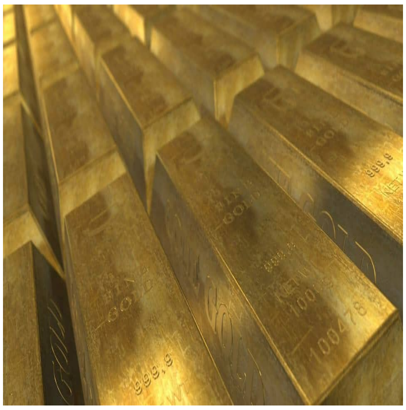

Why Barrick Gold Corp. Belongs in Your Portfolio

Description

There are few investments on the market that attract such a passion and fever among investors as gold. The emotional attachment around the precious metal has provided investors with a safe haven from market fluctuations as a store of wealth, and with few exceptions, has steadily appreciated in value to the joy of those investors.

Barrick Gold Corp. (TSX:ABX)(NYSE:ABX) is the world's largest gold miner and should be on the shopping list of every investor looking to diversify into the precious metals market.

Just a few short years ago, the thought of investing in a gold miner would have been seen as incredibly risky. After reaching a high of nearly US$1900 per ounce in 2011, gold prices embarked on a multi-year drop that left prices at sub-US$1100 per ounce levels and gold miners such as Barrick straddled with declining revenues and massive amounts of debt.

Barrick's improving debt situation

When gold prices plummeted in 2011, gold miners were left straddled with massive debt loads and very inefficient operations. Barrick, in particular, had over US$13 billion in debt that was eating away at earnings.

To address that problem, Barrick embarked on an aggressive debt reduction program that has resulted in Barrick paying down over US$6 billion in the past four years; the company is targeting a debt level of US$5 billion by the end of the current fiscal year.

The overall impact of paying down debt can't be understated — apart from the snowballing effect of being able to increasingly pay down more debt and eventually reaching the point where Barrick is now in that debt reductions no longer require the sale of assets.

Furthermore, another point worth mentioning is that as debt decreases, so too does the cost of borrowing, and as witnessed with Barrick in the most recent quarter, the credit rating of the company increases.

Improving quarterly results

Last month, Barrick announced results for the first fiscal of 2018, which revealed several encouraging signs from the miner.

Net earnings in the first quarter came in at US$158 million, or US$0.14 per share. Barrick realized revenues of US$1.79 billion and generated US$181 million in free cash flow.

In terms of production, gold production topped out at 1.05 million ounces, with a cost of sales applicable to gold hitting US$878 per ounce, and all-in sustaining costs rising to US$804 per ounce.

Barrick produced 85 million pounds of copper in the quarter, coming in at a cost of sales applicable to copper of US$2.07 per pound, and all-in sustaining costs for copper hitting US$2.61 per pound.

Looking forward to the rest of the year, Barrick expects to see gold production in the range of 4.5 to 5.0 million ounces, with a cost of sales coming in line to US$810 to US$850 per ounce and all-in sustaining costs of US$765 to US$815 per ounce.

In the case of copper, production guidance for the remainder of the year is expected to fall between 385 and 450 million pounds, with a cost of sales hitting between US$1.80 to US$2.10 per pound and all-in sustaining costs reaching US$2.30 to US$2.60 per pound.

Barrick also provides investors with a dividend, but the paltry 0.96% yield is hardly reason enough to consider an investment. Income-seeking investors would be better suited with any number of dividend-paying stocks on the market.

In my opinion, Barrick remains a great investment option for those investors looking to diversify their portfolio with a precious metals investment.

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