

Barrick Gold Corp (GOLD)

\$26.18 (As of 08/12/20)

Price Target (6-12 Months): **\$30.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 08/06/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: A

Summary

Barrick's profits increased year over year in second-quarter 2020. Adjusted earnings and sales beat the respective Zacks Consensus Estimate. The company is expected to gain from progress of key growth projects. A significant portion of its exploration budget is allocated to the Americas. Its debt-reduction actions are also expected to lower interest expenses. The company also has a strong liquidity position and generates healthy cash flows. Moreover, its merger with Randgold and joint venture with Newmont provide additional upside. The joint venture combines their respective mining operations, assets, reserves and resources. The merger formed an industry-leading gold company. Higher gold prices are also likely to support margins. Barrick also has extensive regional presence across many of the world's most prolific gold districts.

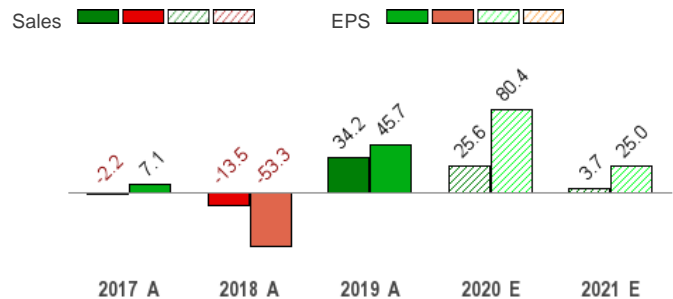
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$30.69 - \$12.65
20 Day Average Volume (sh)	18,652,562
Market Cap	\$46.5 B
YTD Price Change	40.8%
Beta	0.27
Dividend / Div Yld	\$0.32 / 1.1%
Industry	Mining - Gold
Zacks Industry Rank	Top 31% (78 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	21.1%
Last Sales Surprise	15.0%
EPS F1 Est- 4 week change	11.5%
Expected Report Date	11/04/2020
Earnings ESP	6.5%
P/E TTM	36.9
P/E F1	28.5
PEG F1	14.2
P/S TTM	4.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,319 E	3,478 E	3,452 E	3,440 E	12,659 E
2020	2,721 A	3,055 A	3,026 E	3,090 E	12,206 E
2019	2,093 A	2,063 A	2,678 A	2,883 A	9,717 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.31 E	\$0.32 E	\$0.31 E	\$0.23 E	\$1.15 E
2020	\$0.16 A	\$0.23 A	\$0.27 E	\$0.28 E	\$0.92 E
2019	\$0.11 A	\$0.09 A	\$0.15 A	\$0.17 A	\$0.51 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/12/2020. The reports text is as of 08/13/2020.

Overview

Barrick Gold Corporation, based in Toronto, Canada, is the largest gold mining company in the world. The company has many advanced exploration and development projects located across five continents.

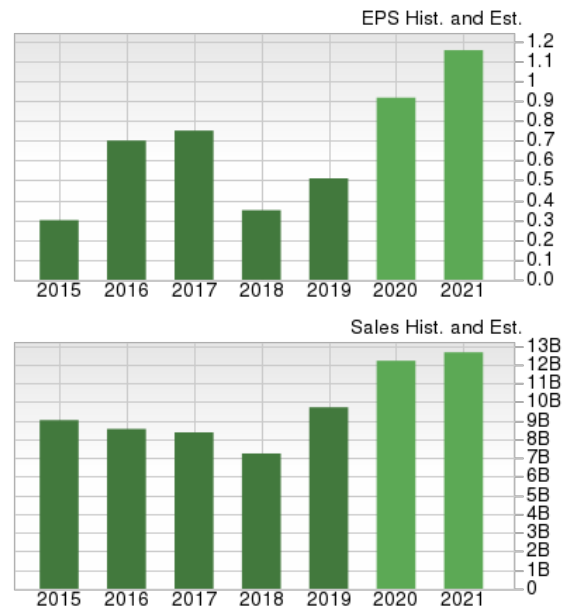
Barrick is placed amongst the top gold producers with peers, such as Newmont (based in the United States) and AngloGold Ashanti (based in South Africa). The company produced 5.5 million ounces of gold and 432 million pounds of copper in 2019. Barrick had 71 million ounces (oz) of proven and probable gold reserves and 13 billion pounds of copper reserves at the end of 2019. The company generated total revenues of \$9,717 million in 2019, up 34% year over year.

