



## Barrick Gold Corp.: Is This the Start of a Turnaround?

### Description

At the end of last year, **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) was one of Canada's most indebted companies, with net debt of US\$10.4 billion. We all know how this came about: a disastrous acquisition, a failed gold project, and plummeting gold prices.

Executive Chairman John Thornton declared a very ambitious goal for Barrick at the beginning of this year: reduce this net debt number by at least US\$3 billion. Analysts were skeptical that it could be done, especially in such a low gold-price environment. But if Barrick were able to achieve such an improvement to its balance sheet, it would put the company in a much better situation.

And now that goal is a whole lot closer. Does that mean you should buy the stock?

### The Chilean ATM

On Thursday Barrick announced it had sold a 50% stake in the Zaldívar mine to Antofagasta Plc for US\$1 billion. The mine drew heavy interest, mainly because it is very low cost. In fact, the mine has been referred to as "the Chilean ATM" for its ability to generate free cash flow.

The sale price was broadly in line with initial expectations. But copper prices have declined by almost 20% since mid-May, so it's impressive that Barrick was still able to sell the Zaldívar stake for so much.

### Can the goal be reached?

Since the end of the first quarter, Barrick has now sold off US\$1.85 billion worth of assets and is exploring a number of other opportunities. But there's one in particular that deserves special attention.

Not long ago, Barrick floated the idea of selling a royalty at its Pueblo Viejo mine in the Dominican Republic. The mine is actually Barrick's most efficient, with all-in sustaining costs of under US\$600 per ounce. So, even if the mine had to pay a royalty, it could still operate very profitably.

Better yet, royalties often fetch top dollar from companies like **Franco-Nevada** and **Silver Wheaton**, mainly because these companies can raise money very easily. Barrick could even form a new

company, calling it “Pueblo Viejo Royalty Corp.,” and sell shares to the public. Such an offering would likely gain plenty of investor interest.

### **Should you buy Barrick shares?**

Barrick is taking a lot of meaningful steps, and its balance sheet is improving as a result. Yet the company’s U.S.-listed shares are still down by more than a third in 2015. Does this make the company a bargain?

Not yet. As you might have guessed, Barrick’s shares are down because gold prices are down as well. And the balance sheet remains a big concern for the company. I’m not convinced the share price—despite having plummeted in recent years—fully reflects these issues.

Besides, there are much better options for your portfolio.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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