Is Barrick Gold Corp. Still a Good Long-Term Investment?

Description

Barrick Gold Corp. (TSX:ABX)(NYSE:ABX) is one of the best-performing gold stocks for 2016. The company engaged in a number of initiatives over the past few years to both rein in costs and increase efficiency, while waiting for gold prices to finally appreciate after several years of slumping prices.

With gold prices still up for 2016, Barrick and most other gold producers were given significant boosts in stock prices. Barrick is up over 100% year-to-date. That being said, gold prices have retreated a bit in the past few weeks and could go down further based on a number of external factors.

Does this still make Barrick a good investment? To answer that question, let's take a look at what the company has accomplished so far and what could drive the price down (or up).

A new era for Barrick

A little over a year ago, Barrick was drowning in a staggering US$13 billion of debt. Gold prices were down, AISC (all-in sustaining costs) were high, and the company had a depleting amount of cash.

Something had to change, and it did by way of a turnaround plan that was focused on eliminating debt and becoming more efficient.

Barrick made a pledge to eliminate US$3 billion of debt by the end of 2015. For a company that was in the position that Barrick was, this was seen as a long shot. Barrick not only met this goal, but it has set a subsequent goal of eliminating an additional US$2 billion of debt for 2016; the company is well on track to accomplish this through a variety of non-core asset sales, streaming deals, and partnerships.

Barrick also made significant headway on the efficiency front, reducing AISC to an industry low of US$740 per ounce. In fact, Barrick has gotten so efficient that it has already revised AISC guidance lower three times just this year.

Barrick recently announced better than expected results for the most recent quarter. Barrick reported adjusted earnings of US$278 million, or $0.24 per share, more than double the US$0.11 per share that it reported in the same quarter last year.

Barrick also added a sixth consecutive quarter of improving cash flow by posting US$674 million in the most recent quarter. Most of this can be attributed to Barrick's increased efficiency, smaller debt load, and higher gold prices.

And yet, after a great quarterly result, the stock is down in the past month by over 11%.

External factors galore

The year 2016 will go down as one of the oddest years in recent memory for a host of reasons. From the unexpected Brexit vote to the even more unexpected victory of president-elect Trump in the U.S., markets have been on a roller coaster for much of the year, which has swayed gold and gold producers in both directions.

The incoming Trump administration in particular may be both good and bad for gold. On the one hand, Trump has vowed to introduce nearly US$1 trillion in infrastructure development over the next decade, which should fuel inflation and GDP growth. On the other hand, the uncertainty over what Trump may actually end up doing, irrespective of what he has pledged, has investors running to the perceived safety of gold, which ultimately drives up prices.

By way of example, the day following the election, gold hit US$1,340 per ounce. Less than a week later, the metal fell to US$1,210 per ounce.

Is Barrick a good investment?

While the stock may retreat a bit more in the coming weeks, the fundamentals of Barrick are sound. The company is reducing its debt and has a goal to be debt-free within a decade.

Barrick is also the most efficient gold producer in the market, meaning that it has an extra buffer in place to account for price fluctuations when compared to other producers.

For all of this and more, Barrick remains a great investment option over the long term.

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