



Why Barrick Gold (TSX:ABX) Stock Could Double in 2020

Description

As gold continues its rally, it's important for investors to position themselves early before the next major gain.

There are a variety of catalysts for an increase to the price of gold during 2020, such as a peaking economy and stock market — similar to the period around 2008, when the price of gold more than doubled over the next three years.

When these opportunities materialize, there are huge opportunities for major growth as the price of gold can be bid up rapidly, sending leveraged securities on a major bull run.

Today, these opportunities exist once again, and the best way to gain exposure is through the cream of the crop when it comes to gold-mining stocks.

One of the top companies if you want to buy an industry leader in the gold-producing sector is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

Barrick is a global gold producer with more than 15 gold-producing mines and 30 total mines located in North America, Latin America, Europe, the Middle East, and Australasia.

Its size and reach give it a major advantage and offer it a tonne of flexibility to allocate production to the mines that make the most economic sense given varying economic environments.

Since Barrick is the industry leader, naturally, it's an investor favourite; however, it's also a favourite because of its dependability and strong operations.

Its well-run business has allowed it to immediately capture increased profits as the price of gold increases, which will be key in the next few years, as the gold price is widely expected to go on a big rally, especially if the economy continues to slow and the [trade war](#) wages on.

In the third quarter of 2019, its average realized price of gold sold was \$1,476 versus the quarter before when it was \$1,317 and the quarter the year before when it was \$1,216. This is a major

increase from both the year before and the quarter before, and Barrick has taken full advantage.

Comparing its third quarter of 2019 to the second quarter, the price for gold increased by 12%, while Barrick's adjusted net earnings grew by 71% and its cash from operations increased by 131%.

Although Barrick should get some credit for having strong enough operations to take advantage in the first place, the major reason for its increase in profitability is due to the rising price of gold. So, it's clear, that Barrick will benefit largely, even as the price of gold makes small movements upwards.

In the meantime, while Barrick is biding its time, waiting for gold's price to go higher, it has been busy using this opportunity and its increase in profits to reduce its net debt as well as increase its dividend. Its net debt has come down by more than 22% from the same quarter a year prior; meanwhile, the dividend was increased by 25%

The dividend today yields a little over 1% — not a whole lot when comparing it to other industries, but it's quite a sizable dividend from a gold miner and what you can expect from one of the industry leaders.

Going forward, Barrick has a number of growth opportunities with its vast number of exploration projects, plus the company plans to optimize its portfolio for even more efficient operations.

Even if gold prices remain flat, it will be a big year for Barrick as it earns solid profits and strengthens its business. The major growth, though, will come from an increase to the price of gold, which will flow right to Barrick's bottom line and help the company to double its share price over the next year.

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