

Barrick Gold

Q4'23A + 2024 guide: surprising "3-handle" on the low end of gold production guide

Maintain Rating: BUY | PO: 20.00 USD | Price: 14.15 USD

\$1 billion buy-back a potentially compelling offset

This morning, Barrick (GOLD) reported Q4'23 financials (production results were pre-reported) and provided 2024 guidance. Q4'23 adjusted EPS was better than expected, while 2024 guidance disappointed. At 3.9-4.3 million ounces (Moz), we think that the market will be negatively surprised by 2024 gold production guidance that includes a low end in the 3Moz range. While our forecast is near the mid-point of the range, it is below the consensus forecast as well as where we believe market expectations were. Unit cost guidance was higher than expected (see Exhibit 2 on page 2). On the other hand, GOLD announced a new \$1 billion share buy-back program, that if executed, should offer strong support for the shares. We like GOLD for its high-quality assets, strong free cash flow, substantial exploration upside, and solid long-term production growth. Thus, despite the disappointing 2024 operating guidance, we maintain our Buy rating.

Q4'23 financials: adjusted EPS better than forecast

GOLD reported Q4'23 adjusted EPS of \$0.27, versus BofAe at \$0.24, Bloomberg consensus at \$0.22, and Visible Alpha (VA) consensus at \$0.23. Q4'23 total cash costs (TCC) were reported today at \$982 per ounce (/oz) and all-in sustaining costs (AISC) at \$1,364/oz. Both were in line with GOLD's prior guidance. Q4'23 copper C1 cash costs were reported at \$2.17 per pound (/lb) and copper AISC of \$3.12/lb were relatively in line with BofAe at \$2.18/lb and \$3.19/lb, respectively, and also in line with prior guidance. The better-than-expected adjusted EPS looks to be driven primarily by tax.

2024 guidance: gold production below consensus forecasts

GOLD provided 2024 guidance of 3.9-4.3Moz, relatively in line to BofAe at 4.19Moz but on average 5% below Bloomberg and Visible Alpha (VA) consensus, both at 4.3Moz and surprising, with the low end in the 3Moz range. Gold segment TCC and AISC guidance for 2024 at \$940-\$1,020/oz and \$1,320-\$1,420/oz, respectively, was 18% and 22% higher than BofAe, 9% and 10% higher than Bloomberg, and 10% and 11% higher than VA. For the copper segment, GOLD is guiding to production of 397-463 million pounds (Mlbs). On average, this is 11% below BofAe, 6% below Bloomberg, and 8% below VA. Copper segment C1 cash costs of \$2-\$2.30/lb and AISC of \$3.10-\$3.40/lb were above BofAe and consensus.

Net debt up from last quarter but below BofAe

GOLD reported net debt of \$578 million (mn) as at 31 December 2023, up from net debt of \$514mn as at 30 September 2023 but below BofAe at \$803mn. In Q4'23, GOLD generated free cash flow (FCF) of \$136mn, well above our estimate of negative \$9mn. The Q4'23 dividend was declared at \$0.10 per share, representing just the base dividend (given net debt position, as per policy). Total capex guidance for 2024 at \$2.5-\$2.9 billion (bn) is 15% higher than BofAe but 6% and 8% lower than Bloomberg and VA consensus. Goldrush, which received all required permits in December, is on budget for \$1bn (100% basis).

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Stock Data

Price	14.15 USD
Price Objective	20.00 USD
Date Established	20-Nov-2023
Investment Opinion	B-1-8
52-Week Range	13.82 USD - 20.75 USD
Mrkt Val (mn) / Shares Out (mn)	24,841 USD / 1,755.5
Free Float	99.3%
Average Daily Value (mn)	268.64 USD
BofA Ticker / Exchange	GOLD / NYS
Bloomberg / Reuters	GOLD US / GOLD.N
ROE (2023E)	6.2%
Net Dbt to Eqty (Dec-2022A)	1.1%
ESGMeter™	Medium

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Q4'23 results, 2024 guidance

Exhibit 1: GOLD Q4'23 Financial Results

Adjusted EPS beat BofAe and consensus estimates, largely due to lower tax expense.

