



## Is Barrick Gold Corp. Worth a Shot?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) isn't exactly the first name that comes to mind when investors are looking for a place to put new money.

In fact, many analysts would probably put the name near the bottom of their lists, and it's tough to argue against that position.

The company's stock is down 80% in the past five years, and gold prices continue to struggle as concerns about rising interest rates and the strong U.S. dollar put a lid on any attempts at a rally.

Nonetheless, contrarian types are looking at the progress being made by management on the restructuring efforts and wondering if there is a turnaround play in Barrick.

### Massive overhaul

Barrick finished 2014 with US\$13 billion in long-term debt. That load threatened to bury the company, and management finally came to the realization early this year that something drastic had to be done.

The company set an ambitious goal of reducing the debt load by US\$3 billion before the end of the year. Analysts were skeptical at the time of the announcement, but Barrick has made good on its promise and is even on track to exceed the goal. To date, the company has announced US\$3.2 billion in new partnerships, streaming deals, and the sale of non-core assets.

Barrick is also reducing admin expenses and restructuring the organization to make it a more efficient company.

### Earnings and cash flow

Barrick reported decent Q3 2015 results with adjusted net earnings of US\$131 million and free cash flow of US\$256 million.

The company is targeting \$2 billion in cash flow improvements by the end of 2016. Productivity gains,

cost reductions, reduced staff numbers, and lower capital spending are on track, and the company should meet its goal.

## Production

Barrick produced 1.66 million ounces of gold in Q3 2015 at all-in sustaining costs (AISC) of US\$771 per ounce. Output for the year is on schedule to hit guidance of 6.1-6.3 million ounces.

The company reduced its target AISC range for 2015 from US\$840-880 to US\$830-870.

## Is Barrick worth buying?

Barrick is making great progress on its turnaround plan. Debt is coming down, production is steady, and the company's AISC are among the lowest in the industry.

However, the clock is ticking. Gold prices have to move higher if shareholders are going to see a meaningful rally, and that has to happen before Barrick decides to issue shares to pay down the debt level. Right now, the stock is so low that an equity sale would annihilate existing stockholders.

If you think gold is bottoming right now, Barrick is worth a contrarian shot, but you should avoid the name if that isn't your position on the precious metal.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

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