



Billionaire George Soros Just Bought Barrick Gold Corp.: Should You Buy, Too?

Description

The publicly disclosed holdings of Soros Fund Management indicate the firm recently bought US\$264 million in shares of **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX).

George Soros is an investing legend, and when he makes a move, the market tends to pay attention.

Why Barrick?

The world's largest gold producer was in trouble at the beginning of 2015, but an impressive turnaround over the past 12 months has investors believing in the name again.

The company reduced its US\$13 billion debt pile by US\$3 billion last year and is well on the way to shaving off another US\$2 billion in 2016. Barrick is also making great progress on reducing costs.

The company has lowered its head count significantly at the corporate level, and all-in sustaining costs (AISC) at the firm's mines are falling at a healthy rate. The company produced 1.28 million ounces of gold in Q1 2016 at AISC of US\$706 per ounce, a 24% cost reduction compared with the same period last year.

Barrick also dropped its AISC target for 2016 from US\$775-825 per ounce to US\$760-810 per ounce on expected output of 5-5.5 million ounces.

This makes Barrick the lowest-cost producer among the big miners. By 2018, the company expects AISC to fall below US\$700 per ounce.

Higher gold prices combined with lower costs mean better margins, and Barrick is generating some nice profits. The business delivered positive free cash flow (FCF) in each of the last four quarters, and FCF in Q1 2016 hit US\$181 million.

The gold rally

Soros is betting on Barrick because he believes gold is headed higher.

What's the scoop?

The guru is concerned that China's economy is setting up for a hard landing, and that could provide added fuel to global deflationary pressures.

Many countries are already moving toward negative interest rates, and this tends to be positive for gold because people will opt to buy the precious metal instead of paying the bank to hold their money. Gold is always knocked for not providing any return, but no return suddenly looks pretty good when interest rates turn negative.

Should you buy?

Barrick is a great way to play a gold recovery because the stock is highly leveraged to higher prices. The debt situation now appears to be under control, and costs are down to the point where the company is generating some serious FCF.

If you believe in the gold story, Barrick is a solid pick.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:ABX (Barrick Mining)

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