



## Is it Time to Own Barrick Gold Corp.?

### Description

Gold prices continue to drift higher, and investors who have been on the sidelines are wondering which stocks might offer strong upside potential over the medium term.

Let's take a look at **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) to see if it deserves to be in your portfolio.

### Turnaround efforts

Two years ago, it looked like Barrick might not survive. The company faced falling gold prices and carried US\$13 billion in debt.

In an effort to revive the business, management launched an aggressive turnaround program that has largely been successful.

Through a series of asset sales, partnerships, and streaming deals, Barrick reduced debt by US\$3 billion in 2015 and lowered the balance by another US\$2 billion last year. By the end of 2018, management expects to have total debt down to US\$5 billion.

The company continues to focus on partnerships to help it develop core assets, as seen with the recent deal with **Goldcorp** on the Cerro Casale project in Chile, and the 50% sale of the Veladero mine in Argentina to **Shandong Gold**.

Going forward, Shandong and Barrick will also explore the possibility of a joint-venture development on the Pasqua-Lama project.

All-in sustaining costs (AISC) are expected to be US\$720-770 per ounce for 2017 on total gold production of 5.6-5.9 million ounces. Barrick expects to see AISC fall as low as US\$700 per ounce in the next few years.

Investors who had the courage to buy Barrick below \$10 in 2015 are already sitting on some nice gains. At the time of writing, the stock is trading at \$26 per share.

Rising gold prices have certainly helped fuel the stock's recovery, but the return to strong free cash flow and the recent dividend hike have also brought investors back to Barrick's shares.

If gold holds its current price or continues to move higher, Barrick has the potential to become a free cash flow machine.

### **Gold outlook**

Gold prices are getting a bit of a tailwind as investors seek safe-haven assets amid a wave of geopolitical risks.

What's going on?

Brexit, elections in France, and Italy's banking crisis continue to keep investors on their toes in Europe. The war in Syria and fears about North Korea are also providing support for gold.

Whether or not any of these situations will drive gold much higher is anyone's guess.

As we saw last year, the market tends to shrug off big shocks.

On the negative side, headwinds still persist from expected interest rate hikes in the United States, and that could put a cap on any meaningful gold rally.

### **Should you buy Barrick?**

Owning any gold producer today requires a belief that the yellow metal is headed higher over the medium term. If you don't think that's the way things will pan out, it is best to look for other opportunities.

However, if you are in the bull camp, Barrick looks attractive.

### **CATEGORY**

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2. Metals and Mining Stocks

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