



What's Next for Barrick Gold (TSX:ABX) Now That Berkshire Hathaway Is on Board?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) stock soared almost 11% after Warren Buffett-led **Berkshire Hathaway** disclosed its stake in the miner. Barrick stock is up more than 65% this year and is currently trading close to its eight-year high.

Warren Buffett and gold

The uptrend in the stock could continue at least in the short term, as Buffett followers try to get on board, too. Moreover, rallying gold prices will likely be the bigger force behind the miner's rally.

Berkshire Hathaway's stake in Barrick Gold stock is valued at around \$835 million as per yesterday's closing. Importantly, [the move came quite as a surprise](#), given Warren Buffett's dislike for gold. However, the trade could be the decision of his fellow investment managers Todd Combs or Ted Weschler.

What's next for Barrick Gold?

Interestingly, Barrick Gold stock looks attractive, even with its concerning valuation. The stock has become all the more expensive after its recent surge. While the gold is up almost 30% this year, Barrick's 65% surge is indeed eye-popping.

It is trading close to 40 times its 2020 adjusted earnings estimates, which is far higher than its historical average. However, its superior earnings growth justifies the premium valuation, which might continue to push the stock higher.

Barrick Gold is aggressively [working](#) on improving its balance sheet as well. It has sold interests in some losing mines in the last few years and paid back the debt.

At the end of Q2 2020, Canadian gold miner had net debt of \$1.4 billion. It seems to be on track to

achieve its target of becoming a zero net debt company this year.

Barrick Gold's top-quality mines and operational efficiency differentiates itself from peers. Its all-in cash cost comes around \$950 per ounce of gold, more than double the current price of the yellow metal. Its scale and mineral reserves will likely continue to bode well for its long-term earnings growth.

What's more interesting than Barrick?

Another Canadian miner looks attractive, even from the valuation standpoint.

B2Gold ([TSX:BTO](#))(NYSE:BTG) is trading 20 times its 2020 earnings estimates and looks relatively cheaply valued compared to peers. Just like peer miners, B2Gold's earnings are also expected to double with its higher production and higher realized gold prices.

Thus, although it is smaller in size compared to Barrick, BTO looks more attractive because of its cheaper valuation.

B2Gold runs three gold mines in Namibia, the Philippines, and Mali. Its production growth improved, while the cost mostly trended flat in the last few years. B2Gold aims to produce approximately one million ounces of gold this year, nearly 5% higher than in 2019.

Bottom line

Near-zero interest rates and slower global economic growth, driven by the pandemic, notably boosted gold prices this year. Importantly, gold will likely keep trading strong, at least in 2020.

Increasing geopolitical tensions and equity market uncertainty could push investors towards the traditional safe haven.

Many top gold miner stocks look expensive and can be risky for conservative investors. However, some exposure to gold in your investment portfolios makes sense from the diversification perspective. Berkshire Hathaway just proved that.

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2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:ABX (Barrick Mining)
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