The company's strategy to create value for its shareholders is focused on the following key areas:

- Maximizing the benefits of rising metal prices by meeting operational and financial targets.
- Increasing gold and copper reserves and production through exploration and selective acquisitions.
- Maximizing the value of its existing mines and properties by leveraging its expertise and regional infrastructure.
- Growing production by investing in and developing high return projects.
- Continuing to improve corporate social responsibility practices to maintain and strengthen its license to operate.
- By executing on this strategy, the company expects to increase earnings and cash flow and enhance its shareholders' leverage to metal prices.

In September 2018, Barrick entered into a share-for-share merger agreement with Randgold Resources Limited. The merger was successfully completed on Jan 1, 2019. The deal formed an industry-leading gold company and strengthened Barrick's position.

Post-merger, Barrick has the ability to generate strong cash flow to support robust investment and return cash to shareholders. Higher operating metrics, including lowest total cash cost position as well as highest adjusted EBITDA margin are likely to support sustainable investment in growth and shareholder returns.



Reasons To Buy:

- ▲ Barrick's shares have rallied 44% in the past year, outperforming the industry's rise of 41.5%. Barrick remains committed to de-leverage its balance sheet. The company has cut its total debt by more than 50% over the past three years. Its total debt was around \$5.2 billion at the end of the second quarter, down 11% year over year. Further, its time-interest-earned ratio of 19.5 at the end of the second quarter rose from 16.7 in the prior quarter. The company's debt reduction actions should further lower its interest expenses. Also, Barrick has a strong liquidity position and generates healthy cash flows, which positions it well to take advantage of attractive development, exploration and acquisition opportunities. At the end of 2019, Barrick's cash and cash equivalents surged 111% year over year to \$3.3 billion and the same rose 74% year over year in second-quarter 2020. The company also announced a 40% dividend hike for fourth-quarter 2019 to 7 cents per share.
- ▲ Gold has been the bright spot this year as mounting fears over the coronavirus pandemic made it the most attractive safe-haven asset. A slump in crude oil prices, a low interest rate environment and geopolitical tensions also triggered demand for gold. Concerns over supply crunch arising from suspensions of operations by miners per government mandates also contributed to the gain in gold prices. In March 2020, gold prices surged past the \$1,700 an ounce level on the virus crisis and a sharp decline in oil prices triggered by Saudi Arabia's price war with Russia. Prices also crossed the \$1,800-an ounce mark in June and also surged past the \$1,900-an ounce mark in July. Gold prices also recently soared past the \$2,000-an ounce level for the first time on strong safe-haven demand. Meanwhile, Barrick's averaged realized price of gold also rose 31% year over year in the last reported quarter and boosted margins. Higher gold prices are expected to continue to drive earnings in 2020 amid market volatility and economic uncertainties.
- ▲ The company continues to make high return investments in its businesses. Barrick is expected to benefit from major exploration programs. The company maintains a significant focus on Nevada for growth opportunities. A significant portion of its exploration budget has been allocated to the Americas. The company's growth projects across Turquoise Ridge, Goldrush, and Cortez Deep South in Nevada are now in execution and are expected to start contributing to production starting 2021. Moreover, these growth projects are advancing as per schedule as well as within budget, which underpins the next generation of profitable production from the core region. Also, the combination of Turquoise Ridge and Twin Creeks delivers a tier one asset with another in the making at Goldrush. Presently, Nevada Gold Mines boasts 10 underground mines and 12 open pit mines, which have proven and probable reserves of more than 48 million ounces.
- ▲ Barrick should gain from its merger with Randgold, which formed an industry-leading gold company and fortified Barrick's position among senior gold peers such as Newmont and Agnico Eagle. Barrick now owns five of the industry's top 10 tier one gold assets, including the Cortez and Goldstrike in Nevada. Also, it has the lowest total cash cost position among senior gold peers along with high-quality gold reserves. Barrick also has extensive regional presence across many of the world's most prolific gold districts. These factors are likely to support the company's sustainable growth and create long-term value. Moreover, Barrick and Newmont inked an implementation deal to form a joint venture (JV) in Nevada. Barrick is the operator of the JV and own 61.5% and Newmont owns the remaining 38.5%. The JV combines their respective mining operations, assets, reserves and resources. The Nevada Gold Mines joint venture is expected to deliver synergies of \$450-\$500 million per year over the first five years of the full production of the project. This is projected to capture total pre-tax net present value of \$5 billion over a period of 20 years. Following the completion of the JV, the Nevada complex is expected to become the single-largest gold producer globally.

