

Barrick Gold Corp. Earnings: 3 Surprising Numbers You Can't Miss

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is on a roll this year, having gained a whopping 69% year to date as of this writing. While the market is pumping up the stock as the yellow metal shines brighter, the world's largest gold miner revealed some startling figures in its latest earnings report that are not only fueling the rally, but could also give investors an idea about where the company is headed. Here are the numbers you must know.

US\$831

For gold companies, all-in sustaining costs, or AISC, are a key measure that include all cash costs such as administrative and production expenses, along with capital costs such as maintenance and exploration of mines that are required to sustain and replenish production volumes. The lower the AISC, the higher a miner's margins.

In 2015 Barrick's AISC dropped to US\$831 per ounce from US\$864 an ounce in 2014. That came below the company's own projections, making it one of the lowest-cost miners among peers like **Goldcorp Inc.** ([TSX:G](#))(NYSE:GG) and **Yamana Gold Inc.** ([TSX:YRI](#))(NYSE:AUY):

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Data source: company financials

While Yamana and Goldcorp are also striving to cut costs, Barrick's aggression gives it a huge competitive advantage, especially during these volatile times. Better yet, the company expects to scale down its costs even further despite lower projected volumes, which should boost its margins even in adverse conditions. None of Barrick's peers have exhibited such confidence and clarity of vision.

Source to Barrick's Q4 2015 Earnings Presentation

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Barrick aims to take its AISC below US\$700 per ounce by 2019.

US\$3.1 billion

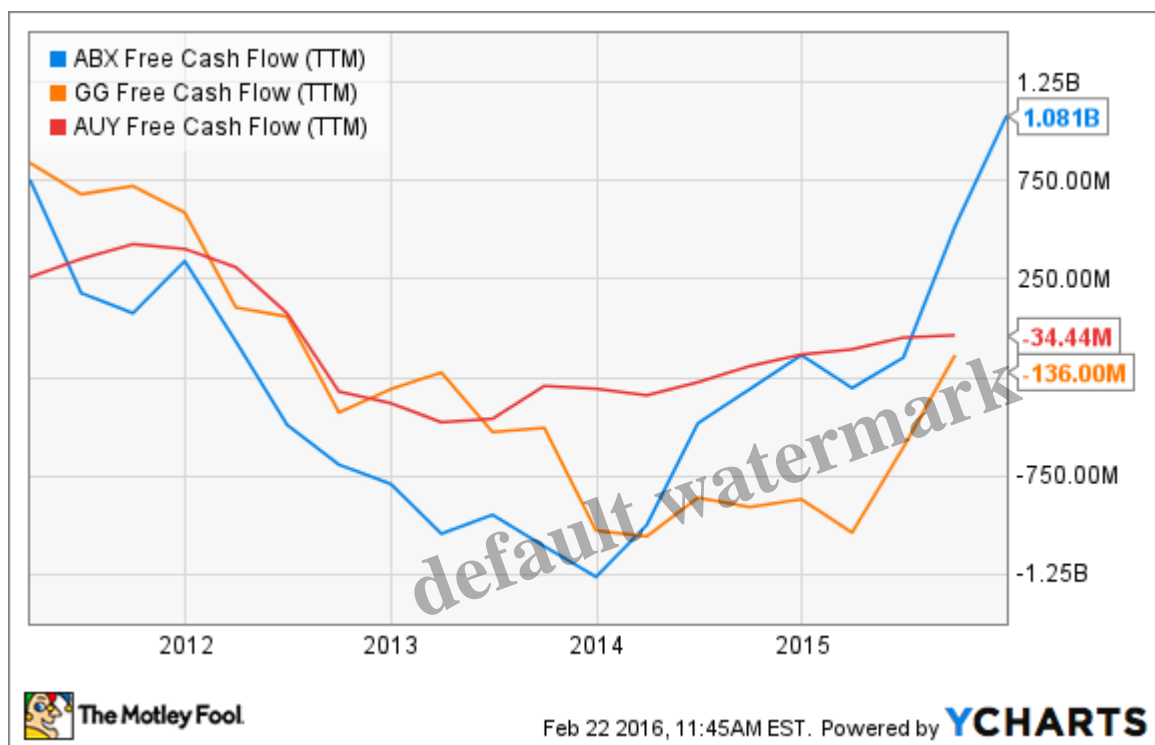
Barrick management initiated a massive restructuring program last year that prioritized cost control and debt reduction. The company is delivering on both fronts.

Barrick reduced its long-term debt by a solid 24%, or nearly US\$3.1 billion, in 2015 primarily through the sale of non-core assets. Barrick expects to repay another US\$2 billion worth of debt this year as it aims to reduce total debt to less than US\$5 billion in the medium term. For perspective, the company ended 2015 with roughly US\$9.8 billion in long-term debt.

Deleveraging should make the company leaner and stronger, enabling it to benefit tremendously when the business cycles turn.

US\$471 million

Despite a sharp slump in gold prices, Barrick generated positive free cash flow to the tune of US\$471 million for the first time in four years in 2015, thanks primarily to lower capital spending backed by the sale of non-core assets. Today, Barrick is one of the few in the industry that is free cash flow positive.



[ABX Free Cash Flow \(TTM\)](#) data by [YCharts](#)

At the same time, the company boasts a solid cash and equivalents balance of US\$2.7 billion, providing it a better margin of safety during difficult times.

While Barrick always drew the attention of investors because of its leadership in the global gold industry, its focus on cleaning up its balance sheet and improving cash flows now presents an even stronger investment thesis. Gold may not always shine, but long-term investors have a good option to consider here.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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