



Barrick Gold Stock: Should You Buy Now?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is down 20% in 2021 and off 35% in the past 12 months. The terrible performance of the gold mining sector while the **TSX Index** hits record highs has some contrarian investor wondering if this is a good time to buy Barrick Gold and other mining stocks.

Earnings results

Barrick Gold reported steady Q2 2021 results, despite a hit due to a mechanical mill failure at its Carlin site that impacted production for the quarter. The company had Q2 2021 gold production of 1.041 million ounces compared to 1.149 million ounces in the same period last year. Nonetheless, Barrick Gold says it remains on track to meet its 2021 guidance.

Adjusted net earnings for the quarter came in at US\$513 million, or US\$0.29 per share, compared to US\$415 million, or US\$0.23 per share, in the same period last year. Higher gold prices helped offset the drop in production. The Q2 2021 realized gold price was US\$1,820 per ounce in the quarter compared to US\$1,725 in Q2 last year and all-in sustaining costs (AISC) were US\$1,087 per ounce, slightly above AISC of US\$1,031 reported for Q2 2020.

Mining is a machine-intensive business, and sometimes things break. Investors should look beyond the short-term setback when evaluating the stock.

Barrick Gold also has large copper operations that help differentiate the stock from its gold mining peers. The market might not fully appreciate the value of the copper business right now. Copper currently trades for close to US\$4.40 per pound. That's up from US\$2 in March 2020.

Opportunity

Barrick Gold continues to invest in exploration and development with a goal of expanding its resource-based 10-year plans to 15 or even 20 years. The gold mining industry as a whole is milking the benefits of higher prices rather than investing to replace high-quality reserves. This means a gold

shortage could arise in the coming years, and the companies with the best reserve base should outperform in the long run.

Barrick Gold says the success of its ongoing brownfield explorations in North America and Africa will more than offset reserve depletion in 2021. In addition, greenfield operations are targeting new discoveries in the broader Barrick old asset portfolio, including promising sites in Egypt, Guyana, Japan, Senegal, and Tanzania.

Balance sheet

Barrick Gold finished Q2 2021 US\$5 billion in cash. This gives the company good flexibility to make strategic investments for future growth. Barrick Gold is also rewarding shareholders. The board has tripled the dividend over the past three years to an annualized rate of US\$0.36 per share. Investors could see another big hike to the payout before the end of the year. In addition, Barrick Gold declared a US\$750 million return of capital for shareholders in 2021. That works out to about US\$0.42 per share on top of the dividend.

Should you buy Barrick Gold stock today?

Barrick Gold makes good money at current gold prices. The company is investing for the future, and gold could be in the early stages of a long-term rally. Volatility should be expected, but Barrick Gold's stock looks [undervalued](#) right now.

If you are positive on gold over the next five years, this stock should be on your buy list. The price of gold could easily retest US\$2,000 per ounce by the end of 2022. Barrick Gold currently trades near \$25 per share on the TSX Index. A run back to the 2020 high of \$40 by the end of next year wouldn't be a surprise.

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