	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	BofAe Q4'23	Δ%	Bloomberg Q4'23E cons.	Δ%	VA Q4'23E cons.	Δ%
Q4 2023 Results											
Sales	3,059	2,774	10%	2,862	7%	3,174	-4%	3,121	-2%	3,124	-2%
Depreciation	564	604	-7%	504	12%	532	6%	525	7%	519	9%
EBITDA, unadjusted	1,144	-294	-489%	1,359	-16%	1,371	-17%	1,340	-15%	1,423	-20%
Adjusted EPS (US\$/sh)	0.27	0.13	112%	0.24	11%	0.24	10%	0.22	21%	0.23	18%
Cash flow before w/c changes (US\$m)	997	900	11%	1,174	-15%	1,080	-8%	NA	nm	NA	nm
FCF (US\$m)	136	-96	-242%	359	-62%	-9	NA	223	-39%	247	-45%
Net debt / (net cash) (US\$m)	578	342	69%	514	14%	803	-28%	627	-8%	608	-5%
						BofAe		Bloomberg		VA	
Production (attrib)	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	Q4'23	Δ%	Q4'23E cons.	Δ%	Q4'23E cons.	Δ%
Total gold (koz)	1,054	1,120	-6%	1,039	1%	1,054	0%	1,090	-3%	1,069	-1%
Gold sales (koz, attrib.)	1,042	1,111	-6%	1,027	1%	1,042	0%	1,023	2%	1,069	-3%
						BofAe		Bloomberg		VA	
Copper production (Mlbs, attrib)	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	Q4'23	Δ%	Q4'23E cons.	Δ%	Q4'23E cons.	Δ%
Total copper (Mlbs)	113	96	18%	112	1%	113	0%	120	-6%	118	-4%
Copper sales (Mlbs, attrib.)	117	99	18%	101	16%	117	0%			118	0%
						BofAe		Bloomberg		VA	
Total Cash Costs (US\$/oz)	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	Q4'23	Δ%	Q4'23E cons.	Δ%	Q4'23E cons.	Δ%
NGM (61.5%)	968	839	15%	921	5%	946	2%	914	6%	914	6%
Loulo-Gounkoto (80%)	924	822	12%	773	20%	950	-3%	812	14%	860	7%
Pueblo Viejo (60%)	1,070	764	40%	935	14%	950	13%	920	16%	972	10%
Kibali (45%)	737	617	19%	694	6%	850	-13%	676	9%	748	-1%
North Mara (84%)	1,103	758	46%	999	10%	1,050	5%	791	39%	988	12%
Veladero (50%)	1,021	954	7%	988	3%	1,000	2%	934	9%	1,024	0%
Bulyanhulu (84%)	1,002	896	12%	859	17%	975	3%	933	7%	958	5%
Tongon (89.7%)	1,184	1,070	11%	1,217	-3%	1,350	-12%	1,148	3%	1,285	-8%
Hemlo	1,407	1,227	15%	1,502	-6%	1,500	-6%	1,273	11%	1,460	-4%
Consolidated gold	982	868	13%	912	8%	982	0%	911	8%	962	2%
						BofAe		Bloomberg		VA	
C1 cash costs (\$/lb)	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	Q4'23	Δ%	Q4'23E cons.	Δ%	Q4'23E cons.	Δ%
Lumwana	2.14	2.34	-9%	1.86	15%	2.05	4%	2.06	4%	2.12	1%
Zaldivar (50%)	2.93	2.69	9%	2.99	-2%	2.80	5%	2.63	12%	2.71	8%
Jabal Sayid (50%)	1.32	1.42	-7%	1.45	-9%	1.60	-18%	1.44	-8%	1.51	-12%
Consolidated copper	2.17	2.25	-4%	2.05	6%	2.18	0%	2.09	4%	2.21	-2%
						BofAe		Bloomberg		VA	
All-in sustaining costs (AISC) - gold	1,364	1,242	10%	1,255	9%	1,369	0%	NA	nm	1,352	1%
All-in sustaining costs (AISC) - copper	3.12	3.98	-22%	3.23	-3%	3.19	-2%	3.13	0%	2.99	4%

Source: BofA Global Research, Bloomberg, Company Reports, Visible Alpha

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Exhibit 2: GOLD 2024 Guidance Summary

2024 gold production guidance was below consensus expectations.

