



Barrick Gold Corp.: The Glitter in its Gold Is Shining Brighter

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) has just released a strong set of fourth-quarter (Q4) 2016 and full-year 2016 financial results, and the stock price has already responded well in the U.S. after-hours market, rising by more than 2%. The long-term prospects look quite promising too, and investors may want to have a look at this counter.

The year 2016 has proved to be a turnaround year for Barrick Gold, and the last-quarter performance was just great. The company beat expectations for Q4 revenues and earnings, significantly reduced debt by 20% for the year, and to crown it all, it increased its quarterly dividend from US\$0.02 to US\$0.03 — all this after selling some non-core assets to spruce up the balance sheet.

Barrick Gold has maintained strong production from its core assets and continues to get its costs under control. The company is in a much stronger financial position than it was in 2015, and its shares should continue to outperform its peers this year.

In 2016, Barrick Gold's mines generated operating cash flow of US\$2.64 billion and free cash flows of US\$1.51 billion, which was a record level of annual free cash flow for the company. Barrick Gold also reduced its cost of sales applicable to gold to US\$798 per ounce, and all-in sustaining costs fell by 12% to US\$730 per ounce. This has boosted the net earnings position for the company.

Barrick Gold earned revenue of \$2.32 billion in Q4 with operating cash flow of \$711 million and free cash flow of \$385 million. This was on top of the great Q3 revenues of US\$2.30 billion with operating cash flow of \$951 million and free cash flow of US\$674 million.

For the full-year 2016, Barrick Gold reported revenues of US\$8.56 billion, operating cash flow of US\$2.64 billion, and free cash flow of US\$1.51 billion. Full-year net income was US\$655 million, or US\$.56 per share.

Most noteworthy, the company has made significant progress on its debt-reduction initiatives by cutting debt by 20% in 2016. Debt ratios have improved. The company aims to reduce its total debt by a further US\$2.9 billion to US\$5 billion by the end of 2018, and half of this total debt reduction is targeted for 2017.

The company is even poised to further grow in profitability in the next few years should the gold price continue above US\$1,000 per ounce. The company's 2017 production guidance is 5.60-5.90 million ounces of gold at a cost of sales applicable to gold of US\$780-820 per ounce, and all-in sustaining costs of US\$720-770 per ounce.

Investors should expect another profitable year ahead, especially if the gold price holds at the current US\$1,200 per ounce levels well into the year, which is highly likely.

The company intends to expand exploration and has set up a US\$185-225 million budget with much focus on the Americas and Africa. More gold production is expected to come online by 2022 going forward. Progress has also been reported on some projects with potential to produce some 1.1 million ounces of gold in the near future.

Barrick Gold is a great gold play for the long term. It is one of the few gold miners paying a dividend currently. With a restored balance sheet, the company is better able to survive gold price volatility. Further capital expenditures in exploration may bring online more projects that have the potential to grow free cash flow in the long term.

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