



Barrick Gold Corp. (TSX:ABX) Stock Surges 10%: Time to Buy?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:ABX) just announced a major acquisition, and the market appears to like the deal.

Let's take a look at the Canadian gold mining giant to see if it deserves to be on your [buy list](#) today.

Randgold takeover

Barrick Gold just announced plans to acquire **Randgold Resources Ltd.** in an all-share deal that will create a global gold mining giant. Once the merger closes, Barrick shareholders will own 66.6% of the company and Randgold shareholders will own 33.4%.

The move comes as the gold industry struggles to find new low-cost deposits, while ongoing headwinds for the price of the yellow metal persist.

The new company will own five of the top-ten gold mines on the planet based on cash-costs, and two more "tier-one" assets under development.

In addition, the merger will create a business with the highest adjusted EBITDA and the lowest cash cost in the industry, among the largest players.

The new management structure will see Randgold CEO Mark Bristow become the new president and CEO of Barrick Gold. Barrick's leader, John Thorton, will be the executive chairman.

China partnership

On the same day, Barrick announced a mutual investment agreement with Shandong Gold, where each company will purchase US\$300 million of the other's stock.

Barrick and Shandong are already partners on the Veladero mine in Argentina, and it wouldn't be a surprise to see the two companies expand that relationship to opportunities in Africa down the road.

Is this good for investors?

Barrick and Randgold have similar strategic approaches. Both companies are focused on ensuring projects meet strict return on capital metrics with the goal of delivering strong free cash flow.

Randgold operates mines primarily located in Africa, where Barrick has run into trouble in recent years, including a nasty battle with Tanzania over taxes owed by Barrick's subsidiary Acacia Mining. Randgold's expertise in the region should be positive for the new company going forward.

On the other side, Barrick's North American mines are located in more stable countries and come with less political risks. This provides a nice counterbalance to Randgold's portfolio.

Should you buy?

In recent years, Barrick made great strides in its efforts to reduce debt and streamline the company. As a result, the new Barrick will have a solid balance sheet and is set to be the dominant player in the global gold industry.

Gold prices are facing some strong headwinds in the current environment of rising interest rates, but if you're a long-term gold bull, it might be a good idea to add a bit of Barrick to your portfolio today. The stock jumped from \$13.50 to \$15 in the first two trading sessions after the announcement, and more gains could be on the way.

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