



Have You Considered Barrick Gold Corp. Lately?

Description

Precious metal investments are, with few exceptions, some of the most volatile investment options on the market today.

Gold has been used as a store of wealth for as long as we've been extracting it from the ground, and over the course of history, the price of gold has risen steadily. In 2011, the price of gold was hovering near an all-time high of US\$1,900 per ounce. What followed was a multi-year drop in the price of the metal, reaching lows of sub-US\$1,100 per ounce last year.

Those multi-year lows forced gold producers to cut expenses and focus on becoming more efficient. One such company is **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX)

Barrick's commitment to debt reduction

Barrick is one of a few companies that was disciplined enough to make real changes during the lean years following the 2011 price collapse.

The company instituted a series of cost-cutting and efficiency improvements; once the market began to show improvement, this resulted in a direct boost to profits.

One of the most impressive developments over the past few years at Barrick comes in the form of debt-reduction. In the years following the 2011 price collapse, Barrick carried total debt that was more than US\$10 billion. While precious metals miners are known for carrying larger debts, particularly as new projects ramp up, that level of debt was seen by many as a nearly insurmountable mountain.

To counter this, Barrick initiated an ambitious program aimed at slashing debt, which the company has impressively excelled at. As of the most recent quarter, Barrick has reduced that debt to US\$7.9 billion, and the company has plans to get the debt to US\$5 billion by next year.

Barrick has stated on more than one occasion that the company could be completely debt-free within a decade, and given the advancements that Barrick has made in paying down the debt over the past few years, this now seems like a feasible target.

Incredibly, Barrick has paid down US\$487 million in debt year to date, and approximately US\$5 billion of Barrick's remaining debt doesn't come due until 2032 or later.

How is Barrick doing now?

Barrick announced earnings for the second fiscal quarter earlier this summer. Net earnings came in at US\$1.084 billion, or US\$0.93 per share, an improvement over the US\$138 million, or US\$0.12 per share, reported in the same quarter last year. Most of that improvement can be attributed to US\$882 million gained from the sale of a 50% stake in Barrick's Veladero mine and a 25% stake sale in the Cerro Casale project.

Adjusted net earnings for the quarter came in at US\$261 million, or US\$0.22 per share, which was a marked improvement over the US\$158 million or US\$0.14 per share, reported in the same quarter last year.

Barrick is well known and respected in the precious metals sector as being one of most efficient (if not *the* most efficient) miners. In the most recent quarter, Barrick continued this trend, reporting all-in sustaining costs of just US\$710 per ounce. By way of comparison, many of Barrick's competitors have all-in sustaining costs of US\$800 or higher.

In terms of guidance, Barrick still expects full-year gold production to be in the range of 5.3-5.6 million ounces.

Is Barrick a good investment?

Barrick's emphasis on reducing debt and improving efficiency has had a profound effect on earnings for the company. Barrick still has some ways to go on reducing or even eliminating debt altogether.

With gold prices continuing to inch up past US\$1,300 per ounce, an investment in Barrick represents, in my opinion, a great opportunity.

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