



Why Barrick Gold (TSX:ABX) Could Keep Shining for the Rest of 2020

Description

Gold has started off 2020 on a positive note and continues to look well placed ahead.

Rising geopolitical tensions could push investors towards traditional safe havens. However, the U.S. has reached a partial trade deal with China, a complete resolution to the trade dispute could take more time. Also, how Iran-U.S. tensions pan out remains to be seen. U.S. presidential elections this November will also likely fuel broader market volatilities. These factors collectively put gold in a strong focus, which might bode well for the second-largest gold miner, **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) stock.

Barrick Gold: Upbeat earnings

[Gold miner stocks](#) generally play as a substitute for yellow metal due to their moderate positive correlation. Since October 2019, Barrick Gold stock has soared around 5%, largely tracking spot gold prices. Last year's gold price rally notably uplifted Barrick Gold's earnings, mainly due to improved price realizations.

Notably, contributions from Randgold Resources, a merger which completed last January, also played well for Barrick's earnings. The synergy benefits might continue this year as well. Higher gold prices could continue to have a positive impact on its bottom line in 2020. The company expects gold production at the higher end of its guidance range of 5.1 million to 5.6 million ounces for 2019.

Improving debt profile

Barrick Gold has been aggressively working on improving its balance sheet for the last several quarters. It has sold interests in several unprofitable mines recently and paid back the debt. In December, it sold 90% interest in Senegal-based Massawa project for approximately \$430 million.

Its long-term debt has been trending downwards for the last few years. In 2016, the company had debt of \$6.5 billion, while it came down to \$5.5 billion at the end of September 30, 2019. Interestingly,

Barrick Gold CEO Mark Bristow aims to reduce the company's net debt to zero this year. This might look too ambitious at this point, but the company's intent of making the balance sheet debt-light is indeed noteworthy.

Dividends

Barrick Gold is currently trading at a dividend yield of 1.1%, notably lower than the TSX 60 average. However, what's striking here is its recent dividend growth. The company paid an annual dividend of \$0.20 per share in 2019 — an increase of 67% compared to 2018. Also, its ordinary payout ratio indicates a potential for robust dividend increases for the future.

Risks

Political constraints might act as a key risk for the gold miner in 2020 and beyond. How things pan out between Barrick and the Tanzanian government regarding its Acacia mining assets will be interesting to see. If talks between these two fail, Barrick might have to take on some impairment charges, which could create momentary weakness in the stock.

The gold price is one of the most important drivers for miners such as Barrick Gold. Even if gold is trading close to its all-time highs, [substantial weakness in the short to medium term seems unlikely](#). Thus, a robust asset base, an improving debt profile, and supporting gold prices could drive Barrick Gold stock upwards in 2020.

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