



## Warren Buffett: Why Did He Just Sell GOLD?

### Description

**Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B), earlier this week, filed its form 13F with the Securities and Exchange Commission. In its latest filing, Warren Buffett's investment firm [revealed](#) that it sold all its stakes in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) in the quarter ended December 2020. At the end of the previous quarter, Berkshire Hathaway held around 12 million shares of this Canadian mining company. The news of Buffett's exit from GOLD stock triggered a sell-off as it fell by 4% yesterday.

Barrick Gold released its Q4 and full-year 2020 earnings this morning. Before we explore possible reasons for Buffett's decision to sell its stock, let's take a closer look at the company's latest quarterly results.

### Barrick Gold's latest earnings

Barrick Gold reported adjusted earnings of US\$1.15 per share in the year 2020. It was more than double its adjusted earnings of US\$0.51 per share in 2019. With this, the company managed to beat analysts' earnings expectation of US\$1.14 per share by a narrow margin.

The company also met its 2020 gold production guidance with seemingly stable operating performance. Higher gold and copper prices last year helped the company improve its margins significantly.

Barrick Gold's adjusted EBITDA margin stood at 59% in 2020 compared to 50% in the previous year. Its sales for the year also jumped by 30% to US\$12.6 billion. Despite its better-than-expected Q4 and full-year 2020 results, its stock fell by more than 1% later today — after slightly rising this morning.

### Dismal 2021 guidance

Last year, the pandemic affected some of Barrick Gold's business operations and increased its costs. Its 2020 results were impressive in such a scenario as it managed to maintain good financial progress,

despite the COVID-19 woes.

But the company's 2021 gold and copper [production forecasts](#) couldn't press investors. Barrick Gold expects its 2021 gold production to remain between 4.4 to 4.7 million ounces — lower than 4.76 million ounces of gold produced in 2020. Similarly, it guided its copper production to remain between 410 to 460 billion pounds compared to 457 million pounds produced last year. Barrick Gold also expects its costs to remain high this year.

## Why Buffett sold GOLD

Barrick Gold's stock price and its profits are highly correlated with the commodity market. A rally in gold and copper prices tends to boost the company's profitability. After posting its all-time high in August 2020, gold prices are consistently falling. It is currently trading near its lowest level since July 2020. Commodity experts expect gold prices to fall further in 2021 and beyond, as the mine production continues to improve amid gradually slowing demand. These factors could badly hurt gold mining companies' — including Barrick Gold — profitability.

When Buffett revealed his position in a gold and copper mining company last year, it came as a big surprise for many. In the past, Buffett has publicly criticized investing in the yellow metal on many occasions. However, his decision to bet on a gold mining company could be a well-thought one, as everyone wanted to hedge their risks amid the pandemic.

Buffett decided to sell GOLD stock, as the global pandemic started gradually subsiding. So, he might have sold the Barrick Gold stock just at the right time, I believe.

## Foolish takeaway

Despite its strong profits and rising sales in 2020, falling gold prices could affect Barrick Gold's financials in the near term. That's why you may want to invest your hard-earned money in other, better high-growth stocks instead. Such high-growth stocks could give you much better returns than Barrick Gold stock.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:BRK.B (Berkshire Hathaway Inc.)
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jparashar

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