



Barrick Gold (TSX:ABX) Just Raised the Dividend by 40%: Should You Buy the Stock?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) just reported Q4 and full-year 2019 results.

Let's take a look at how things went for the gold mining giant and try to determine if this is a good time to add the stock to your [portfolio](#).

Operating results and earnings

Barrick produced 5.47 million ounces of gold in 2019. This is near the top end of its guidance of 5.1-5.6 million ounces, indicating the company had a strong operational performance across the asset base.

All-in sustaining costs came in at US\$894 per ounce, hitting the middle of the company's target range. This was up from US\$806 per ounce in 2018 but still decent for the industry and should fall in 2019.

On the copper side, production was 432 million pounds in 2019 compared with 383 million in 2018. All-in sustaining costs fell to US\$2.52 per pound from US\$2.82 the previous year.

Barrick pulled in revenue of US\$9.72 billion in 2019 compared to US\$7.24 billion in 2018. Adjusted net earnings rose to US\$902 million from US\$409 million, and free cash flow, which is important for sustaining dividend growth, hit US\$1.13 billion compared to US\$365 million in the previous 12 months.

Adjusted earnings for Q4 2019 came in at US\$0.17 per share. This was above the estimates provided by analysts who follow the stock.

Barrick continued to shore up the balance sheet in 2019, finishing the year with net debt of US\$2.2 billion. The company had US\$13 billion in debt a few years ago when the management team implemented an aggressive restructuring program.

Rising gold prices and the successful sale of non-core assets have resulted in the improvements. The CEO recently said the company expects to exceed its target of monetizing another US\$1.5 billion in

assets in 2020 and he has indicated the company could potentially finish the year with no net debt.

The [dividend](#) boost from US\$0.05 to \$0.07 per share should be sustainable, and investors could even see another hike before the end of the year.

Outlook

Despite the wave of asset sales, Barrick is still targeting average annual production of 4.8-5.2 million ounces over the next five years.

Barrick is also considering an expansion of its copper holdings. Demand for the metal is expected to rise in the coming years, as countries shift to more renewable energy projects. Copper is a key component in the construction of wind farms and solar panels.

Gold price

Gold trades at US\$1,573 per ounce compared to US\$1,273 last May. The rally is finding support amid a flurry of geopolitical and financial risks.

The trade battle between the United States and China drove much of the demand last year, and while the current focus among traders is on the impact of the coronavirus, the trade situation hasn't disappeared. On the virus front, countries around the world are starting to warn about spillover economic impacts as supply chains are disrupted and demand from China falls.

The rush to safe-haven assets, such as gold, could pick up steam in the coming months, as more information emerges about the global economic impact.

Falling bond yields and declining interest rates tend to benefit gold. The yellow metal doesn't offer any yield, so the opportunity cost of holding gold drops when yields on fixed-income alternatives drop. In fact, trillions of dollars of global government debt now trades at negative yields. This makes no-yield gold quite attractive.

Should you buy Barrick Gold?

The company has made good progress on its turnaround efforts, and more dividend hikes should be on the way, as debt costs fall and margins improve. Another US\$300 jump in the price of gold wouldn't be a surprise in the next two years.

If gold is destined to extend the recovery, Barrick Gold appears cheap today and deserves to be on your radar.

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Author

aswalker

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