



3 Ways Beaten-Up Barrick Gold Corp. Shares Can Rebound

Description

Not much has gone right for **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) over the past few years, and its stock is beaten up as a result.

But if Barrick is able to turn the ship around, there's a lot of upside for the stock. Below are three ways that could happen.

1. An increase in gold prices

Of course, this is what Barrick needs the most. The gold price is currently stuck around US\$1,160, a long way off from its all-time high of US\$1,900 in 2011. Fortunately, Barrick is still able to make money at these prices—the company projects all-in sustaining costs of roughly US\$880 this year.

But with a debt load of US\$13 billion, and projected interest expense of at least US\$800 million this year, Barrick will need higher prices to meaningfully improve its financial position.

If gold prices do improve, there's plenty of upside. Even if gold rises to US\$1,440 per ounce, the company's profit margin effectively doubles. Better yet, it will become easier for the company to sell its non-core assets. Reducing the massive debt load would thus be a lot simpler, and the stock price would surely reflect that.

2. A big windfall from the Chilean ATM

Barrick's Zaldívar copper mine in Chile is so efficient that it's referred to as the "Chilean ATM" for its ability to generate cash flow. But Barrick is looking to reduce its copper exposure, and has decided to sell a stake in the mine.

Analysts have estimated the mine is worth approximately US\$2 billion. But the bidding process has been very competitive thus far, and has drawn some of the world's biggest buyers. Copper mines are also in high demand nowadays.

So, Barrick could easily get a lot more than expected from this mine. This certainly wouldn't be a big

catalyst (it would likely amount to less than US\$1 per share), but it should come relatively soon. The bidding round has already entered its second phase, so shareholders should expect some news before long.

3. More faith in management

Part of Barrick's problem is that investors don't trust its management. Of course, the company's debacles in South America and Zambia didn't help, but there have been more recent problems too.

To be more specific, Executive Chairman John Thornton got a big pay raise last year even as Barrick's stock price fell by a third. Shareholders were furious and voted down the company's compensation plan in a non-binding vote.

So, as you could imagine, there are a lot of investors who want nothing to do with Barrick. If that ever changes, then there's yet more upside for the stock price. This catalyst will take a while to arrive though, if it ever does at all.

CATEGORY

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Author

bensinclair

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