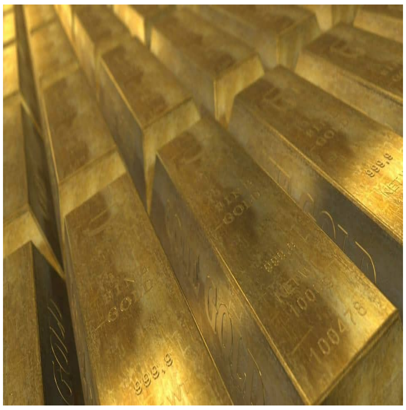

Despite its Latest Results, Now Is the Time to Buy Barrick Gold Corp.

Description

Gold has performed strongly since the start of 2017 to be up by 11% for the year to date. This solid performance triggered a rally among gold mining stocks, but not all miners have benefited. One that missed out is senior gold miner **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX), which, despite firmer gold has seen its stock decline by over 18% since the start of 2017. Much of this recent weakness is being driven by market fears regarding declining production, growing geopolitical risk, and rising costs. Those fears, however, are overbaked, and Barrick's latest failure to rally has created an opportunity for investors.

Now what?

On first appearances, Barrick's latest results do not appear that appetizing. Its bottom line declined sharply to see it reporting a third-quarter 2017 net loss of US$11 million compared to a net profit of US$175 million a year earlier.

Among the biggest issues that impacted Barrick's operations during the quarter was the dispute between the government of Tanzania and Acacia Mining, in which Barrick owns a 63.9% stake. This caused quarterly gold output at the Acacia mine to fall by 9,000 ounces compared to a year earlier, which, along with weaker production at its Pueblo Viejo, Nevada, Hemlo, Kalgoorlie, Porgera, and Lagunas Norte mines, precipitated an overall 10% decline in production.

Another negative is that all-in sustaining costs, or AISCs, for Barrick's mining operations shot up by just under 10% year over year to US$772 per gold ounce produced, which can be attributed to lower ore grades. This is not good news for a company operating in a capital-intensive industry that is subject to considerable fluctuations in the price of the underlying commodity it produces.

For these reasons, Barrick has revised its 2017 full-year guidance, shaving 400,000 ounces off the top end of its total annual production forecast, and increased its AISCs at the bottom end of the range by US$20 per ounce. While this is certainly not good news for investors, it is important to take a longer-term view of the senior miner's position.

Key among Barrick's strengths is its solid balance sheet. The miner has worked hard to reduce debt to a manageable level, and despite the bumpy road since the start of 2017, it has still reduced its debt by US$1.5 billion, exceeding the target set at the start of the year.

Another pleasing aspect of Barrick's operations is its ongoing investment in developing its existing assets to boost ore grades and production. The three projects currently under development in Nevada are forecast to boost production by up to one million ounces annually with average AISCs of less than US$700 per ounce.

So what?

The last year has been a bumpy ride for Barrick, and while the latest results don't present the miner in the most positive light, not all is lost.

In fact, when peering below the surface, it can be seen that Barrick remains committed to becoming the leading senior gold miner. That is easily achievable when its focus on lowering costs and expanding production is considered. The framework established with the Tanzanian government aimed at resolving the issues surrounding the Acacia mine also boosts its prospects.

Barrick is now trading with an enterprise value of US$308 per ounce of gold reserves, which is lower than other senior miners, such as **Goldcorp Inc.** and **Newmont Mining Corp**. Along with its focus on boosting production, paring down costs, and the positive long-term outlook for gold, this makes it an attractive stock to own.

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