



## Which Beaten-Up Stock Is a Better Buy: Barrick Gold Corp. or Teck Resources Ltd.?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK) may focus on different commodities, but the two companies have a lot in common.

Both have made some poor acquisitions in years' past. Both are struggling with falling commodity prices. And since the beginning of 2011, each of their share prices have sunk by about three quarters.

But there are some promising aspects to each company as well. Costs have been reduced. There's a renewed sense of discipline. And there are some exciting growth opportunities.

So, that begs the question: which is the better turnaround bet?

### The case for Barrick

Barrick is not a popular stock to own these days, and for good reason. The company blew billions of dollars on a bad acquisition and a failed project. As a result, the company is saddled with US\$13 billion in debt. And along the way, executives got rewarded handsomely, a problem that still exists today.

But beneath the surface Barrick has made some substantial improvements. All-in-sustaining costs are expected to fall between \$860 and \$895 per ounce after eclipsing \$1,000 back in 2012. A couple of gold mines have been sold off, and this money will mainly be used to pay down debt. Barrick is also divesting a stake in a big Chilean copper mine, which again will be used to improve the balance sheet.

Meanwhile, Teck's problems could easily get worse. The company has been hit hard by the Chinese steel market, which has stopped growing. This has caused prices for coking coal to plunge. If China's building construction slows even further, the situation could get a lot worse for Teck.

While the gold price could also fall, it is not exposed to the shaky Chinese economy, and seems to have found some support over \$1,150. That could allow Barrick to slowly turn the ship around.

## The case for Teck

Teck Resources is a very scary company to own right now. But that's often the best time to step in, and this case could be no different.

There's a simple reason why: Teck is well positioned to outlast its competitors. Thanks to various cost-cutting initiatives, the company is still profitable even at these prices, while most seaborne coking coal is produced at a loss.

So eventually, the market must come into balance, and Teck will be standing when it does. That could result in some big gains for the stock. Meanwhile, most gold is still produced at a healthy profit, so there's still plenty of room for the price to fall.

## The verdict

At this point, both companies are incredibly risky, so I wouldn't buy either (unless we're talking about a very small amount of money).

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
4. TSX:TECK.B (Teck Resources Limited)

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## Author

bensinclair

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