



5 Reasons to Buy Barrick Gold Corp. Today

Description

The price of gold is catching a nice tailwind right now, and beaten-up miners like **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) are tagging along for the ride.

Here's why I think investors should put Barrick on their radar.

1. Restructuring

Barrick is in the middle of a restructuring program that aims to take the company back to its roots of being a nimble mining company.

This transition to a lean, decentralized operating model is already paying off. General and administrative cost savings are expected to hit US\$50 million in 2015, up from the original estimate of \$30 million. By the end of 2016 that number should hit \$90 million.

The company has also cut \$300 million in capital expenses this year.

2. Cash flow stability

Barrick reported Q2 2015 adjusted net earnings of \$60 million, or five cents per share. Free cash flow came in at \$26 million compared to negative \$128 million in the same period last year.

3. Better balance sheet

Barrick's big risk is its massive debt load. The company started 2015 with nearly US\$13 billion in long-term debt. Management made a commitment early in the year to bring that down by \$3 billion and the progress to date suggests the goal will be met.

The company has already announced agreements for asset sales, streaming deals, and joint ventures that will reduce debt by \$2.45 billion. Barrick also used \$250 million of cash on hand to lower its obligations, so the total reduction now stands at \$2.70 billion.

The transactions to date include

- the \$550 million cash sale of the Cowal mine, marking Barrick's exit from Australia;
- the \$298 million sale of 50% of Barrick Niugini to China's **Zijin Mining**. The deal brought in necessary cash while setting up a long-term strategic partnership;
- a \$610 million streaming agreement on its low-cost Pueblo Viejo mine; and
- the \$1 billion sale of 50% of the company's Zaldivar copper mine, which creates a solid partnership with **Antofagasta Plc**.

4. Operational efficiency

Barrick is making headway on its plan to maximize free cash flow per share from a portfolio of high-quality gold assets.

The company has increased its targeted spending cuts to \$2 billion by the end of 2016, up from the original goal of \$1 billion.

All-in-sustaining costs are coming down, and Barrick just revised its full year 2015 guidance from \$860-895 per ounce down to \$840-880 per ounce.

5. Improving gold price

China's unexpected devaluation of its currency is giving gold bulls some much-needed cheer as markets ponder the possibility of a global currency war as well as a delay in the expected U.S. interest rate hike.

The price of gold surged back above \$1,100 per ounce on the Chinese news, and money is now moving back into the beaten-up miners.

Should you buy Barrick?

Barrick is winning back the respect of analysts and investors as it moves through its restructuring process. The debt load is still an issue, but management appears to have a handle on it.

If you are a long-term gold bull, this might be a good time to start a small position in the stock.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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