



Barrick Gold Corp. Reaches its Debt Target

Description

There hasn't been a lot of good news for mining companies of late. Companies like **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) have been absolutely decimated by the market in the past few years as the price of gold has dropped nearly 50% since the highs reached in 2011.

Such epic drops in price warrant gold producers to take on considerable debt and engage in extreme cost-cutting programs to maintain sufficient revenue to remain in operation and be profitable.

Barrick had a set goal of reducing debt by an incredible \$3 billion during 2015. As incredible as this amount sounds in terms of cuts, what is even more impressive is that the company has met this goal.

Mission accomplished, or is this just the beginning?

Barrick was able to reach the debt-reduction goal through a number of contracts and sales that the company completed last year. But as great as shaving off \$3 billion in debt is for Barrick, the company still holds a staggering amount of debt.

Barrick still has approximately \$7 billion in debt outstanding. The cost of running a gold mine is in no way cheap, and while gold producers often do have significant debt levels, Barrick's level is higher than any of the company's peers.

Even more concerning are the long-term effects. Barrick sold off over \$3 billion in assets last year, which is bound to have an impact, however minimal, on production this year until production ramps up at other locations.

Next steps for Barrick

Now that the company has met the debt-reduction goal set last year, further cost cutting is more than likely to be seen as a priority for 2016. In the most recent quarterly announcement, Barrick did note that continuing to shore up the balance sheet would be a priority moving forward, as would investing in growth opportunities.

The Golden Sunlight mine in particular is a location that the company has planned to sell for some time, so it can focus on other locations. The mine produces 80,000 ounces of gold, but output is expected to begin to decline in 2018.

Offsetting this potential drop in production, the company has been working at the Turquoise Ridge mine to add an additional shaft, which could see the annual gold output of the mine increase to 500,000 ounces.

Barrick currently trades at \$11.79, and is up year-to-date by an incredible 15%, making the company the top-performing gold stock on the market for the year.

The cost cuts and debt reduction that Barrick has undergone have put the company in a much stronger position for 2016, regardless of whether or not gold prices appreciate this year.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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

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