



## Why Barrick Gold (TSX:ABX) Is a Screaming Buy Despite Valuation Concerns

### Description

Gold has rallied almost 27%, while top miner stock **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) is up 60% this year. While the stock is indeed expensive, its second-quarter earnings underline the growth path.

Let's see what's next for the world's second-biggest gold miner.

### Barrick Gold: Q2 Earnings

Driven by rallying gold prices, miners were expected to report fairly high quarterly earnings. Barrick Gold's Q2 numbers fall very much on those lines.

Barrick Gold reported revenues of over \$3 billion, an increase of 48% year over year. Its net income more than doubled to \$415 million compared to the same quarter last year.

Barrick Gold increased its per-share dividends by 14% to \$0.08, doubling from last year. The stock soared after releasing its [Q2 earnings](#) on August 10 but later closed at \$38.3 for the day.

Apart from the higher earnings numbers, there is a lot more to focus on Barrick's Q2 report.

### Positive outlook

Barrick Gold has been working on improving its balance sheet for the past few years. It has sold interests in several unprofitable mines recently and paid back the debt.

At the end of Q2 2020, the miner had net debt of \$1.4 billion. It aims to reduce the company's net debt to zero this year. Mining is a capital-intensive business, and Barrick's lighter balance sheet is a real plus for investors.

Its production for the quarter fell 14% compared to the same period last year. However, its full-year production target remains intact at 4.8 million ounces.

The production sharing issue with the Papua New Guinea government related to Porgera mine continues to linger. That might not matter much, as the mine forms a small share in overall production.

Notably, analysts expect 25% higher revenues for the second half of 2020 compared to the same period last year. Rallying gold prices have substantially boosted miner's earnings this year, and the trend is expected to continue.

Barrick is one of the top TSX stocks to play the gold rally. Its operational efficiency, unique set of assets, and scale notably differentiate it from peers.

## Barrick Gold: Valuation

Gold started to show some green shoots since mid-2018. The metal has rallied 70% since then, while the miner has surged a massive 185% in this period.

Investors should note that Barrick is currently trading at a forward price-to-earnings multiple of 43. The stock looks notably expensive, as the multiple is higher than its average historical valuation and that of peers.

However, the underlying growth story very well justifies its premium valuation. Barrick Gold is showing all those characteristics of a [growth stock](#) with its revenues and earnings growing at a stellar pace.

The gold rally will play a major role in keeping miner stocks higher. That's the most likely scenario with near-zero interest rates and volatile equities.

As an overvalued stock, Barrick might see an exaggerated impact of the potential broad market weakness or an interim pause in the gold rally. Conservative investors could then jump in to get a safer deal.

### CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

### TICKERS GLOBAL

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

### PARTNER-FEEDS

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

## Category

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

## Date

2025/08/25

## Date Created

2020/08/11

## Author

vinitkularni20

default watermark

default watermark