



Is Barrick Gold (TSX:ABX) a Strong Buy? Profit Surges Almost 19% in Q2 2022

Description

TSX's top mining stock advanced 3.32% to \$20.84 on August 8, 2022, after reporting an impressive profit growth in the second quarter (Q2) 2022. In the three months ended June 30, 2022, **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) reported US\$488 million in income, which is 18.73% higher versus Q2 2021. However, revenue slid 1.04% year over year to US\$2.86 billion.

Other highlights during the quarter includes the 0.19% increase in gold production to 1,043,000 ounces and higher average realized gold price (\$US1,861). Mark Bristow, Barrick's CEO, stressed during the conference call that the rise in profit was achieved, despite economic and global headwinds.

Materials sector

Materials (14.1%), where [metals and mining stocks](#) belong, is the third-largest sector on the TSX by percentage weight after financials (31.7%) and energy (19%). On a year-to-date basis, the sector underperforms (-7.85%) but is doing better than financials (-9.90%). Energy (+33.76%) remains the top-performing sector so far in 2022.

Barrick Gold also underperforms (-12.13%), although it stands out, because the \$36.9 billion company is one of the most valued gold and copper miner in the world. Also, it owns 61.5% Nevada Gold Mines (NGM), the single largest mining complex on Earth. Three tier-one assets (Carlin, Cortez, and Turquoise Ridge) form the core of NGM.

Apart from North America, Barrick has producing mines Latin America, Africa, the Middle East, and Asia Pacific. According to Bristow, the creation of long-term value is Barrick Gold's prime objective. He added that all the operations have business plans for the next 10 years and beyond. Moreover, the plans are based on geological, engineering, and commercial realities.

On course to achieve 2022 targets

Management said Barrick is on course to achieve its annual gold and copper production guidance

following the stronger performance across the portfolio in Q2 2022. Likewise, key growth projects are progressing. It expects gold production to grow further in the second half of the year, while copper should continue growing prospectively.

Barrick is expanding its global exploration footprint and looking for new frontiers. Bristow added, "There are challenging times ahead, but Barrick faces them with strong and agile leadership, a robust balance sheet, solid Life of Mine plans, a reliable cash flow and a strategy focused on sustainability and value creation."

Threats to the business

Soaring inflation is the among the biggest headwinds in 2022. Bristow said, "We're absolutely in inflationary times, and we can wish that away, but it's not going to happen until somebody does something about it, so we are dealing with costs. And on top of that, we've got the Eastern European crisis, which has brought a very stressed fuel market to bear."

Nevertheless, Bristow is confident that Barrick can handle the intensifying inflation because it has agility, diligence, innovation, and a highly skilled workforce. He said, "We're absolutely comfortable with our ability to manage the cyclicalities of the commodities that we mine." An increased production should also reduce costs.

Rock-steady dividends

Barrick Gold isn't immune to market volatility, but it remains a safety for risk-averse investors. While the dividend yield is a modest 2.57%, the payout should be rock steady.

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