



## Barrick Gold Corp.: Should You Buy on the Earnings Beat?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) just reported better-than-expected results for the third quarter of 2016.

Let's take a look at the current situation to see if this is the right time to put the world's largest gold producer in your portfolio.

### Solid earnings

Barrick generated Q3 adjusted earnings of US\$278 million, or \$0.24 per share, which was above consensus analyst expectations of \$0.20 per share.

The company earned \$0.11 per share in the same period last year, so things are heading in the right direction. Higher gold prices and lower operating costs primarily drove the stronger year-over-year results.

### Debt reduction

Barrick began 2015 with US\$13 billion in long-term debt. The load threatened to bury the company in a weak gold environment, and management set out to reduce the obligations by US\$3 billion by the end of last year.

Few analysts thought Barrick would pull it off, but the company managed to reach its goal through non-core asset sales, new partnerships, and streaming deals.

The 2016 objective is to reduce debt by an additional US\$2 billion. At the end of Q3 the company had already paid off US\$1.4 billion and remains on track to hit its target using existing cash on hand and Q4 operating cash flow.

Barrick plans to get total debt below US\$5 billion within the next five years.

Less than US\$200 million of the remaining debt is due before 2019, and more than US\$5 billion isn't

due until after 2032, so the previous balance sheet concerns are quickly disappearing.

### **Free cash flow**

The company is squarely focused on free cash flow and is evaluating all new investments based on a minimum 15% return at US\$1,200 gold.

Barrick generated Q3 free cash flow of US\$674 million. It was the sixth straight quarter the metric has been positive.

### **Operating costs**

Barrick is also doing a great job of driving down its operating expenses. All-in sustaining costs (AISC) for Q3 came in at US\$704 per ounce on production of 1.38 million ounces of gold.

Barrick lowered its full-year 2016 AISC guidance to US\$740-775 per ounce and raised its production outlook to 5.25-5.55 million ounces.

This makes Barrick the low-cost producer among the big names in the industry.

### **Should you buy?**

Barrick is making great progress on its turnaround efforts and is generating significant free cash flow at current prices.

If you believe bullion has truly bottomed, Barrick should be in your portfolio.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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