



## Barrick Gold Corp.: Should You Buy This Stock on the Pullback?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) had a fantastic run through the first half of 2016, but the stock has slipped in recent months.

Let's take a look at the world's largest gold miner to see if it deserves to be in your portfolio today.

### Debt situation

Barrick embarked on a turnaround plan last year that few pundits believed could succeed. The company set out to reduce its US\$13 billion debt pile by US\$3 billion in an environment of falling prices and weak demand for gold properties.

Despite the tough conditions, management met the target through a combination of non-core assets sales, new partnerships, and streaming deals.

This year the company is operating in a much better environment and is on track to cut another US\$2 billion in debt.

Moving forward, Barrick plans to reduce the debt load to less than US\$5 billion over the medium term and potentially eliminate the debt altogether within the next decade.

Less than US\$200 million is due before 2019 and more than US\$5 billion doesn't have to be paid back until after 2032, so the company has ample time to eliminate the remaining notes, and concerns about a cash crunch are pretty much history.

### Operational improvements

Barrick is also making progress on its efforts to reduce expenses. The company slashed administrative head count by about 50% and is implementing restructuring efforts across the firm's portfolio of mines.

As a result, the company has reduced its 2016 all-in sustaining costs (AISC) target three times. The latest revision calls for AISC of US\$740-775 per ounce on production of 5.25-5.5 million ounces.

That makes Barrick the low-cost producer among the big miners as well as the company with the largest production.

## Earnings

Barrick is squarely focused on delivering positive free cash flow and will only invest in projects that can deliver a 15% return at US\$1,200 gold.

The company reported Q3 2016 adjusted earnings of US\$278 million, or \$0.24 per share, compared to \$0.11 per share in Q3 last year.

Free cash flow came in positive for the sixth straight quarter and hit US\$674 million.

## Is it time to buy Barrick?

The gold market remains volatile as investors weigh the risks of global financial and political instability against expectations for interest rate hikes in the United States.

Most of the easy money has already been made, so you have to be a gold bull to buy any miner today. If you are in that camp, Barrick should probably be one of your top picks.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

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