



Warren Buffett's Berkshire Trims Stake in Barrick Gold (TSX:ABX): Should You?

Description

According to the latest 13F filings, Warren Buffett-led **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) sold 40% of its stake in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) during the third quarter. As of September 30, the investing conglomerate held 12 million shares of the Canadian gold miner. While Buffett himself is a strong devotee of long-term investing, Berkshire sold a major chunk of this gold investment in just less than two quarters.

Warren Buffett and Barrick Gold

Barrick Gold stock peaked to near five-year high levels during the third quarter after Berkshire Hathaway disclosed its stake. It is already an outperformer this year among peer miner stocks. While the yellow metal is up almost 25%, Barrick Gold stock has soared more than 40% so far this year. So, has the stock peaked? Did [Berkshire Hathaway sell it on the valuation concerns?](#)

If you're a long-term investor, consider holding on to this top miner stock, even if you are a big Buffett follower. Buffett deputies Todd Combs or Ted Weschler could be behind this particular move during the second quarter when Berkshire initiated the position. However, I don't see a substantial reason to dump Barrick Gold stock at this point, and I continue to remain positive for the long term.

Strong earnings growth in 2020

For the nine months ended September 30, 2020, Barrick Gold's adjusted earnings [surged](#) 137% year over year. Although gold prices have cooled down a bit in the last few months, they are still way higher than last year. Thus, one can expect Barrick Gold to report higher earnings for the next few quarters.

Many gold miners benefitted this year due to higher realized gold prices. But Barrick Gold's scale and operational efficiency stand tall among peers. Also, its debt profile continues to improve substantially, a big positive to Buffett-like investors.

Barrick Gold aims to produce nearly 4.8 million ounces of gold this year. Its all-in sustaining cost is

expected to remain close to ~\$1,000 per ounce, notably lower than the realized gold prices. Higher copper prices also boosted Barrick Gold's earnings in 2020. It aims to produce 500 million pounds of copper this year. Higher demand from fast-recovering China could boost copper prices.

The world's second-biggest gold miner Barrick raised its third-quarter dividend by 13% compared to the previous quarter. It will pay \$0.09 per share on December 15, which suggests an annualized yield of 1%. Though the yield is not that exciting, Barrick's dividend increases have been quite appealing in the last few years. Its payout ratio in the mid-thirties suggests a big room for further payout increases.

The premium valuation is quite warranted

Barrick Gold stock has lost more than 20% since topping in September. Despite the correction, the stock is still overvalued and might keep conservative investors at bay. However, the stock, which is doubling earnings every few quarters and is also paying growing dividends, deserves a premium. Notably, an industry leader with strong fundamentals and growth prospects should trade at a higher multiple against the industry average.

Warren Buffett's Berkshire Hathaway still continues to hold Barrick Gold stock worth USD \$337 million. Near-zero interest rates and stimulus packages should continue to push yellow metal higher, even if favourable developments continue on the vaccine front. So, my take is, sit tight with this top Canadian miner for the long term and ignore the near-term volatility.

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