



## Why Barrick Gold Remains a Top Long-Term Pick

### Description

In this article, I'm going to discuss a few reasons why I would recommend long-term investors seeking gold exposure for a given portfolio to give **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) a good hard look. If I were to pick one gold producer today to add, I would certainly choose Barrick; [I have been a fan for a while](#).

### Crunching the debt

First, Barrick has been doing something its peers should be taking note of – paying down debt. The mining industry has a nasty habit of ramping up capital expenditures and debt in gold bull markets. I really like Barrick's choice to de-leverage in this environment and provide investors with a little balance sheet breathing room. The gold producer has paid down its debt substantially. Barrick's net debt is down by almost 50% this past quarter. Approximately \$1 billion of net debt remains on the company's books.

The fact that Barrick has been a cost-conscious and debt-conscious gold producer for some time is one of their best traits, in my book. This focus was shown by the company's management team in the acquisition of Randgold, a subsidiary which remains debt-free and highly accretive to the overall bottom line of Barrick. This debt repayment strategy was made possible through both operating cash flows as well as the sale of non-core assets. These moves have increased the overall average asset quality of Barrick's portfolio right now. The company holds a number of Tier 1 assets which will provide long-term investors with excellent long-term growth prospects.

### Rising dividends

Another aspect of Barrick's business model I appreciate is the company's focus on raising its dividend substantially over time. While Barrick pays a low overall yield of around 1%, the gold producer does raise its dividend often. Barrick has raised its dividend three times this past year alone. This provides investors who plan on holding for a long time a pathway to a decent yield down the road.

One obvious key driver that has allowed for such substantial growth in dividend payouts and debt-reduction initiatives by the company's management team is higher free cash flow generation in recent months. This free cash flow growth has been substantial, and due, in part, to the rising price of gold. Investors seeking to hedge massive stock market gains from potential downside, by using an age-old but effective hedge in gold, have driven the price higher.

## Bottom line

My take on a company like Barrick is that it is a good investment regardless of where the price of gold is at in the near term. Barrick is an efficient producer and has the ability to continue to lower its average cost per ounce over time. It will also do so over the coming quarters, as it has sold off some of its worst-performing assets recently. As far as gold mining companies go, Barrick is #1 on my list, and I would recommend nibbling away at current levels, for those interested in adding a position or adding to an existing position.

Stay Foolish, my friends.

### CATEGORY

1. Investing

### POST TAG

1. canada
2. Gold
3. market

### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Tags

1. canada
2. Gold

3. market

**Date**

2025/07/02

**Date Created**

2020/03/06

**Author**

chrismacdonald

default watermark

default watermark