



## Low Gold Prices Are the New Reality

### Description

Gold producers have one New Year's wish for 2016: that gold prices start to rise.

The precious metal has been through a wild ride over the past year, with the price per ounce bouncing up and down to both the delight and horror of mining companies and investors.

For companies like **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Goldcorp Inc.** (TSX:G)(NYSE:GG) the past five years have been all about cutting costs, becoming more efficient in operations, increasing production output and reducing debt.

Let's take a look at how both of these companies are coping with the new reality of sub-US\$1,100 per ounce gold prices.

#### **Goldcorp Inc.**

As one of the largest producers of gold in the world, Goldcorp has a massive portfolio with mines that are distributed across North, South, and Central America.

Goldcorp has developed a competitive advantage over competitors in terms of price and volume. The company is largely known as being the most efficient in terms of production, and even with the current price dip, Goldcorp has been able to remain profitable.

In the most recent quarter Goldcorp's production came in at a record 922,000 ounces, an increase of 40% over the same quarter in the previous year. All-in sustaining costs were \$848 per ounce, including inventory write-downs. Free cash flow grew to \$243 million.

Goldcorp currently trades at \$16.03, and is in the red by 24% for the year.

#### **Barrick Gold Corp.**

Barrick is a company that is constantly improving on reducing costs and increasing efficiencies. During the past year, the company has slashed dividends and sold assets while striving to hit a \$2 billion

target for spending cuts. Administrative cost savings of upwards of \$150 million are expected over the next year.

Debt levels have been a concern for Barrick in the past as the company has significantly more debt than other competitors, but Barrick set a target to shave off \$3 billion in debt for 2015 and appears to have just about met that target.

Barrick's continued improvement is starting to bear fruit. In the most recent quarter, the company reported a loss of just \$9 million, which can be seen as a massive improvement when compared to the \$269 million loss for the same quarter last year.

Barrick currently trades at \$10.53, and is in the red by 15.89% year-to-date.

Both companies are positioning themselves well to be extremely profitable should gold prices start to appreciate. Unfortunately, gold seems likely to remain hovering near the US\$1,100 level for the foreseeable future, which will continue to push gold producer's operational costs even lower.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

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

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