Barrick should gain from actions to cut debt and progress of its key projects. It also has a strong liquidity position. Moreover, the merger with Randgold and JV with Newmont provides additional upside.

Risks

- The company faces headwinds from higher costs in 2020. Higher costs on year-over-year basis mainly reflects the impact of lower recoveries and grades, higher energy costs along with higher mine site sustaining capital expenditures. The company projects all-in sustaining costs (AISC) in the range of \$920-\$970 per ounce for 2020. The projected figure is much higher than \$894 per ounce recorded in 2019. Moreover, the company expects cost of sales for 2020 in the range \$980-\$1,030 per ounce, higher than \$924 per ounce recorded in 2019. Also, cost of sales per ounce rose around 13% year over year in 2019. AISC rose 19% year over year in the last reported quarter while cost of sales rose 12%. As such, higher mining costs may continue to exert pressure the company's margins.
 - The company's stretched valuation is another concern. In case of Barrick, the trailing 12-month EV/EBITDA multiple (a preferred valuation metric for cyclical industries like mining) is 79.56 whereas its industry's trailing 12-month EV/EBITDA multiple is lower at 32.03. As such, investors might not want to pay more for Barrick's stock.
 - The outbreak of deadly coronavirus in China may hurt gold demand in the short term. While the companies operating in this space are seeing a spike in gold prices, Chinese demand for gold could be in doldrums. China is the largest consumer of gold in the world and the outbreak could have a cascading effect globally. Moreover, gold demand in India, another key market, is expected to witness a considerable fall in 2020. As such, an expected slowdown in demand may have an impact on the company's production and sales.
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Last Earnings Report

Barrick's Earnings and Sales Surpass Estimates in Q2

Barrick recorded net earnings (on a reported basis) of \$357 million or 20 cents per share in second-quarter 2020, up from \$194 million or 11 cents in the year-ago quarter.

Barring one-time items, adjusted earnings per share increased 155.6% year over year to 23 cents. The figure also beat the Zacks Consensus Estimate of 19 cents.

Barrick recorded total sales of \$3,055 million, up 48.1% year over year. The figure topped the Zacks Consensus Estimate of \$2,656.5 million.

Quarter Ending 06/2020

Report Date	Aug 10, 2020
Sales Surprise	15.00%
EPS Surprise	21.05%
Quarterly EPS	0.23
Annual EPS (TTM)	0.71

Operational Highlights

Total gold production amounted to around 1.15 million ounces in the second quarter, down 15.1% year over year from 1.35 million ounces. Average realized price of gold was \$1,725 per ounce in the quarter, up 31% year over year.

Cost of sales moved up 12% year over year to \$1,075 per ounce. All-in sustaining costs (AISC) rose 19% year over year to \$1,031 per ounce in the quarter.

Copper production increased 24% year over year to 120 million pounds. Average realized copper price was \$2.79 per pound, up 6% year over year.

Financial Position

At the end of the second quarter, Barrick had cash and cash equivalents of \$3,743 million, up 74% year over year. The company's total debt was \$5,168 million at the end of the quarter, down 11% year over year.

Net cash provided by operating activities surged 137.6% year over year to \$1,031 million.

Guidance

For 2020, Barrick continues to anticipate attributable gold production in the range of 4.6-5 million ounces. AISC is expected in the range of \$920-\$970 per ounce, unchanged from the prior view. Cost of sales is expected in the range of \$980-\$1,030 per ounce, unchanged from the previous guidance.