	2024 Guidance	BofAe	BB Cons.	VA Cons.	% vs. BofAe	% vs. BB	% vs. VA
Gold production (Moz)	3.9 - 4.3	4.2	4.3	4.3	-2%	-5%	-5%
Copper production (Mlbs)	397 - 463	482	458	466	-11%	-6%	-8%
TCC - gold	940 - 1,020	829	899	894	18%	9%	10%
AISC - gold	1,320 - 1,420	1,121	1,244	1,236	22%	10%	11%
C1 costs - copper	2.00 - 2.30	1.74	2.21	2.14	23%	-3%	0%
AISC - copper	3.10 - 3.40	2.55	N/A	2.99	27%	-	9%
Sustaining capex	1,550 - 1,750	1,427	N/A	N/A	16%	-	-
Growth capex	950 - 1,150	923	N/A	N/A	14%	-	-
Total capex	2,500 - 2,900	2,350	2,858	2,944	15%	-6%	-8%

Source: BofA Global Research, Bloomberg, Company Reports, Visible Alpha

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Price objective basis & risk

Barrick Gold (GOLD)

Our price objective (PO) for Barrick Gold is \$20.00 per share and is based on the stock trading at 1.00 times our estimated net asset value (NAV). Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with unhedged, growth-oriented producers with assets located in relatively geopolitically stable regions occupying the upper end of the range. Preventing us from assigning a higher target P/NAV multiple is Barrick's stable gold output. Downside risks to our price objective are: commodity price weakness, the inability to secure financing for expansion or development projects, unforeseen operating problems, political or legal challenges in the regions in which the company operates, rising capital and operating costs and delays in the development of its growth projects.

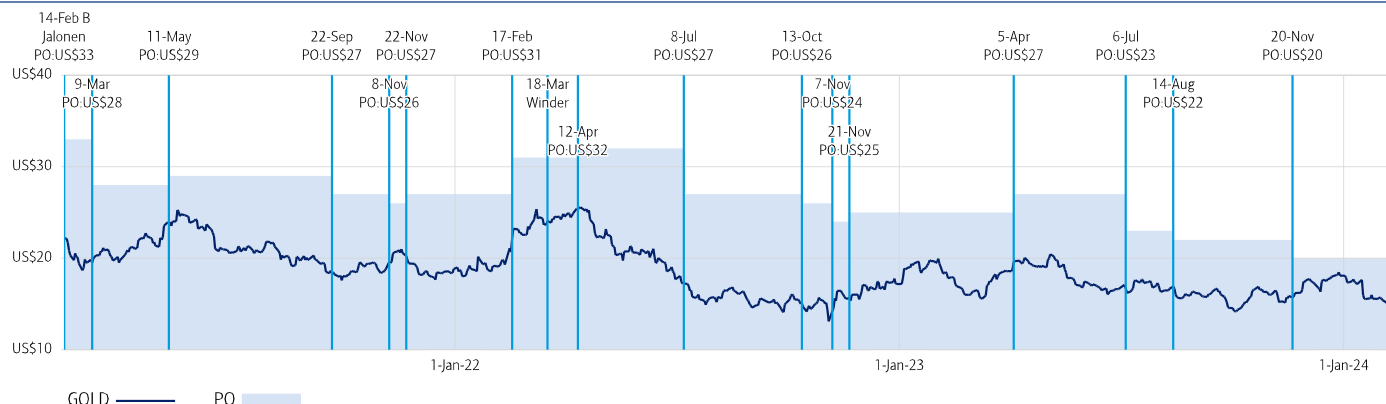
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Barrick Gold (GOLD) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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