



Contrarian Investors: Is it Finally Time to Buy Barrick Gold Corp.?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:ABX) is pretty much the poster boy for wealth destruction in the gold space, but a new management team is working hard to turn the ship around, and it looks like better days could be on the horizon.

Restructuring

Long ago, Barrick was a nimble and efficient company. That changed over the years as big egos got in the way of good judgment and the company's debt levels ballooned on the back of expensive and ill-timed acquisitions.

In fact, Barrick finished 2014 with a massive US\$13 billion in long-term debt.

Facing a crisis of daunting proportions, the company embarked on a turnaround plan at the start of the year, but few analysts believed the company would succeed.

The results so far are actually encouraging.

Earnings and cost cuts

Barrick just reported solid results for the third quarter of 2015. Adjusted net earnings came in at US\$131 million and free cash flow after hit a respectable US\$256 million.

Barrick set out an ambitious target of reducing debt in 2015 by US\$3 billion. The company says it has already lowered its total debt position by 15% this year and is on track to hit its target by the end of the fourth quarter.

Production

Barrick's production levels are impressive. Output in the third quarter hit 1.66 million ounces with all-in sustaining costs of US\$771 per ounce. Production guidance for full-year 2015 is now set at 6.1-6.3 million ounces with all-in sustaining costs of US\$830-870 per ounce.

The cost guidance has come down steadily throughout the year, and Barrick believes more progress will be made as it continues to drive efficiency into its operations.

One item to watch is Barrick's new return on investment (ROI) requirement of 15% for all projects. Any venture that doesn't hit the ROI target will be sold or scrapped.

Should you buy?

Barrick is at the mercy of gold prices. The market has found renewed support over the past month as investors digest the possibility that the U.S. might push its impending rate hike into 2016. More volatility is to be expected and gold could certainly retreat quickly on stronger-than-expected U.S. economic data.

However, Barrick is starting to win back the respect of the market as it delivers on its turnaround promises. If gold can hold its recent gains or even move higher through next year, Barrick might have a chance at getting the debt load down to a manageable level.

It's still a risky bet, but the stock has sold off so much that the upside potential looks significant if things continue to go well.

You have to be a long-term gold bull with a contrarian bent, but it might be worth taking a small position just in case management pulls off a small miracle.

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1. Editor's Choice

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