



Barrick Gold (TSX:ABX) Stock Continues to Trade Weak: What Should Investors Do?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) stock has lost almost 35% in the last six months, notably underperforming **TSX** stocks at large. Its superior financial performance in 2020 has failed to uplift the stock. The yellow metal has been trading weak, which weighed on ABX stock. Has Barrick Gold stock lost its sheen? What should investors do?

Barrick Gold stock in 2021

Barrick Gold's scale and operational efficiency make it an attractive bet for long-term investors. Lower costs and an improving balance sheet make it stand tall among peers. Above all, I think its current discounted valuation makes it an excellent opportunity for discerned investors.

Barrick Gold is the world's second-biggest gold miner with operations in 13 countries. It plans to produce 4.4 million to 4.7 million ounces of gold in 2021. It has significant reserves of copper as well. In 2020, copper contributed 6% to its total revenues.

Barrick Gold produced 4.7 million ounces of gold last year — a fall of 13% year over year. However, higher realized gold prices compensated for the lower production, and its earnings jumped more than 125%. Its free cash flows almost trebled in 2020.

The company might see a similar trend on the free cash flow front in the next few years. Even though it sees flattish production growth this year, lower all-in sustaining costs could lead to higher free cash flows.

Debt and dividends

A \$46 billion Barrick Gold [achieved](#) an ambitious zero net debt target last year, which was quite a feat for a miner. It sold interests in several unprofitable mines in the last few years and paid back the debt.

Barrick Gold is trading at a dividend yield of 1.8% at the moment, way lower than the TSX stocks at large. However, what's striking here is its recent dividend growth.

The company paid an annual [dividend](#) of \$0.31 per share in 2020, which was an increase of 140% compared to 2019. Notably, its relatively lower payout ratio indicates a potential for robust dividend increases for the future.

Gold is an effective hedge against equities. Gold miner stocks generally play as a substitute for yellow metal due to their moderate positive correlation. It makes sense to bet on gold miner stocks because of their earnings growth and dividends.

Bottom line

Gold prices peaked in August 2020 amid weaker dollar and flurry of pandemic-led stimulus packages. Undoubtedly, the gold price will be a big driver of Barrick stock. Exuberance for the yellow metal might not repeat this year, which could dent Barrick Gold's earnings growth. However, its high-quality assets, operational efficiency, and sound balance sheet could drive shareholder returns in the next few years.

Barrick Gold stock has delivered almost 20% average total returns in the last five years, more than double the **TSX Composite Index**.

Gold prices might not soar higher as last year. However, Barrick Gold stock looks attractive at current levels, mainly due to its discounted valuation. It could see superior free cash flow growth in 2021 even at current gold prices, which does not seem fully discounted in ABX stock price yet.

CATEGORY

1. Bank Stocks
2. Cannabis Stocks
3. Coronavirus
4. Dividend Stocks
5. Energy Stocks
6. Investing
7. Metals and Mining Stocks
8. Personal Finance
9. Stocks for Beginners
10. Top TSX Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Cannabis Stocks
3. Coronavirus
4. Dividend Stocks
5. Energy Stocks
6. Investing
7. Metals and Mining Stocks
8. Personal Finance
9. Stocks for Beginners
10. Top TSX Stocks

Date

2025/08/19

Date Created

2021/04/08

Author

vinitkularni20

default watermark

default watermark