



Is Barrick Gold Stock a Buy Right Now?

Description

Commodity stocks are the big story of 2022, and [cyclicals](#) could be in the early days of a multi-year surge. Investors who missed the gold rally over the past few months are wondering which mining stocks might be good to buy today. Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) to see if it deserves to be a top pick.

Undervalued?

Barrick Gold trades near \$32.50 per share on the TSX at the time of writing. That's up more than 35% so far in 2022, but the stock is still way below the high near \$40 it hit in 2020 when the price of gold soared to US\$2,080 per ounce. Interestingly, gold currently trades at US\$2,000 per ounce. Given the health of the balance sheet and the outlook for gold and copper production this year, Barrick Gold appears [undervalued](#).

Turnaround success

Barrick Gold got itself into trouble about a decade ago when it made expensive acquisitions near the top of the last gold boom that topped out in late 2011. The plunge in gold and copper prices off their previous highs hammered revenue and resulted in a major selloff in the stock.

Management then put an aggressive turnaround plan in place that saw the company use asset sales and the profits from a rebound in gold prices to reduce debt from US\$13 billion several years ago to the situation where Barrick finished 2021 with net cash of US\$130 million.

Barrick Gold is best known for its gold mines, but the copper division is also growing and enjoying strong market prices. The company recently announced plans to move ahead with a major gold and copper project in Pakistan that has been on hold since 2011.

Dividends

Balance sheet strength and strong free cash flow generation sets the stage for Barrick Gold to return more cash to shareholders.

Barrick Gold raised the quarterly base dividend by 11% for 2022 to US\$0.10 per share. Barrick Gold also has a program in place that will pay out additional funds based on the net cash position at the end of each quarter. At the upper limit, Barrick Gold will pay an extra US\$0.15 per share if net cash at the end of the quarter is above US\$1 billion.

In 2021, investors received a special return of capital of US\$0.42 per share in addition to the US\$0.36 per share they received in dividends. The rise in the price of gold so far this year should set investors up for more bonus payouts.

Barrick Gold also put a share-buyback plan in place for 2022, where it will repurchase up to US\$1 billion in stock.

Gold outlook

Gold is viewed as a safe-haven investment in times of geopolitical and economic turmoil. The war in Ukraine has destabilized global markets. North Korean missile activity and ongoing COVID-19 lockdowns in China are adding to investor fears.

The yellow metal is also viewed as a good hedge against inflation. The rate of inflation in the United States hit 8.5% in March. Commodity prices continue to surge, and supply chain bottlenecks remain problematic. At the same time, record-low unemployment levels are driving up wages.

Should you buy Barrick Gold stock?

Gold prices can be volatile, so you have to be comfortable riding out the turbulence to own the gold miners. That being said, Barrick Gold has significant copper production that provides some balance to the revenue stream.

The stock looks undervalued based on current gold prices and the strength of the balance sheet. If you like the outlook for gold in the coming months and years, it might be worthwhile to add Barrick Gold to your portfolio at this level.

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Author

aswalker

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