



## Barrick Gold Corp.: Should You Buy Now?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) has been a train wreck for investors.

The stock is down nearly 30% this year and off more than 80% in the past five years. At first glance, it looks like investors should steer clear, but contrarian types are looking at the company's restructuring efforts and wondering if it might finally be time to take a small position in the stock.

Let's see if that's the case.

### Turnaround efforts

Barrick is trying to get back to the company of old, one that was known for being lean and nimble. It has been a long time since anyone could describe Barrick that way, but the current management team is making good progress.

In the Q2 earnings report, Barrick said it is on schedule to cut \$50 million in admin expenses this year and could reduce the number by \$90 million in 2016. Those figures are up from the expected \$30 million and \$70 million the company had originally targeted.

Barrick also reduced capital expenditures by \$300 million in the first half of 2015.

### Elephant in the room

The expense reductions look impressive, but Barrick's biggest issue is its massive debt load. The company entered 2015 with US\$13 billion in long-term debt, and analysts were initially skeptical when management said it would reduce that amount by \$3 billion over the course of the year, but that sentiment has changed.

Through a series of streaming deals, joint ventures, and asset sales Barrick reduced the debt load by US\$2.45 billion in the first half of the year. The company used cash on hand to drop the balance by another \$250 million, so management is already 90% of the way towards hitting its target.

The debt load is still significant, but the market now has more confidence in the company's ability to address the issue.

Barrick ended Q2 with US\$2.1 billion in cash and has access to US\$4 billion in credit lines.

### **Operating costs**

In a weak environment, gold producers have to get production costs down as low as possible. Barrick originally thought its all-in-sustaining costs for 2015 would be US\$860-895 per ounce. That target has since been reduced to \$840-880, making it one of the lower-cost producers among the large miners. At the current price, Barrick is still making money.

### **Gold outlook**

Gold prices received a shot in the arm last week when U.S. employment numbers came in weaker than expected. Analysts believe the slowdown in China could be having an impact on the U.S. economy, and that means the anticipated interest rate hike might be delayed or even taken off the table.

Higher interest rates in the U.S. are generally negative for gold because they increase the opportunity cost of holding the precious metal. Increasing rates also tend to push up the value of the U.S. dollar compared with other currencies, and that can also put pressure on bullion.

Whether or not the current support for gold will continue is anyone's guess, but investors who believe gold has bottomed might want to take a small contrarian position in Barrick, just in case the precious metal is finally setting up for a surge.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/08/04

### **Date Created**

2015/10/05

### **Author**

aswalker

default watermark