



Is Barrick Gold Stock Too Cheap to Ignore?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is a top Canadian gold stock on the **TSX Index**. The share price is well off the 2020 high, and investors with a bullish view on the price of gold wonder if Barrick Gold stock is [undervalued](#) and a good buy right now.

Barrick Gold turnaround

Barrick Gold is firmly on the path of returning to its roots when the company was nimble and focused on free cash flow rather than becoming big at all costs.

It took a near-death experience for the firm to right the ship. Barrick Gold splurged on expensive takeovers during the last gold rally and found itself getting crushed under a US\$13 billion mountain of debt. As gold prices tanked after the 2011 peak, margins evaporated, and Barrick Gold stock went into a tailspin. Investors watched the share price fall from more than \$50 in 2011 to below \$10 in 2015.

Since then, successful efforts to monetize non-core assets and a rebound in the price of gold helped Barrick Gold get back on its feet. The merger with Randgold Resources gave Barrick great assets and experience in the lucrative but politically challenging African market. Today, Barrick Gold owns five of the top 10 mines on the planet, and one of the new developments will add a sixth to the list.

Barrick Gold finished 2020 with zero net debt. That's an amazing turnaround, and investors are now reaping the benefits. The board has tripled the dividend since the fall of 2018 and is giving investors a bonus payment of US\$0.42 per share in 2021. This return of capital combined with the annualized dividend of US\$0.36 provides a total yield on the stock of about 3.7% at the current share price of US\$21 on the NYSE.

Gold market

Gold recently took a step back after hawkish comments from the U.S. Federal Reserve scared the market. The Fed now sees [two rate hikes](#) before the end of 2023. In the March Fed meeting the

officials didn't expect rates to increase before 2024. Higher interest rates can be a headwind for gold, as they boost the returns on no-risk investments that often compete with gold for funds. Gold doesn't pay you anything, so higher fixed-income yields boost the opportunity cost of owning the yellow metal.

On the positive side, gold could see a new flow of funds in the near term, as retail and institutional investors rotate out of cryptocurrencies. China is cracking down on Bitcoin miners, and traders who'd bought Bitcoin near the peak around US\$60,000 are now down 50% on their bets. A stampede out of cryptocurrencies could occur, and that should drive gold demand higher.

Inflation fears might also benefit gold. In the event inflation gets out of hand in the next few years, investors around the world could boost gold holding in an effort to preserve buying power.

Is this the time to buy Barrick Gold stock?

The gold pullback might be overdone, and Barrick Gold's stock price looks oversold. The stock trades near \$26 per share on the TSX Index compared to \$40 last August. Gold is down about 15% from the 2020 high, while Barrick Gold's share price is off 35%.

The Q2 results should be strong, and an earnings beat with good guidance through the end of the year could drive the shares higher. If you are bullish on gold in the long term, Barrick Gold deserves to be on your buy list today.

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