



4 Reasons to Buy Barrick Gold Stock Today

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) had a rough run for a number of years, but the gold mining giant has turned the corner, and the market might not yet see the upside potential for the stock.

Turnaround progress

Barrick Gold started 2021 with zero net debt. That's quite a turnaround from several years ago when the company was being crushed by a debt position of US\$13 billion. Management embarked on an aggressive and ambitious turnaround plan that some analysts thought wouldn't succeed. In short, Barrick Gold wanted to return to its roots of being a nimble and lean organization focused on generating free cash flow for investors.

Barrick Gold streamlined its organization to cut costs and sold off non-core assets. The company cut half of its head office staff and eliminated the management layers between Toronto and the mines. A rebound in the price of gold helped the process and Barrick Gold got to the point in 2018 where it was comfortable making an acquisition. The company merged with Randgold Resources to create a firm with five of the planet's top 10 mines.

Gold outlook

Gold trades near US\$1,860 per ounce at the time of writing. That's down from the US\$2,080 it hit last summer but up considerably from US\$1,200 in 2018. The recovery in the price of gold could still be in the early innings, as favourable tailwinds remain in place.

The U.S. dollar appears set to go lower against a basket of key currencies. The dollar index is currently close to 90 compared to 97 a year ago. It enjoyed a bit of a rebound in the first quarter of 2021 but has subsequently resumed the downward trend. Heading into 2021, some analysts predicted a 20% slide for the dollar, driven by a strong economic recovery in the United States that would outpace other developed economies. Gold is priced in U.S. dollars and often catches a bid when the dollar slides.

The main story behind gold's pullback from August to March might be the move in 10-year treasury yields. The bond market went from being overbought to arguably oversold during that timeframe as the 10-year yield jumped from 0.5% to 1.75%. The situation has since calmed down, and the 10-year yield is back to about 1.5%.

Bitcoin and other cryptocurrencies have also come into play in the gold story. Pundits believe the drop in the price of gold from the August 2020 high to below US\$1,700 in March was influenced by the rally in digital currencies. The theory is that investors who would normally hold gold shifted the funds to play the crypto surge.

Bitcoin plunged after topping US\$64,000 in April. It has bounced off the recent lows back to US\$40,000 and remains volatile. Institutional investors might decide to [return to gold](#) as a hedge in the coming months, as calls for further pain in the crypto market become more common.

Dividends

Barrick Gold has tripled its [dividend](#) in the past three years to the current annualized payout of US\$0.36 per share. The company is also giving investors a special return of capital to the tune of US\$0.42 per share in 2021. Barrick Gold is generating strong free cash flow at existing gold prices, and another big dividend increase wouldn't be a surprise before the end of the year.

Valuation

Barrick Gold trades near \$28 per share compared to \$40 last summer. Based on the strong balance sheet and positive outlook for gold, the stock looks undervalued. If gold takes a run at US\$2,000 in the next 12 months, Barrick Gold could easily move back to the 2020 highs.

The bottom line

Barrick Gold has come a long way in its turnaround efforts. If you are searching for a gold miner to increase your exposure in the sector, Barrick Gold deserves to be on your buy list.

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