5 Reasons 2016 Was a Remarkable Year for Barrick Gold Corp.

Description

While most gold stocks shot through the roof in 2016, **Barrick Gold Corp.'s** (TSX:ABX)(NYSE:ABX) case is perhaps among the strongest because there's a lot more to Barrick's run up than just gold prices. In fact, 2016 was a remarkable comeback year for Barrick, one that positions the gold miner well for the future. Here's the lowdown on five key areas where Barrick impressed in 2016.

Profits

Despite an 8% drop in revenue, Barrick swung to a profit of US$230 million during the first nine months of the year from a loss of US$216 million in the year-ago period. While stronger gold prices and lower fuel costs helped, Barrick's aggressive restructuring efforts played a key role in bringing its operating costs down, setting the company on a strong earnings-growth track for 2017 and beyond.

Costs

Barrick is at the lowest end of the industry curve, which is a huge competitive advantage to have in a volatile industry. Barrick's all-in-sustaining costs, or AISC, declined dramatically to US$730 per ounce during the first nine months from US$866 per ounce a year ago. AISC is a key measure of costs for gold miners.

Last quarter, Barrick reduced its full-year AISC guidance to US$740-775 per ounce, making it the lowest-cost producer in the industry. **Goldcorp Inc.** (TSX:G)(NYSE:GG), for instance, expects its AISC for 2016 to be between US$850 and US$925 per ounce.

Gold production

Barrick upgraded its gold-production target for 2016 and expects to produce 5.25-5.55 million ounces of gold, despite divesting some assets. Barrick's Goldstrike mine started commercial production in August; its Veladero mine resumed operations after being suspended for over a year; and production at the Cortez and Pueblo Viejo mines improved as the year progressed. Higher production should bring in greater revenues for the miner if gold prices inch higher.

Debt

Aside from a focus on costs, Barrick's efforts to reduce debt were among its highlights of the year. Barrick is on track to lower its debt by US$2 billion as it aggressively divests non-core assets and restructures its debt structure. That has helped ease pressure of interest expenses and boost the miner's margins. Now, only about US$200 million in debt is due for maturity before 2019, leaving Barrick with a much cleaner and stronger balance sheet.

Cash flows and dividend

Thanks to lower costs, deleveraging, and disciplined capital spending, Barrick generated free cash flow (FCF) worth US$1.5 billion in the trailing 12 months. As a company pays out dividends from its FCF, the solid growth in Barrick's FCF is a positive sign for investors, as it could mean greater dividends in the near future. Barrick currently yields a tiny 0.5% in dividend, but investors can now hope for more going forward.

Overall, 2016 was a solid year for Barrick, and I believe the miner is among the strongest gold stocks to invest in today for the long haul.

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