



## Barrick Gold Corp. Beat Q3 Expectations: Is Now the Time to Buy?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX), one of the world's largest producers of gold and copper, announced better-than-expected third-quarter earnings results after the market closed on October 28, and its stock responded by rising more than 1% in the day's trading session.

Let's take a closer look at the results to determine if this could be the start of a sustained rally higher and if we should consider establishing positions today, or if we should wait for a better entry point in the weeks ahead.

### Breaking down the better-than-expected results

Here's a summary of Barrick's third-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Adjusted Earnings Per Share	\$0.11	\$0.07	\$0.19
Revenue	\$2.32 billion	\$2.29 billion	\$2.62 billion

Source: *Financial Times*

Barrick's adjusted earnings per share decreased 42.1% and its revenue decreased 11.8% compared with the third quarter of fiscal 2014. The company noted that these weak results could be attributed to the decline in commodity prices over the last year, which led to its averaged realized selling price of gold decreasing 12.5% to \$1,125 per ounce and its averaged realized selling price of copper decreasing 29.4% to \$2.18 per pound, and this was only partially offset by increased sales volumes.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Adjusted net earnings decreased 41% to \$131 million
2. Total gold production increased 0.8% to 1.66 million ounces

3. Total gold sales increased 1.1% to 1.6 million ounces
4. All-in sustaining costs decreased 7.6% to \$771 per ounce of gold
5. Total copper production increased 6.9% to 140 million pounds
6. Total copper sales increased 29.5% to 145 million pounds
7. Cash costs decreased 15.9% to \$1.53 per pound of copper
8. Adjusted earnings before interest, taxes, depreciation, and amortization decreased 11% to \$942 million
9. Operating cash flow increased 47.3% to \$1.26 billion
10. Free cash flow increased 335.2% to \$866 million

Barrick also made two very important announcements. First, it announced that it is on track to achieve its target of \$3 billion in debt reduction by the end of 2015 and \$2 billion in cash flow improvements by the end of 2016. Second, it announced that it will be maintaining its quarterly dividend of \$0.02 per share, and the next payment will come on December 15 to shareholders of record at the close of business on November 30.

### **Could the stock head higher from here and should you be a buyer?**

It was a weak quarter overall for Barrick, but the results did surpass analysts' expectations and it is on track to achieve its very important cash flow improvement and debt reduction goals, so I think its stock responded correctly by moving higher.

I also think it could continue higher from here, because its stock trades at inexpensive valuations, including 27 times fiscal 2015's estimated earnings per share of \$0.29 and 17 times fiscal 2016's estimated earnings per share of \$0.46, as well as a mere 0.93 times its book value per share of \$8.39.

At the very least, I think Barrick's stock could trade at 1.25 times its book value per share of \$8.39, which would give its shares a fair value of about \$10.50, representing upside of more than 34% from today's levels. This projection is also very reasonable when you consider that it would still be more than 23% below its current 52-week high of \$13.70, which it reached back in April.

With all of the information provided above in mind, I think Barrick Gold represents one of the top turnaround plays in the metals and mining industry. Foolish investors should take a closer look and consider initiating positions today.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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