



## Why Barrick Gold Corp. Is Such a Great Investment

### Description

There are few (if any) companies on the market performing better this year than **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX). The gold producer has had an absolutely incredible year. The stock price is soaring, the company is posting very impressive results, and its longstanding battle with debt is finally getting under control.

Here's a look at Barrick's recent results and why the company remains a great investment for the long term.

### Quarterly results

In the most recent quarter Barrick posted earnings of US\$138 million, or \$0.12 per share, on revenues of US\$2.01 billion. In the same quarter last year the company posted a net loss of US\$9 million, or \$0.01 per share.

In terms of production, Barrick produced 1.34 million ounces of gold and kept all-in sustaining costs at an impressive US\$782 per ounce—a 19% decrease compared with the same quarter last year. Barrick continues to forecast production for the full year to fall in the range of 5-5.5 million ounces.

The company also made strides in reducing debt further and posting five consecutive quarters of positive cash flow; US\$274 million was generated in the most recent quarter.

### Barrick is reducing debt

A little over a year ago Barrick was being held back by the nearly US\$13 billion in debt it had—a considerably higher debt load than any of the company's peers. Needless to say, maintaining this level of debt is unsustainable. Barrick engaged in a turnaround plan with debt reduction as one of the primary goals.

At the turn of the year Barrick got that debt load down by slashing US\$3 billion. The target for this year is to reduce that debt by a further \$2 billion. The company appears to be on track to attaining that goal; debt is now down to US\$9 billion in the second quarter.

The company has set its sights on an even more ambitious target: company president Kelvin Dushinsky noted recently that Barrick could be completely debt free within a decade.

While belt tightening and shifting production to more productive assets can go only so far, Barrick hasn't been coy in selling assets to pay down debt; the company continues to contemplate selling other assets to both rein in costs and pay down debt.

Deploying proceeds from asset sales could help the company meet the stated goal sooner than expected. By way of example, both Barrick's 50% interest in the Kalgoorlie mine in Australia as well as the company's 64% stake in Acacia Mining Plc could bring its debt below US\$7 billion without necessarily impacting the company's production that much.

### **Can Barrick still go higher?**

Barrick is currently trading at just over \$26. While the stock's meteoric rise may have cooled down in the past month by dropping nearly 5%, overall, the stock has been on an absolute tear for the year. It's up nearly 160% year-to-date, prompting many investors to question if now is the time to take profits and sell.

One such investor is billionaire George Soros. Earlier this year Soros Fund Management LLC took a whopping US\$263.7 million stake in Barrick, but the majority of those shares were sold in the second quarter.

Gold prices are up over 25% this year, and some pundits believe that precious metals have surged as much as they can for now. Gold gains this year can be attributed to a host of factors, ranging from uncertainty around the global economy and interest rates hikes to the Brexit vote fallout and weakness in the dollar.

Gold has historically been seen as a store of wealth, particularly during times of uncertainty. That view doesn't appear to be changing anytime soon, given the current environment.

Barrick remains, in my opinion, a great long-term investment. The company is coming off the best quarterly results in recent memory, it's impressively bringing down debt, and it's becoming more efficient at producing gold.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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