



## Barrick Gold (TSX:ABX): What You Should Do After its Steep Surge

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), the second-biggest gold miner in the world, is one of the top-rallied stocks on the TSX. It is up more than 50% so far this year, while the **TSX Composite Index** has lost almost 15%.

I had [recommended](#) Barrick Gold stock in January mainly based on rallying gold prices and its solid fundamentals. It has surged almost 60% since then.

Thus, should investors continue to hold Barrick Gold stock while it is trading close to record highs? Or will the valuation concerns pull it down in the short term? How should long-term investors go about it?

### The bullish outlook for gold remains

Importantly, physical gold prices could continue to rally in the short to medium term amid the broad market uncertainty. Even if the pandemic-driven lockdowns are released in the next few months, things will most likely take time to come back to normal.

Recently, the Bank of America [gave a price target](#) of US\$3,000 for gold in the next 18 months. That's an approximately 70% increase from its current levels. If that indeed turns into a reality, we can see gold miner's profits zoom and stocks skyrocket for the next few years.

The next few months will bring some more light on whether we are heading into a recession or not. Interestingly, increasing jitters about the economic uncertainty will improve the outlook for the yellow metal.

Apart from higher prospects for gold, Barrick Gold's upcoming first-quarter earnings could be an important indicator that could drive its stock. The company plans to release its earnings on May 6.

According to analysts' estimates, its revenues for the quarter are expected to come around \$2.8 billion, which represents a 34% increase year over year (YoY). Its net income is expected to surge a massive 80% YoY to \$334 million. The top gold miner has been reporting stellar earnings growth from the last

three quarters. Higher earnings could notably improve investor sentiment further over Barrick Gold stock.

## Barrick Gold's improving debt profile

Another important factor to watch in Barrick Gold's upcoming earnings would be its debt. It has been aggressively working on improving its balance sheet for the last several quarters. It has sold interests in some unprofitable mines recently and paid back the debt. Its long-term debt has been trending downwards for the last few years. At the end of the Q4 2019, Barrick had total debt of approximately \$5.5 billion.

Barrick Gold stock looks expensive after its solid surge. It is currently trading approximately 50 times its next 12-month earnings. That's a significant premium compared to peers as well as to its own historical trends.

So, what one should really do amid rallying gold prices and its concerning valuation?

I think Barrick Gold's superior earnings growth could justify its premium valuation at least for the next few quarters. It would be imprudent to compare its historical valuation average in the current market scenario when the yellow metal outlook is so bullish. Improving gold prices could continue to hold gold miner stocks higher, and investors might continue to reap substantial benefits at least in 2020.

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2. Metals and Mining Stocks

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vinitkularni20

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