



Barrick Gold Corp (TSX:ABX) Stock Finds New Momentum

Description

The world's leading low cost gold mining giant **Barrick Gold Corp's** ([TSX:ABX](#))(NYSE:ABX) stock is trading firmer today as investors sift through the company's latest news announcements on Monday. The company is carrying out two very important transactions that will change its shareholder profiles.

First up was Barrick's announced merger with leading Africa-focused gold miner **Randgold Resources Limited** to form a new Barrick Group. Randgold has quality gold-producing assets in Mali, Côte d'Ivoire, Senegal and the Democratic Republic of Congo (DRC), and its management has executed very well over the past few years.

The merger

Barrick Gold and Randgold have negotiated an all-stock merger in which Randgold shareholders will receive 6.128 new Barrick shares for each Randgold stock unit.

Current Barrick Gold shareholders will own two-thirds of the new entity on a fully diluted basis, while Rangold investors will own the remainder.

The merger is expected to create a gold company with the greatest concentration of high quality gold producing assets in the industry globally, and management expects the new Barrick Group to have the highest adjusted operating margin (EBITDA margin) in the industry as well as the lowest total cash cost position among "senior gold peers," which include **Goldcorp Inc.**, **Agnico-Eagle Mines Limited**, **Newcrest Mining Limited**, and **Newmont Mining Corporation**.

Investors may wonder if this merger, which increases Barrick's exposure to the African mine field, is a wise move after the [recent troubles in Tanzania](#) involving its subsidiary, **Acacia Mining**.

However, it is important to note that not all African jurisdictions are the same; circumstances can be very different, while management approaches to conflict resolution can significantly shape outcomes.

Randgold understands the African environment very well, has been successful in this sphere to such an extent that "the new Barrick Group intends to employ a strategy similar to the one that proved very

successful at Randgold, but on a larger scale,” said Mark Bristow, Chief Executive Officer of Randgold (who will become the new Barrick Group president and chief executive officer) in a comment on the proposed transaction that could close during the first quarter of 2019.

As initial share price movement suggests, investors are favourable to the deal. Barrick’s stock was up 7% by mid-day on Monday, while Randgold equity valuation had increased by nearly 8% at the time of writing.

The deal could significantly mask Barrick’s prior guidance for declining future production while bringing in a strong partner who can improve corporate productivity, cash flow and asset quality profile.

The other transaction

The gold mining giant has gone a step further in strengthening its ties with Chinese mining giant Shandong Gold after announcing a US\$300 million cross investment deal in which each party invests the said amount in the other’s equity in a bid to strengthen relationships.

After the two gold miners’ 50-50 joint venture at the Veladero mine in Argentina, the companies are taking the second step in which Shandong Gold is currently evaluating Barrick’s Lama project, “including an analysis of potential synergies between Lama and the nearby Veladero operation” says the new release.

Aside from the technical aspects of such partnerships, the Chinese mining resources giants have a good track record in managing government relations in sensitive emerging markets jurisdictions, and one would start to think that likely such business arrangements that Barrick needs to weather storms the size of the Tanzania showdown, which remains unsettled to date.

Investor takeaway

The announced merger between Barrick and Randgold has received market approval.

After a recent Bloomberg report that Barrick is seeking Chinese partners for the troublesome Tanzania mining operations at Acacia, the latest Shandong Gold deal could be indicative of some future transactions in Africa.

There could be some more interesting times ahead for Barrick investors.

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