



Rating
Hold

North America
Canada

Industrials
Metals & Mining

Company
Barrick Gold Alert

Reuters
ABX.N

Bloomberg
ABX US

Exchange
NYS

Ticker
ABX

Date
1 August 2013

Company Update

Price at 1 Aug 2013 (USD)	16.81
Price target	20.00
52-week range	42.86 - 13.76

Jorge Beristain, CFA

Research Analyst
(+1) 203 863-2381
jorge.beristain@db.com

Wilfredo Ortiz

Research Analyst
(+1) 212 250-3251
wilfredo.ortiz@db.com

David S Martin

Research Analyst
(+1) 212 250-5580
david.s.martin@db.com

Conference call highlights: proactively responding to commodity weakness

Comprehensive plan to manage cash flow makes equity issuance less likely:

While we concede that management action was likely dictated by Barrick's highest-NA Gold-coverage debt load (2.2x Net Debt/EBITDA), we are nonetheless impressed by the comprehensive cash management program rolled out today. Plan includes \$4bn in capex cuts/deferrals over 4 years, an immediate 6% reduction in cash operating costs and a 15% cut to exploration expenditures. A 75% reduction in dividends will save further \$600m p.a. A portfolio review should see some marginally profitable mines (defined as those with AISC > \$1,000/oz) either shuttered or sold. If Barrick is able to deliver on these targets, we believe a potential equity raise may be averted even in a ~\$1,300/oz gold price environment. We reiterate Hold rating and \$20/sh PT.

Net debt to grow ~\$1.2bn p.a., but IG unlikely to be at risk near-term: We expect Barrick will need to raise \$1.2bn in debt p.a. at going production rate/commodity prices to fund its discretionary capex. With \$3.8bn in capacity before reaching 2.5x Net Debt/EBITDA, we believe the company's investment grade rating (from S&P and Moody's) is not in immediate jeopardy.

600k oz in production capacity could be sold or shuttered: Barrick announced a portfolio review, focusing on 12 high-cost (>\$1,000/oz AISC) mines currently contributing 25% of its production volumes. Pierna (96k oz 2013 DBe @ \$1,765/oz AISC) was singled out for closure. Plutonic and Yilgarna (110 and 397k oz DBe) were earmarked for divestitures. Management revealed on the call that it has multiple offers for at least some of the assets, though we don't expect the consideration received for the two to be meaningful, given they are two of the highest cost facilities in Barrick's portfolio. Taken together, the trio accounts for 602k oz, or 8.4% of 2013E production. In addition to the aforementioned operations, Porgera (464k oz DBe) is also under review and appears next-in-line for a "tough decision" bringing the total to >1m oz and more than explaining the elimination of Barrick's prior "8m oz by 2016" target.

2013E AISC guidance cut 10% amidst weakening market cost pressures: Barrick lowered its AISC guidance to \$900-975/oz, saving \$700-925m. At expected levels, the yr/yr cost would drop similarly by ~10%. Management flagged that the cost discipline is helped by wider industry trends: the slowing pace of labor cost inflation as well as a loosening equipment, machinery and consumables markets which could see Barrick negotiate prices down 15% YoY.

Stock & option liquidity data

Market Cap (USDm)	16,826.8
Shares outstanding (m)	1,001.0
Free float (%)	100
Volume (1 Aug 2013)	3,290,110
Option volume (und. shrs., 1M avg.)	2,873,118

Source: Deutsche Bank

Key data

FYE 12/31	2012A	2013E	2014E
1Q EPS	1.09	0.92A	0.52
2Q EPS	0.78	0.66A	0.50
3Q EPS	0.85	0.53	0.49
4Q EPS	1.11	0.54	0.50
FY EPS (USD)	3.83	2.65	2.01
P/E (x)	10.4	6.3	8.4

Source: Deutsche Bank

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

Deutsche Bank Securities Inc.

Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. THE VIEWS EXPRESSED ABOVE ACCURATELY REFLECT PERSONAL VIEWS OF THE AUTHORS ABOUT THE SUBJECT COMPANY(IES) AND ITS(THEIR) SECURITIES. THEY HAVE NOT AND WILL NOT RECEIVE ANY COMPENSATION FOR PROVIDING A SPECIFIC RECOMMENDATION OR VIEW IN THIS REPORT. FOR OTHER DISCLOSURES PLEASE VISIT <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=ABX.N> MICA(P) 054/04/2013.