



## Why Barrick Gold Is a Top Mining Stock to Own in 2022

### Description

Mining companies represent partial ownership in companies that extract and process minerals. The [mining sector](#) accounts for a large portion of the TSX, and the Canadian market has more mining stocks than any other country globally.

The minerals extracted by these companies include precious metals such as gold, platinum, silver, and palladium. It also includes industrial metals such as iron, ore, copper, lithium, nickel, and cobalt in addition to construction materials such as sand, limestone, and crushed stone.

Investing in mining stocks may not be easy due to the cyclical nature of this capital-intensive industry. You need to identify companies that can endure economic cycles and recessions by assessing their finances, production costs, and fundamentals.

As a rule of thumb, a mining company's revenue should be able to cover its cost of production, operating expenses, capital expenditures, and dividend payouts, if any. If operating costs are consistently lower, the mining company can enhance investor wealth over time. Further, the debt levels of the company should be sustainable to cover expansion plans.

Keeping these factors in mind, let's see why I am bullish on **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), which is one of the largest gold mining companies in the world.

### The bull case for Barrick Gold

Historically, the prices of gold and the performance of equity markets have an inverse relationship. Gold is viewed as an alternative asset class, a store of value, and a hedge against inflation. So, every time the stock market experiences a selloff, investors shift their capital towards lower-risk asset classes such as gold or bonds.

Right now, equity investors are wrestling with a range of issues that include higher interest rates, rising inflation numbers, geopolitical tensions, supply chain disruptions, compressed corporate earnings, surging commodity prices, and more. Each of these is a catalyst for higher gold prices, making gold

mining stocks enticing bets right now.

Barrick Gold is valued at \$51 billion, by [market cap](#). It has operations in several countries and also produces copper. One thing that differentiates Barrick Gold from other precious metal mining companies is its focus on tier-one assets. A tier-one mine produces at least 500,000 ounces each year with more than 10 years of productive life remaining. Further, it should also deliver total cash per ounce at the lower end of the industry curve.

Generally, [tier-one mines](#) generate a steady supply of low-cost copper and gold, allowing Barrick to maintain profitability when prices trend lower. Over the years, Barrick Gold has strengthened its balance sheet by selling non-core assets to lower debt levels. Its cash-rich balance sheet provides Barrick with the flexibility to grow its dividend as well as expand its tier-one portfolio.

## Recent quarterly results

Earlier this month, Barrick Gold reported its preliminary results for Q1 of 2022. The company sold one million ounces of gold and 113 million pounds of copper. It also produced one million ounces of gold and 101 million ounces of copper in Q1 of 2022.

ABX stock is valued at a forward price-to-earnings multiple of 19.7, which is quite reasonable. Analysts remain bullish on Barrick Gold and expect shares to rise by more than 30% in the next 12 months.

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araghunath

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