



Barrick Gold Stock: These Factors Make it a Great Buy Today

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is Canada's [largest gold producer](#). However, the company's copper portfolio is very valuable and is a significant portion of Barrick's intrinsic value. The recent rise in the price of copper has confirmed the metal's status as the world's most valuable industrial metal. The company's copper portfolio was a meaningful contributor to Barrick's bottom line in 2020.

Though Barrick's chloride leach project was impacted by COVID-19 restrictions in Chile, several of the company's mines have recently exceeded production guidance. Lumwana, a Barrick-owned mine, has consistently [outperformed expectations](#) in the recent past. The mine is a case study in value creation. After years of operational disappointment, diligent stewardship by Barrick's African and Middle Eastern (AME) team has achieved a remarkable turnaround.

Significant free cash

In the space of two years, production at Lumwana has increased by 23%, cost of sales per pound decreased by 20% and cash costs per pound have been cut by 25%. At current copper prices, the company reports that Lumwana is now capable of generating significant free cash flow annually for many years to come.

Further, Barrick sustains the company's reserve profile by purchasing quality ounces of metal. The company's total resources grew this year on the back of an increase in inferred resources, while 76% of reserves were replaced, net of depletion. Reflecting on the company's focus on ore body quality, Barrick maintained the company's above-average resource and reserve grade.

Focused on shareholder returns

As the Barrick's understanding ore bodies increases, and its drilling coverage improves, the potential for the conversion of resources to reserves should grow, but it appears it would take some time for Barrick to reach the reserve replacement levels of the mines in the Africa and Middle East region.

Overall, Barrick appears to be re-inventing itself. The new Barrick's foundational objective is to build a business capable of delivering the industry's best returns. Since announcement of a merger in September 2018, Barrick's share price has grown by 118% against a 92% increase in gold prices. Also, Barrick's quarterly dividend has been trebled, and the board has recommended that an additional \$750 million of surplus cash should be returned to shareholders as a return-of-capital distribution in 2021.

Capitalizing on higher gold and copper prices

A company that was burdened by net debt of more than \$13 billion as recently as 2013 now has zero net debt, no significant maturities for the next 10 years, and a robust balance sheet with strong liquidity consisting of \$5.2 billion in cash and an undrawn \$3 billion credit facility. Efficient operations and effective management have enabled it to capitalize fully on the higher gold and copper prices and to pass the rewards on to Barrick's investors as well as the company's community stakeholders.

These achievements were produced on the foundation of a solid 10-year plan built on a great asset base, a fit-for-purpose structure, and management teams that more than lived up to investor's expectations. The company is focused on further strengthening and diversifying the company's world-class talent, and in fostering an environment in which that talent can fully flourish.

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