



## Should Anyone Buy Barrick Gold Corp. in 2016?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is probably the last name investors will find on a list of top names to pick for 2016.

The company has been a destroyer of wealth for the better part of a decade, and Barrick's primary products, gold and copper, are trading at multi-year lows.

How bad is the situation?

A slowdown in China is killing the commodity sector, and an impending interest rate hike in the U.S. threatens to drive even more investments out of gold and into securities that provide yield.

Long-term Barrick investors are down more than 80% in the past five years, and most analysts say the name should be avoided.

Here's why a select crowd of contrarian types think big returns could be on the horizon.

### Turnaround efforts

Barrick began 2015 with US\$13 billion in long-term debt. The sheer weight of the load threatened to crush the company, and management knew it had to take drastic measures to save the firm.

The company put together a strategy that would reduce administration expenses and divest non-core assets to bring the debt down by US\$3 billion by the end of the year.

When the plans were first announced, analysts were not overly confident the management team could pull it off.

The results?

It looks like Barrick will not only meet the goal, but possibly exceed it.

At the time of writing, Barrick has announced US\$3.2 billion in 2015 asset sales, streaming deals, and

new partnerships. Head count has been cut in half at the corporate level and operating costs are coming down at the company's production facilities.

### **Cash flow and earnings**

Gold prices remain under pressure, but Barrick delivered decent Q3 2015 results. Adjusted net earnings for the quarter came in at US\$131 million and free cash flow was US\$256 million.

Management is targeting US\$2 billion in cash flow improvements by the end of next year, and it looks like the company is going to hit that goal with lower capital spending, reduced staff numbers, and gains in productivity.

### **Production strength**

Barrick produces a lot of gold. Production in the third quarter hit 1.66 million ounces, and full year guidance is for 6.1-6.3 million ounces.

The company's all-in sustaining costs are down to US\$771 per ounce, a level that puts it among the lowest-cost producers in the industry.

### **Should you buy Barrick for a 2016 rally?**

It's all about the price of gold. If you have a contrarian streak and believe that gold prices are near their bottom, there is huge potential upside in Barrick on a gold surge. In fact, a double from the current level wouldn't be out of reach.

However, there is no indication of an imminent gold rally, and Barrick still has a mountain of debt to deal with. Gold bugs might want to take a small position in the stock. Everyone else should probably look for other opportunities.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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