Why Now Is the Time to Invest in a Gold Miner

Description

Over the course of the past few months, a resurgence in precious metals, particularly in gold, is taking place. Investors, initially lured by the lucrative profits from cryptocurrencies, came running back to the arguably safer and more secure precious metals market as Bitcoin and other currencies fell.

Chief among those gold stocks that investors have long turned to is **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX). As one of the leading gold producers on the planet, Barrick carries plenty of weight on the precious metals market, and the Toronto-based company has become a shining example of how to emerge from the epic collapse in gold prices that the market saw in 2011.

Barrick releases results for the most recent quarter

Earlier this week, Barrick announced results for the most recent quarter, which were impressive on several fronts.

Barrick reported net income of US$158 million, or US$0.14 per share, in the most recent quarter on revenues of US$1.79 billion. In the same quarter last year, Barrick saw income of US$679 million, or US$0.58 per share, but that figure included the divestment of a portion of Barrick's Cerro Casale venture in Chile.

Once adjustments are factored in, Barrick's earnings come in at US$0.15 per share, handily beating the analyst consensus of US$0.13 per share. Barrick also saw free cash flow for the quarter come in at US$181 million.

In terms of production, Barrick produced 1.05 million ounces in the most recent quarter, with all-in sustaining costs hitting US$804 per ounce. Full-year production of gold is still estimated to fall within 4.5-5 million ounces, with an expected cost of sales falling between US$810 and US$850 per ounce, and all-in sustaining costs falling from current levels to US$765-815 per ounce.

What about Barrick's debt?

Barrick currently has US$6.4 billion in debt and has plans to reduce it to US$5 billion by the end of the year, continuing an impressive trend of cost cutting that has seen the miner shave 50% of its overall debt over the course of three years.

The focus on reducing debt came to fruition in the years following the 2011 collapse of gold prices, which saw the precious metal fall over the course of several years from nearly US$1,900 per ounce to sub-US$1,100 levels. During that same period, miners were not nearly as efficient as they are today and had all-in sustaining costs of US$1,000 or more.

Barrick has stated in the past that it wasn't beyond belief that it could be completely out of debt near the end of the decade, and while still possible, the company could transition back into a growth mode and reinvest some funds back into the business now that the debt situation is well under control.

Is Barrick a good investment?

Having a diversified portfolio of investments that at least has some exposure to the precious metals sector is always a good idea, whether by a traditional miner such as Barrick or through a precious metals streamer.

Barrick has been weighed down this year on lower-than-expected production from a number of facilities, but the fundamentals of the company as well as the balance sheet and debt situation continue to improve by the quarter.

That position is only further solidified when considering that gold prices continue to increase and uncertainty in other areas of the world continues to grow. That uncertainty leads to fear, which can cause investors to turn back once again to the safety and security of gold.

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