The company continues to expect copper production in the range of 440-500 million pounds at AISC of \$2.20-\$2.50 per pound and cost of sales of \$2.10-\$2.40 per pound.

Capital expenditures are projected between \$1,600 million and \$1,900 million.

Recent News

Barrick Inks Definitive Deal For Eskay Creek Project

On **Aug 4, 2020**, Barrick's fully-owned subsidiary, Barrick Gold Inc, announced that it has entered into a definitive agreement with Skeena Resources Limited. Per the agreement, Skeena will exercise its option to purchase the Eskay Creek project. Barrick will also waive its back-in right on the Eskay Creek project.

Further, the consideration for the transaction includes issuance of 22,500,000 units by Skeena. Each unit issued will comprise one common share of Skeena and one-half of a warrant. Each full warrant entitles Barrick to acquire one additional common share of Skeena at an exercise price of C\$2.70 each, until the second anniversary of the closing date. The transaction also includes a grant of 1% net smelter return (NSR) royalty on the entire Eskay Creek land package and a contingent payment of C\$15 million. The deal is expected to close in fourth-quarter 2020, subject to customary conditions.

Post the transaction closure, Barrick will hold 24,075,000 Skeena common shares that represents around 12.4% of Skeena's issued and outstanding common shares on a pro-forma basis. If the warrants are exercised in full pursuant to the transaction, Barrick will hold around 17.2% of Skeena's issued and outstanding common shares. Notably, Barrick is acquiring the Units for investment purposes.

Barrick and Loncor Strengthen Partnership in DRC

On **Jun 24, 2020**, Barrick and Loncor Resources Inc.'s subsidiary — Adumbi Mining SARL — announced that they have inked a new joint venture agreement for two exploitation permits obtained by Adumbi Mining. The permits cover the ground adjoining the Loncor's Imva area within the Ngayu gold belt in the northeast of the Democratic Republic of the Congo ("DRC").

The purpose of this new JV is to conduct exploration activities on the JV permit properties held by Adumbi Mining for evaluating possible development and mining opportunities.

Notably, the Ngayu gold belt is operated by Barrick and lies roughly 220 kilometers from the Kibali gold mine. In 2019, Kibali produced 814,000 ounces of gold at all-in sustaining costs per ounce of \$693.

Per the new JV, Barrick will provide funds and manage all exploration operations of the earlier mentioned JV permit properties until the pre-feasibility study is completed. A special purpose vehicle ("SPV") will be formed to hold the specific discovery areas once the JV committee decides to go ahead with a full feasibility study.

Barrick will hold 65% of the SPV and Adumbi Mining will retain the remaining 35% interest, in accordance with the DRC's free carried interest requirements.

Valuation

Barrick's shares are up 40.9% in the year-to-date period and up 44% over the trailing 12-month period. Stocks in the Zacks Mining - Gold industry and the Zacks Basic Materials sector are up 36.6% and down 0.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 41.5% and 12.1%, respectively.

The S&P 500 index is up 3.4% in the year-to-date period and up 17.5% in the past year.

The stock is currently trading at 1.53X trailing 12-month tangible book value, which compares to 4.72X for the Zacks sub-industry, 2.42X for the Zacks sector and 4.64X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.79X and as low as 0.54X, with a 5-year median of 1.51X.

Our Outperform recommendation indicates that the stock will perform better than the market. Our \$30 price target reflects 1.75X tangible book value.

The table below shows summary valuation data for GOLD:

Valuation Multiples - GOLD					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.53	4.72	2.42	4.64
	5-Year High	2.79	5.37	3.07	4.68
	5-Year Low	0.54	0.74	1.23	2.83
	5-Year Median	1.51	1.56	2.2	3.74
P/E F12M	Current	24.89	19.55	15.08	22.6
	5-Year High	46.73	80.97	21.05	22.62
	5-Year Low	13.12	16.99	9.86	15.25
	5-Year Median	22.68	26.06	13.53	17.58
P/S TTM	Current	4.11	3.79	2.89	3.73
	5-Year High	5.14	5.33	3.16	3.76
	5-Year Low	0.72	1.1	1.42	2.43
	5-Year Median	2.21	2.71	2.48	3.21

