



Could Barrick Gold Corp (TSX:ABX) Double in 2019?

Description

The gold sector has been under pressure for seven years, but [contrarian](#) investors are looking at recent developments in the industry and thinking it might be time to start kicking the tires on some of the beaten-up stocks.

Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX) to see if it deserves to be on your [buy list](#) for 2019.

Consolidation

High-quality gold deposits are becoming harder to find, and governments in some countries are less friendly to gold miners than in the past.

The trend isn't likely to change, which means the world's basket of gold companies will likely get smaller in the coming years as the larger player acquire assets that are already in production or have agreements in place with local and national governments.

Barrick Gold's recently announced plan to acquire **Randgold** is a big message to the industry. Combined, the two companies control five of the top 10 mines on the planet and have two other tier one mines in development.

Randgold has expertise in Africa where Barrick has run into trouble. For example, Barrick owns a majority stake in **Acacia Mining**, which has operations in Tanzania that have an ongoing battle with the government. Randgold staff, with their strong track record of operating in African countries, could potentially help sort out the Acacia situation and enable Barrick to secure additional opportunities on the continent.

The Randgold deal is expected to close in Q1 2019.

Financials

Barrick has made good progress on its multi-year plan to reduce debt and streamline its operations.

Total debt is down from US\$13 billion a few years ago to US\$5.7 billion as of the end of Q3 2018. Net debt stands at US\$4 billion.

Free cash flow for Q3 2018 came in at US\$319 million. Barrick recently said it will look at the possibility of raising the dividend in 2019. The current payout provides a yield of 0.9%.

Full-year 2018 production is on track to be \$4.5-5 million ounces at all-in-sustaining costs of US\$765-815 per ounce. The addition of Randgold will boost output next year and beyond, as will a number of promising developments that are currently in various phases of completion.

Barrick also has a significant copper business with three large mines.

Should you buy?

Barrick's stock currently trades for about \$17 per share. At the peak in 2011, it was above \$50.

Gold prices face some interest rate headwinds, but recent strength suggest other factors in the market could support a move to higher levels in the coming year. A full-blown trade war with China, an ugly Brexit for the U.K., Italy's financial crisis, and any unexpected decision by president Trump could send investors scrambling to buy gold as a safe-haven trade. In addition, there are rumblings that the Fed might actually have to hit the brakes on rate hikes next year if the economy looks like it might start to rollover sooner than expected.

Even if gold stays at current levels, Barrick stand to deliver solid results, which should provide ongoing support for the stock.

Could it soar to \$34?

A major rally in gold would have to occur to drive that kind of upward move in Barrick's stock price in 2019. At this point, I wouldn't bet on a 100% surge over the next 12 months, but it wouldn't be a surprise to see Barrick top the \$30 mark in the next 3-5 years.

If you have a contrarian investing style and like gold for the long term, it might be worth adding Barrick to the portfolio while it remains out of favour.

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