



Buy Barrick Gold Corp. for Long-Term Growth

Description

Gold has long been considered one of the safest stores of wealth that anyone could invest in. Wars have been fought and empires toppled because of this precious metal that trickled its way upwards in price, peeking in 2011 just below a whopping \$2,000 an ounce.

These were the good (if not golden) days for gold producers like **Barrick Gold Corp.** ([TSX:ABX](#)) (NYSE:ABX). For Barrick—the top producer of gold worldwide—this meant a stock price creeping into the \$50 range, higher earnings, higher margins, and profit.

And then gold prices started dropping, and producers like Barrick saw those margins and profits disappear. That is, until recently, when gold, and by extension Barrick, started to gain some of its appeal back.

Let's take a look at a few reasons why now is a great time to buy Barrick.

Prior losses are being erased

The past few years have wreaked havoc on metal-mining companies. Barrick is no exception to this rule; the stock price is down nearly 80% since the good days in 2011.

Over the course of a full year, the stock is still down by nearly 48%, but this is where it starts to get interesting. In the past month we've seen gold prices start to appreciate just a bit, which has had an impact on Barrick's price.

The stock is up by nearly 10% for the month. If gold prices keeps edging higher, Barrick is bound to follow.

Cost cuts and efficiencies are starting to bear fruit

If there's one thing that metal companies have learned in the past few years of depreciating gold prices, it is how to become more efficient and squeeze every last drop out of every dollar.

Barrick has already cut dividends and is prepping to sell some U.S. assets, targeting \$2 billion in expenditure cutbacks for 2016.

Additionally, a number of administrative cost savings will save the company upwards of \$50 million for 2015, and moving to 2016, the savings are likely to double.

These savings have had an impact on the bottom line already: net losses for the second quarter were down to only \$9 million, or \$0.01 per share, compared with a much bleaker \$269 million loss, or \$0.23 per share, for the same quarter last year.

Serious debt reduction is underway

Barrick set a target earlier this year to shave off \$3 billion in debt for 2015. To date, the company has entered into a number of agreements representing \$2.45 billion that could be used to accomplish that goal.

Among those agreements is a gold and silver streaming deal with **Royal Gold Inc.** for \$610 million plus payments for metals delivered from the deal.

An additional \$250 million of debt was retired in the first half of this year, putting the company 90% of the way to its stated goal.

Barrick appears to be very committed to reducing debt and implementing cost savings. In my opinion, Barrick represents a great opportunity for investors looking for long-term growth that have an interest in investing in gold. If the price of gold continues to rise, investors will be pleased.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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

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Date

2025/08/02

Date Created

2015/08/24

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