Why Kim Jong-un Will Make This 1 Company Great Again

Description

The recent geopolitical tensions relating to the increasingly aggressive rhetoric from North Korea and the United States have resulted in global stock markets taking a hit, as many market participants weigh the risks associated with what has become a very unstable war of words between the two nations.

As North Korean president Kim Jong-un continues to launch test missiles, threatening to do so near the U.S. territory of Guam, the market reaction to such a move and the possibility of war between the two nations has resulted in a sell-off which has impacted various sectors of the market unevenly.

One company that has shown marked improvement of late, which stands to improve over time, regardless of global tensions, is **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX). One of the world's largest gold producers overall (the largest by volume), Barrick stands to gain significantly in the near to medium term as geopolitical tensions heat up, but here is why investors considering purchasing a small percentage of insurance for a portfolio should consider Barrick as a long-term holding.

Earnings, earnings, earnings

The company's most recent earnings release blew expectations out of the water. The gold producer reported robust earnings compared to the previous year on industry-leading production volumes and some of the lowest extraction costs in the industry as well (it appears size does matter in the mining sector).

Reporting adjusted earnings per share (EPS) of $0.22, or $261 million for the second quarter, Barrick beat analyst expectations by more than 22% (expectations were $0.18 EPS for Q2 2017). This earnings beat is impressive, considering the rebound from large losses in previous years linked to a high debt load relative to its peers and dropping gold prices — something which affected Barrick perhaps more so than other more diversified miners.

The company's revenue increase of nearly 8% coincided with production volumes which were up nearly 7% year over year. These volumes, combined with all-in sustaining costs of $710 per ounce, have allowed Barrick to continue to reduce its rather large debt load to $7.45 billion, an amount which is expected to continue to decline as the Canadian gold miner parlays its increased production levels and reduced cost basis into a long-term competitive advantage over time.

Rising gold prices would simply be the icing on the cake for Barrick, and given the fact that the current geopolitical situation is unlikely to dissipate any time soon, investors considering a Canadian gold-mining play ought to consider getting into Barrick while the company remains cheap.

Stay Foolish, my friends.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date
2025/07/30
Date Created
2017/08/16
Author
chrismacdonald