



## Barrick Gold Corp. Earnings: Will it Spring a Surprise on Surging Gold Prices?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) has been on an absolute tear this year, surging a whopping 80% in just the past three months and handsomely beating rivals like **Goldcorp Inc.** (TSX:G)(NYSE:GG), which is up about 55% during the period.

Not surprisingly, this is a crucial week for investors as Barrick releases its first-quarter numbers on April 26. What the company reports will largely decide whether or not the stock can continue to move higher. Investors should keep an eye on the three following metrics in particular to understand where Barrick and its stock could be headed.

### Production volumes

During its fourth quarter, Barrick projected its 2016 gold production to be 5-5.5 million ounces. But with gold prices surging double digits in the last quarter—backed by rising demand and global uncertainties—the miner may have to ramp up production to boost sales.

Analysts already have high expectations, projecting Barrick's Q1 earnings per share to double year over year. With gold prices rising, that doesn't seem impossible. If Barrick boosts its guidance for production volumes, investors can expect a stronger-than-expected year ahead.

### AISC

AISC, or all-in sustaining costs, is a comprehensive measure of a gold company's costs as it considers all cash and capital expenses. The lower the AISC, the higher a gold miner's margins.

Last year was a remarkable year for Barrick as it lowered its AISC by nearly 4% to US\$831 per ounce, which is also among the lowest in the industry. Goldcorp, for instance, is targeting AISC of US\$850-925 per ounce this year.

Needless to say, Barrick has a huge competitive advantage that it must maintain going forward. So look for where the company's costs are headed in its Q1 earnings report. You may recall that Barrick last projected its AISC to drop to US\$775-825 per ounce in 2016. Affirmation of the outlook should be

great news for investors.

### **Debt and cash flows**

Barrick made great progress on one of its biggest challenges last year when it reduced its long-term debt by nearly US\$3.1 billion. Whether it's on track to reduce debt by US\$2 billion in 2016 as planned is something investors need to watch for in its upcoming earnings report.

Also look for Barrick's free cash flows, as that's where the company pays dividends from. During its last quarterly release, management highlighted that its "first priority is to ensure we can generate free cash flow at a gold price of \$1,000 per ounce."

Barrick generated roughly US\$1 billion in FCF during the past 12 months compared to Goldcorp, which made only US\$235 million in FCF during the period. With gold trading at nearly US\$1,250 an ounce now, Barrick's cash flows, and its dividend should only expand further going forward.

If Barrick delivers on these three metrics this week, you can expect the stock to hit new highs.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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