



Will Barrick Gold (TSX:ABX) Stock Ever Recover?

Description

It's been almost a year since **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) stock breached its record \$40 levels. The world's second-biggest gold miner stock has been on a consistent decline since then. While broader markets have soared almost 25% in the last 12 months, Barrick Gold stock has lost 40%.

Barrick Gold stock continues to underperform

The first half of 2021 has been the exact opposite against the last year for gold miner stocks. The yellow metal was soaring higher early last year on the economic growth uncertainties. However, today we are nearing the pandemic's end, and global economic growth looks imminent. Concerningly, the bullion might continue to lag risky assets, at least for the next few quarters. So, how will Barrick Gold stock play in that case?

Apart from the weakness in yellow metal prices, Barrick Gold saw weaker quarterly performance during the first half of 2021. That just magnified the impact and weighed on the stock. Although net income surged during the first half of 2021, total gold production dropped a notable 11% compared to the same period in 2020.

Free cash flows also trended lower and fell 23% for the same period this year. Moreover, free cash flows were [lower](#) even when realized gold prices were 5% higher in Q2 2021 against last year.

What's next for ABX stock?

Barrick Gold is a \$45.5 billion gold and copper mining company with geographically diversified top-quality mines. In the last five years, Barrick's net income has increased by a handsome 30% compound annual growth rate.

However, investors might be concerned about the lowering production trend. In 2016, Barrick Gold produced 5.5 million ounces of gold, while the company aims to produce 4.6 million ounces of gold this year.

Along with decent financial long-term growth, Barrick Gold dons a robust balance sheet with zero net debt. Companies become net-debt-free when they have debt equivalent to the cash balance on the balance sheet. Notably, mining is a capital-intensive business, and companies carry a lot on debt of their books. That's why Barrick Gold's net-debt-free balance sheet stands tall in the industry.

ABX stock yields 1.5% at the moment. While the yield is not that attractive, its dividend growth has been quite encouraging in the last few years.

Risks

At the same time, gold prices might not be too helpful for the rest of the year for gold miners. The economic recovery seems on track which may force the Fed to ease the stimulus measures.

Even if there won't be a rush despite the increasing inflation, the central bank could start withdrawing the stimulus in the next few quarters.

This could weigh on the yellow metal and ultimately on miners' earnings. So, in a nutshell, subdued gold prices and flattish production could limit the upside for Barrick Gold stock.

Bottom line

Barrick Gold stock is currently trading 15 times its 2021 earnings and is fairly valued at the moment. However, it could continue to trade muted in tandem with the yellow metal. Also, a sharp earnings increase seems unlikely given the current production outlook.

Therefore, holding onto Barrick Gold stock could involve huge opportunity costs. Instead, some [discounted gold miner stocks](#) and [streamers](#) offer attractive investment propositions.

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Date

2025/08/13

Date Created

2021/09/02

Author

vinitkularni20

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