



Rating
Buy

North America
Canada

Industrials
Metals & Mining

Company
Barrick Alert

Reuters
ABX.N

Bloomberg
ABX US

Exchange
NYS

Ticker
ABX

Date
17 September 2017

Company Update

Price at 16 Sep 2017 (USD)	17.30
Price target	21.00
52-week range	20.43 - 13.95

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Tanzania mining export ban coming to a head?

Export ban impacting Acacia Mining ongoing since March

On March 3rd, Tanzania imposed an export ban on gold/copper concentrate for publicly-listed subsidiary, Acacia Mining (ACAA.L, GBP1.81, NR). The government accused the \$1bn market cap company of evading taxes by under-reporting export volumes, claiming ~\$40bn of unpaid taxes and \$150bn of penalties/interest are owed. Acacia accounts for ~10% of Barrick's consolidated gold volumes but 7% on an "attributable" basis due to its 64%-ownership, the rest being publicly held. Barrick management have been in talks with the government since early July (without presence of Acacia Mining reps). On July 1st a new Finance Act became law authorizing a 1% clearing fee on value of all minerals exports. *Direct meetings between Barrick and Tanzania continue, and Richard Williams, COO, is expected to meet with the government early next week which may bring simmering issues to a head.*

Background and latest news

Acacia operates three mines in Tanzania: Bulyanhulu, Buzwagi and North Mara (not impacted by ban as produces only doré; ~43% of ABX's Tanzania derived 2016 revenue), producing gold/silver bars and a mixed concentrate (gold, silver and copper). On 9/4, a "reduction in operational activity" at Bulyanhulu was announced as \$265m of gold concentrate inventory has build-up and cash outflows of ~\$15m/month rendered operations unsustainable. Total upfront shutdown cost estimated at \$20-25m, in addition to 2 months of working capital outflows (~\$35-40m). This process would take several months as mine being kept in a restart-ready mode. Company plans to reduce headcount costs as negotiations continue and foresees positive cash generation in early 2018. Acacia revised down its 2017 annual production guidance by 12% to 750-800koz (previously 850-900koz); Capex guided at \$160m (previously \$190m). Acacia accounts for ~604koz of 2017E Barrick production, or ~10%. Revenues estimated at \$750m for 2017 (~10%). Bulyanhulu represents ~3% Barrick's consolidated 2017E production, while Buzwagi is estimated at 2%.

Assessing potential impact to gold price and Barrick

While 2017E total global mine production is estimated at 3,100t, Tanzania is accounting for ~1.3% and Acacia ~0.7%. Therefore, we believe near-term impact of further possible production cuts to gold price would be limited. We do note, while negotiations have become extended, Tanzania and Acacia have thus far shown little progress. Given the magnitude of the fines/back taxes sought by the government, it is difficult to handicap an outcome. *We estimate Barrick's NPV to be \$22bn (\$19/sh, PT set at 1.1x NPV = \$21) and retain our Buy as the impact of the ban could prove to be small. Further, Barrick has also continuously improved its Balance Sheet in the past quarters and is focusing on unlocking additional value for key development projects, particularly Pascua-Lama, a more important medium-term valuation-driver.*

Stock & option liquidity data

Market Cap (USDm)	20,167.5
Shares outstanding (m)	1,165.8
Free float (%)	100
Volume (16 Sep 2017)	4,089,730
Option volume (und. shrs., 1M avg.)	2,873,118

Source: Deutsche Bank

Key data

FYE 12/31	2016A	2017E	2018E
1Q EPS	0.11	0.14A	0.15
2Q EPS	0.14	0.22A	0.16
3Q EPS	0.24	0.18	0.15
4Q EPS	0.22	0.20	0.15
FY EPS (USD)	0.70	0.74	0.61
P/E (x)	23.2	23.3	28.3

Source: Deutsche Bank

* Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

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