



Rating
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North America
Canada

Industrials
Metals & Mining

Company
Barrick Alert

Reuters
ABX.N

Bloomberg
ABX US

Exchange
NYS

Ticker
ABX

Date
30 October 2017

Company Update

Price at 30 Oct 2017 (USD)	14.69
Price target	19.00
52-week range	20.43 - 13.95

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Notes from the road: Focus on unlocking organic options

De-leveraging largely done, focus mainly on organic portfolio opportunities

We recently roadshowed Barrick management for a NDR in New York. Discussion centered on: 1) Tanzania proposed ownership/operating framework, 2) Unlocking value from development projects, e.g. Pascua Lama, 3) the value of the copper portfolio (~16% of company revenue at spot of US\$3.10/lb and c.430m lbs), and 4) Barrick's technology/digitalization program. Barrick is focused on maximizing cash flow/return on capital over production ounces. To see a stronger equity performance, Barrick aims for greater consistency, a lower perception of risk, development of organic opportunities and lower debt (currently US\$6.45bn). We believe the sell-off (Barrick lost ~\$1.6bn of market cap the past week) post the 3Q17 result was too severe and recommend buying with a stronger 4Q17 expected and Tanzania only c. 6% of total 2017E revenue.

Organic opportunities - Nevada still the driver

Barrick has 4 main project opportunities medium term, including 1) Turquoise Ridge Third Shaft (for ~\$325m), 2) Lagunas Norte Mine life Extension, 3) Cortez Hills, feasibility work has been submitted for internal review, and 4) Goldrush, construction has now commenced with a goal of converting the exploration decline into production. Barrick will complete feasibility work in a staged approach at Pascua-Lama, focusing on underground block caving. An intensive drilling program is underway (due by March). Barrick has opportunities to add further JV partners for funding/risk sharing; in our view it may make sense to add a block caving expert partner.

Tanzania - putting into context

An outline was recently proposed to share economic benefits 50/50 with the Tanzanian government, which needs to be voted and approved. The settlement of the existing tax dispute may require up to \$300m. Barrick is optimistic that full resolution will be obtained by 1H18. Tanzania represents 7% of 2017E production and 6% of revenue.

Technology/digitalization will take time to deliver results

Digitalization involves a shift in philosophy at mine sites and will therefore take time to be accepted by all workers for full benefit and a complete cultural change. Cortez in Nevada is used as the pilot site, including further automation. Underground mining is where the greatest opportunities lie.

Stronger 4Q17 result due, portfolio optimization continues

4Q17 is expected to see higher production at a number of operations including Veladero and Lumwana. Guidance of 5.3-5.5moz implies at least 1.3moz (DBE 1.4m oz) in 4Q17 vs 1.2m in 3Q17. Barrick is aiming for resolution on Turquoise Ridge processing with Newmont by January 2018. Barrick is also working on optimizing non-core assets such as KCGM ownership.

Stock & option liquidity data

Market Cap (USDm)	17,124.9
Shares outstanding (m)	1,165.8
Free float (%)	100
Volume (30 Oct 2017)	2,393,822
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	0.18
2Q EPS	0.14	0.22A	0.17
3Q EPS	0.24	0.16A	0.17
4Q EPS	0.22	0.20	0.17
FY EPS (USD)	0.70	0.72	0.68
P/E (x)	23.2	20.3	21.5

Source: Deutsche Bank

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