this point, although Barrick has a better chance thanks to the possibility of rising gold prices. Meanwhile, Bombardier has less chance of running short of cash.

At the end of the day, you shouldn't buy either stock. Both companies could easily slip further, and I don't think that's fully accounted for in their share prices. If you're looking for a turnaround opportunity, there are other stocks you should buy instead.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/07/21

Date Created

2015/06/02

Author

bensinclair

default watermark