



Barrick Gold (TSX:ABX) Q1 Results: What We Learned

Description

Paying attention can pay big bucks. If you're invested in gold stocks, you'll want to know what industry leaders are doing and why.

Earlier this month, the executives of \$28 billion miner **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) held a public conference call to discuss the company's first-quarter results.

While the conversation mostly covered Barrick-specific news, there were plenty of comments that should resonate with investors across the industry.

Pay attention to these highlights.

Fixing a broken industry

At the start of the call, CEO Mark Bristow immediately called out Barrick's competitors, calling them "an industry in disarray."

For decades, mining companies have been ridiculed for poor asset allocation, pursuing growth at all costs versus measured improvements in shareholder value.

Today, we have dozens of multi-billion mining companies. While management teams have gotten rich, few of these stocks have been profitable for individual shareholders.

Bristow believes that Barrick's blockbuster deal with Randgold has the potential to rewrite expectations for the value that a mining company can deliver.

"The stakeholders who will reap our rewards are those who share our long-term vision and invest in or work with us as partners and that's really our commitment," he said. "And, in fact, this industry needs that to be able to recover its rightful place and become relevant again as an industry you can invest in."

Just don't expect the company to self-correct its industry overnight. "Whether you're a fund manager or

a finance minister, don't look to us for instant gratification or easy pickings," Bristow concluded.

Place your bets

Early results of the merger appeared encouraging, but as I've [noted](#) previously, there were some major red flags.

Revenues jumped 17% year over year, fueled by a 30% rise in output. Selling prices didn't change much, so the gap between output growth and sales growth was concerning.

The issue was rising costs. All-in sustaining costs hit US\$825 — a \$21 per ounce increase from the year before. It's still too early to tell, but Barrick's newfound scale doesn't seem to be leading to higher profitability, even if it is increasing the overall size of the company.

Notably, Barrick's CEO understands that countless mining companies in the past have tried to survive by getting bigger, often through mergers.

"It is clear that the industry as a whole is not in good shape, and I've been saying that for some time. And again, we see the industry touring with survival style mergers and acquisitions, and again, neglecting the requirement to continue to invest in the future of our industry."

Bristow swears that Barrick's recent mega-merger is a departure from the past, but that's what mining CEOs have been saying since time immemorial.

If you're placing bets on gold miners, stick with management teams that have [proven](#) skilled stewards of shareholder capital.

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