



## Have You Considered a Gold Investment Recently?

### Description

As we come towards the end of 2018, followers of gold stocks such as **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX) will no doubt be wondering whether precious metals prices will continue their slow ascension into next year and whether the largest miner in the world remains a solid investment option, or if a [defensive stock](#) investment would be preferable at this juncture.

Let's talk a bit about Barrick and the precious metals market.

### Why precious metals?

Precious metals such as gold are interesting investments. They have been viewed as safe stores of wealth for as long as we've been extracting the metal from the earth. The high demand for precious metals, coupled with its scarcity, provides a perfect storm that has, for the most part, resulted in a steady increase in precious metal prices over the years.

The one major exception to that trend worth noting occurred in 2011 through 2015; gold prices experienced a massive multi-year drop from nearly US\$1,900 per ounce to sub-US\$1,100. That multi-year drop left miners such as Barrick with massive amounts of debt, incredibly inefficient operations, and significantly reduced earnings.

Fortunately, the market has since recovered from those lows, and gold prices are now hovering near US\$1,280 per ounce and likely to continue the upward trend into 2019.

The 2011 collapse in gold prices forced Barrick and others to tackle rising debt levels and become more efficient. Several years ago, Barrick engaged in an aggressive debt-reduction program that saw the company halve its debt while becoming more efficient.

By the time the precious metals market began to stage a recovery in 2016, Barrick was already on good footing, leading to its share price doubling within the first six months of the year.

Turning to this year, 2018 will go down as a mix of good and bad for Barrick. Barrick's industry-leading

AISC figure slipped from US\$750 per ounce last year to US\$813 per ounce; as of the most recent quarterly update, revenue and adjusted net income also slipped year over year by 13% and 45%, respectively.

Barrick also announced a series of cuts and non-core asset sales earlier this year in an effort to rein in costs. Some of those cuts included management cuts at head office, and selling a research & development firm it owns. The company has also scaled back its technology staff in recent months, both in Toronto as well as in Nevada.

## Barrick's opportunity

Barrick's less-than-stellar year and staffing cut announcements don't exactly resonate as an incredible investment opportunity. Where that opportunity does reveal itself, however, is in the form of the Randgold acquisition announced this past fall that is set to close in the new year.

Through the Randgold acquisition, Barrick is set to become the largest gold mining company on the market, and through its massive portfolio of assets, Barrick will own half of the top tier-one gold mines on the planet.

As such, investors can expect Barrick's cost-reduction and efficiency-seeking prowess to continue in the new year, including a continued focus on slashing debt, which, as of the most recent quarter, will mostly come due after 2032. This is an important point that is often dismissed summarily by investors; as Barrick continues to aggressively pay down its debt, the company can then direct those funds elsewhere, such as in raising its dividend.

Barrick's dividend currently carries a yield of 2.16%, which is incredibly generous considering that Barrick's main competitors pay paltry yields under 1%.

In my opinion, Barrick remains a [solid investment](#) option for those investors looking to diversify their portfolio with a precious metals stock.

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