



3 Reasons to Consider Barrick Gold Corp. Today

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is rising again after a significant pullback.

Let's take a look at some of the reasons why investors might be getting bullish on this stock.

Earnings results

Barrick posted solid Q3 2016 results. The company generated adjusted earnings of US\$278 million, or \$0.24 per share, which came in higher than the \$0.20 per share analysts expected and were significantly better than the \$0.11 per share the company earned in Q3 2015.

Free cash flow came in at US\$674 million for Q3, marking the sixth straight quarter the result has been positive. This is important because it means the company is generating sufficient funds to cover its development programs and pay the dividend. It also indicates management remains committed to its new focus on generating strong free cash flow.

Barrick is only investing in new projects that can meet a 15% return hurdle at US\$1,200 gold. As a result, funds are not being wasted on low-margin developments.

Debt reduction

Barrick embarked on an ambitious turnaround program last year that targeted significant reductions on its massive US\$13 billion debt pile.

Despite a difficult environment, Barrick reduced its debt by US\$3 billion in 2015 and is on target to slash another US\$2 billion this year.

Management plans to get total debt below US\$5 billion in the medium term.

The company only has US\$200 million in debt coming due before 2019 and more than US\$5 billion isn't due until after 2032, so the balance sheet issues that threatened the company two years ago are under control.

Lower cost and higher output

Barrick is also making good progress on its cost structure. The company produced 1.38 million ounces of gold in Q3 at all-in sustaining costs (AISC) of US\$704 per ounce. That makes Barrick the low-cost producer among its peers.

The company reduced its 2016 cost guidance for the third time this year with AISC now expected to be just of US\$740-775 per ounce. That's down from the original forecast of US\$775-825 per ounce.

Barrick also raised its production outlook with a 2016 target of 5.25-5.55 million ounces. Management began the year expecting to produce 5-5.5 million ounces.

So, all of the important numbers are moving in the right direction.

Should you buy?

Barrick remains volatile, as we saw with the drop from \$30 per share in early July to \$20 per share in early October, so investors should keep their exposure at an appropriate level.

Having said that, long-term gold bulls should consider holding this stock.

The company is the world's largest producer with a very attractive cost structure, and it still offers some nice upside torque on stronger gold prices.

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1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
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