As of 08/12/2020

Industry Analysis Zacks Industry Rank: Top 31% (78 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Agnico Eagle Mines Limited (AEM)	Outperform	3
AngloGold Ashanti Limited (AU)	Outperform	1
Yamana Gold Inc. (AU)	Neutral	2
B2Gold Corp (BTG)	Neutral	3
Eldorado Gold Corporation (EGO)	Neutral	2
Gold Fields Limited (GFI)	Neutral	3
Iamgold Corporation (IAG)	Neutral	3
Kinross Gold Corporation (KGC)	Neutral	3

Industry Comparison Industry: Mining - Gold				Industry Peers		
	GOLD	X Industry	S&P 500	AEM	IAG	KGC
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	D	-	-	C	A	A
Market Cap	46.55 B	690.16 M	23.75 B	18.74 B	1.89 B	10.72 B
# of Analysts	7	1	14	3	5	7
Dividend Yield	1.07%	0.00%	1.68%	1.03%	0.00%	0.00%
Value Score	F	-	-	D	B	A
Cash/Price	0.06	0.04	0.07	0.03	0.39	0.13
EV/EBITDA	7.09	-2.32	13.35	14.49	-40.32	6.59
PEG Ratio	14.23	1.98	2.98	43.37	4.93	NA
Price/Book (P/B)	1.51	2.18	3.20	3.58	0.79	1.91
Price/Cash Flow (P/CF)	51.60	13.04	12.97	23.90	7.24	9.26
P/E (F1)	28.46	24.70	22.17	43.37	14.78	12.58
Price/Sales (P/S)	4.11	4.11	2.54	7.03	1.68	2.85
Earnings Yield	3.51%	3.20%	4.31%	2.30%	6.77%	7.98%
Debt/Equity	0.17	0.01	0.77	0.36	0.19	0.48
Cash Flow (\$/share)	0.51	0.21	6.94	3.24	0.55	0.92
Growth Score	C	-	-	C	A	A
Hist. EPS Growth (3-5 yrs)	1.47%	19.11%	10.41%	33.89%	NA	63.88%
Proj. EPS Growth (F1/F0)	79.55%	65.22%	-6.32%	83.85%	775.00%	99.16%
Curr. Cash Flow Growth	120.54%	7.39%	5.22%	241.35%	-12.74%	28.17%
Hist. Cash Flow Growth (3-5 yrs)	-18.05%	5.07%	8.55%	6.80%	-0.44%	2.79%
Current Ratio	3.82	2.96	1.33	3.27	4.28	3.76
Debt/Capital	14.33%	1.32%	44.59%	26.73%	15.93%	32.48%
Net Margin	39.00%	12.33%	10.13%	18.46%	-32.46%	23.96%
Return on Equity	4.24%	1.45%	14.59%	5.46%	0.47%	11.03%
Sales/Assets	0.25	0.27	0.51	0.30	0.29	0.40
Proj. Sales Growth (F1/F0)	25.62%	16.56%	-1.40%	20.18%	11.14%	17.52%
Momentum Score	A	-	-	C	B	A
Daily Price Chg	-0.27%	0.00%	0.67%	0.06%	-0.99%	-0.23%
1 Week Price Chg	-0.14%	0.00%	2.30%	3.60%	-7.83%	0.43%
4 Week Price Chg	-3.36%	5.36%	4.87%	17.52%	-9.93%	11.23%
12 Week Price Chg	-3.93%	26.75%	13.54%	15.81%	2.57%	16.08%
52 Week Price Chg	44.00%	34.66%	6.06%	32.45%	19.82%	76.03%
20 Day Average Volume	18,652,562	852,493	2,006,991	1,792,171	5,948,951	18,992,520
(F1) EPS Est 1 week change	2.72%	0.00%	0.00%	0.00%	-2.88%	0.00%
(F1) EPS Est 4 week change	11.48%	8.05%	1.95%	11.33%	71.43%	26.74%
(F1) EPS Est 12 week change	8.53%	8.53%	2.72%	11.33%	29.81%	23.44%
(Q1) EPS Est Mthly Chg	20.90%	4.39%	0.84%	10.00%	44.44%	35.37%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	C
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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