



Could a Barrick-Newmont Merger Materialize?

Description

Consolidation in the commodities space is generally the name of the game. In particular, gold miners are always in search of more deposits. Finding junior partners to tie up with, or even tying the knot with larger competition, is an age-old way of securing long-term cash flow growth. That's what every investor wants after all, right?

In the case of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), acquisitions have become the talk of this company for some time. Failed talks with **Freeport-McMoRan** ([NYSE:FCX](#)) were the focus of Barrick investors earlier this year. Now, speculation is abounding about a potential merger with rival **Newmont Gold** ([TSX:NGT](#))(NYSE:NEM).

Can such a deal materialize? Let's discuss.

Failed Freeport deal signals small window to close these deals

One of the big reasons the Freeport-McMoRan talks fell apart was due to what Barrick cited as a window of opportunity that closed. Copper prices surged amid initial talks, and it now appears the landscape has shifted, to say the least.

Indeed, Freeport's market capitalization is significantly higher than Barrick's at the time of writing. Much of this has to do with the run in copper prices, which has sent shares of Freeport soaring. While Barrick investors may bemoan the deal that never happened, this signals the difficulty of getting mega deals done.

In 2019, Barrick tried unsuccessfully to merge with Newmont. However, of late, it appears potential discussions may be on the table to reignite old conversations about merging.

Barrick's CEO was recently quoted as saying, "Of course I'm open to things that create value." That is to say, there's a chance something could be brewing.

However, the notion that the companies could merge has been downplayed in recent interviews. Resistance from shareholders on the idea was cited as a reason it's unlikely such a deal could materialize. After all, Barrick has already gone down this road before.

The Barrick-Randgold merger appears to be the template shareholders want followed. The combination of two gold producers at market value is unlikely, given the rising price of gold of late. Accordingly, it appears unlikely such a deal could materialize right now.

Bottom line

Barrick continues to be in a premium market position as far as gold miners go. The company is slightly smaller than Newmont in terms of market capitalization. However, [Barrick's reserves](#) are world-class, and investors like Buffett have stepped into this name previously.

Accordingly, merger or no merger, this is a company I think investors should consider today. Barrick's leverage to the price of gold is a great thing for gold bugs and investors looking to hedge. I think a small slice of every portfolio could be allocated to a high-quality miner like Barrick. In fact, in times like these, I think it's a prudent idea.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Gold
2. growth stocks
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TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:FCX (Freeport-McMoRan Inc.)
3. NYSE:NEM (Newmont Mining Corporation)
4. TSX:ABX (Barrick Mining)
5. TSX:NGT (Newmont Mining Corporation)

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