Potash, Goldcorp, Agnico-Eagle: Miss, Miss, Miss

Description

Since yesterday's close, three big Canadian resource companies reported their Q2/13 earnings and three big Canadian resource companies missed their quarterly earnings expectations. Let's dig into all three reports:

Potash (TSX:POT,NYSE:POT)

As Fool.com analyst Taylor Muckerman suspected, volumes weren't an issue for Potash during the quarter, it was price. Potash sales volumes were 2.5 million tonnes in Q2, which compares favourably to the 2.6 million tonnes that were shipped in the same quarter last year. However, the average price on this year's shipments was just $356/tonne vs. $433/tonne last year. This price decline led to the company earning $0.73/share in the quarter, which came in $0.07 short of what analysts expected. Potash also lowered its full year EPS guidance range to $2.45-$2.70 from $2.75-$3.25. On the bright side, a $2 billion share buyback was announced as the company continues with its shareholder friendly ways. The buyback is scheduled to occur over the course of the next 12 months.

Goldcorp (TSX:G,NYSE:GG)

Given the carnage that has occurred in the gold space, Goldcorp's miss wasn't really a big surprise, even though the shares are currently down on the day. In adjusted terms, the company reported EPS of $0.14 vs. the expected $0.23. We're speaking in "adjusted" terms because of the somewhat dramatic $1.96 billion in write-downs the company announced. The bulk of which applies to greenfield exploration at its Penasquito mine. Earnings are one thing, but perhaps the biggest issue that comes with a lower gold price is that those assets in the ground that appeared attractive and were valued using a long-term average gold price of, say, $1,500/oz don't look so good when that long-term price is forced down. Exploration at Penasquito is not nearly as attractive as it was in a higher price environment, hence the write-down.

Agnico-Eagle (TSX:AEM)

Agnico also came up short when it announced results after yesterday's close. The company checked in with a loss of $0.03/share in the quarter vs. the $0.09 gain that the market expected. These lower than expected results were primarily driven by an extended maintenance shut-down at one of the company's mines (Kittila). Agnico also announced that it's reducing 2013 cap ex from an expected $621 million to $597 million, and has shaved $200 million and $50 million respectively from its 2014 cap ex and exploration budgets. Spending in 2014 is now expected to be $400 million and $50 million for each program.

Foolish Takeaway

Because of their weight in the Canadian market, companies like Potash and Goldcorp have a significant impact on the overall performance of the S&P/TSX Composite. This can be harmful for those investors that think they are well-diversified with an index fund or ETF that is linked to our market.

We have prepared a Special FREE Report that will clue you into the perils of passively investing in the Canadian index and suggests an easy to implement alternative strategy. The report is called "**5 Stocks That Should Replace Your Canadian Index Fund**". One of these 5 is in the process of being taken over at a huge premium. Find out who the remaining 4 are simply by **clicking here**.

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Fool contributor Iain Butler owns shares in Potash and Goldcorp. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AEM (Agnico Eagle Mines Limited)

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