



Buy Barrick Gold Corp. Stock if it Reports These Numbers This Week

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) stock has gained nearly 20% year to date, even as gold prices are up only about 8% so far. Clearly, there's more to Barrick's rise than just gold prices, and the market appears to be applauding the gold miner for its remarkable turnaround efforts in FY 2016. But that's also where the concern is. Can the stock maintain the momentum, or has it gotten ahead of itself?

Investors should get a hint this week when Barrick reports its numbers later today after market close. As this will be Barrick's first-quarter release, it will also set the pace for the full year, which is why this earnings report is so crucial. For the stock to continue to move higher, Barrick needs to deliver in the following key areas this week.

Production and AISC

Barrick's production has been on the decline lately; it was down nearly 10% to 5.52 million ounces in 2016. However, that was partly because of the sale of non-core assets, which might hurt in the near term but should strengthen Barrick's financial standing in the long run.

On a positive note, Barrick trimmed its all-in-sustaining costs (AISC) — a key comprehensive cost measure for gold miners — significantly to an industry-low of US\$730 per ounce in 2016. Closest peer **Goldcorp Inc.** (TSX:G)(NYSE:GG), for instance, reported AISC of US\$856 an ounce last year.

Last quarter, Barrick projected higher 2017 AISC of US\$780-820 per ounce, but it also outlined higher production estimates of 5.6-5.9 million ounces. If Barrick reiterates its production outlook and projects lower AISC this week, the market could send the stock higher in anticipation of higher profit numbers from the company.

Cash flows and dividend

Barrick sprung a huge surprise earlier this year when it bumped up its dividends by 50%. This dividend boost was backed by free cash flows (FCF) worth US\$1.5 billion that the miner generated last year thanks to cost and debt reduction.

It is, therefore, crucial for Barrick to continue to generate strong FCF in order to grow its dividend. Keep an eye on its FCF trend and see if Barrick can stay FCF positive above gold prices of \$1,000 per ounce as targeted. If Barrick delivers another strong cash flow quarter, investors can remain bullish on the stock.

Future plans

Barrick recently announced two big moves.

First, it struck a 50/50 joint venture with Goldcorp for its Cerro Casale mine at Chile. Barrick and Goldcorp already jointly operate the Pueblo Viejo mine, which is Barrick's third-largest mine by production and also one of the world's three largest gold mines today.

Second, Barrick has partnered with China's largest gold miner Shandong Gold Group to tap the high-potential El Indio Gold Belt on the Argentina-Chile border.

Investors should look out for details regarding the benefits that Barrick aims to unlock from these investments in its upcoming earnings call. Barrick's stock could react positively if the miner outlines strong growth objectives, even as it strengthens its financial standing.

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Date

2025/09/12

Date Created

2017/04/24

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