



Why Is Everyone Talking About Barrick Gold Stock?

Description

TSX gold miner stocks have been the talk of the town recently, as they marched higher after prolonged weakness. However, the world's second-biggest miner, **Barrick Gold** ([TSX:ABX](#)) has been in the limelight for other reasons. Last week, it reported its annual production of 4.14 million ounces — its lowest in the previous 22 years.

Barrick Gold's production misses guidance

The news was not well received by market participants, and the stock lost almost 4% on the news. However, gold names have just begun trading strong only recently after a promising revival in the bullion. [TSX gold stocks](#) have gained more than 25% since November 2022, while Barrick Gold stock has soared a 32%. Gold surged around 17% in the same period.

Barrick Gold released its preliminary production numbers last week. It will report its fourth quarter (Q4) and annual earnings on February 15. The recently released production numbers came below the company's guidance for the year 2022. So, it has already set the tone for the revenue growth for last year. Moreover, margins and earnings growth will likely turn lower in its upcoming release, mainly due to record-high inflation.

Even if Barrick Gold is expected to report muted growth in its Q4 2022 numbers next month, the stock may not see substantial weakness in the short term. That's because the yellow metal seems to be in great touch and could continue to trade strong.

Why are TSX gold miner stocks rallying?

Gold stocks traded under pressure for the most part of 2022 due to weakness in the bullion. As interest rates soared at a rapid clip, Treasury yields and the U.S. dollar turned more attractive, which made gold lose its sheen. However, things could upturn this year. The rate-hike cycle might slow down or pause this year by Q3 2023, as inflation seems to be cooling down. So, the recessionary environment and relative easing of the U.S. dollar might push gold higher this year.

Gold miner names like Barrick Gold might see some improvement in the top line and margins later in the year. A similar optimism has pulled TSX gold miner stocks higher in the last few months.

For 2022, operational issues like repairs and upgrades at its mines in Nevada and Papua New Guinea pulled the production numbers lower. However, notably, Barrick Gold has been seeing flattish to declining gold production growth for the last few years.

Moreover, its revenues have increased by 7% compounded annually in the last five years, while all-in sustaining costs have grown by 9%. All-in sustaining costs is an important metric for gold miners and include all costs like sustaining capital, exploration expenses, cash costs, and other expenses.

Leaving aside its operational issues, Barrick Gold's balance sheet has notably improved in the last few years. It had a net debt of over \$8 billion by the end of 2020, turning into a cash-surplus company today. Mining is a capital-intensive business, and thus, miners generally carry boatloads of debt.

Valuation and conclusion

Barrick Gold stock is currently trading at a forward [price-to-earnings](#) ratio of 30. That looks stretched as peers' average is close to 25.

ABX stock is still trading 35% lower than its last year's highs of \$33.5. If gold continues to trade strongly on the easing macroeconomic front, ABX might see a race toward those levels later in 2023.

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vinitkularni20

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