



## Earnings Preview: What Will Goldcorp Deliver For Investors This Week?

### Description

**Goldcorp** (TSX:G, NYSE:GG) is set to release its quarterly report on Thursday. With the entire industry in the dumps thanks to weak metal prices, it should be no surprise to see this stock near its 52-week low. Combined with hostile-takeover bid that has been tangled in legal troubles, and the headaches start to mount for shareholders.

So what should shareholders expect from the company when it reports next week. Let's dig into the upcoming quarter.

### Stats on Goldcorp

<b>Analyst EPS Estimate</b>	\$0.23
<b>Change From Year-Ago EPS</b>	(54%)
<b>Revenue Estimate</b>	\$1.05 billion
<b>Change From Year-Ago Revenue</b>	(27%)
<b>Earnings Beats in Past Four Quarters</b>	2

Source: Yahoo! Finance

### How ugly will Goldcorp's results be this week?

Across the gold industry, falling prices have spelled trouble for mining companies that rely on revenue from gold sales to drive their profits and cash flow. Year-over-year, gold prices are off by almost US\$400 per ounce to US\$1,300 per ounce since late April.

And it doesn't take a rocket-scientist to figure out how this has impacted Goldcorp's finances. With each ounce of gold coming out of the ground commanding a lower price, the company's top and bottom line results are in tatters.

It should be no surprise, therefore, that Bay Street analysts have been trimming their expectations. Over the past 90 days the consensus earnings-per-share figure having come down by a nickle for the December quarter and by a whopping \$0.27 for the full-year of 2014. Incredibly despite this negative

backdrop, Goldcorp shares are actually up 10% since the company last reported earnings in late-October.

In the face of sagging metal prices, Goldcorp has been forced to cut costs and defer capital spending. The company is aiming to reduce its all-in sustaining cost by US\$90 per ounce in 2014 to around US\$975 per ounce. In lieu of higher commodity prices, cost cuts will be the main profit driver for the foreseeable future.

In the Goldcorp's earnings report, watch to see how successfully these cost saving program are being implemented. If the company can deliver on these projected cost savings, then it could be a surprise upside catalyst for the stock.

However, investors will also have to evaluate how sustainable these cost cutting measures are. While some of the initiatives are maintainable, miners can't defer buying of new equipment and trucks forever.

But Goldcorp isn't in full retreat. As other producers struggle, the company is exploiting its relatively healthy balance sheet to buy up assets from weaker players on the cheap.

In January, Goldcorp launched a \$2.6 billion hostile bid for **Osisko Mining** ([TSX:OSK](#)). But the acquisition has hit a legal snag after Osisko launched the lawsuit last week requesting that the Quebec Superior Court to block the takeover. Osisko's alleges that Goldcorp misused confidential information when it made the bid.

As Goldcorp Inc. sees it, the basis for Osisko's lawsuit is flawed and just an attempt to buy time. Unfortunately, we're unlikely to hear any additional details in the call. However, the lawsuit has already forced Goldcorp to extend the timeline on its bid and this battle could drag on for another quarter.

### **Foolish bottom line**

The bar is set pretty low for Goldcorp, indeed the entire gold mining industry, this earnings season. The main catalyst investors will be the company's cost cutting program. Any good news on this front could send shares sharply higher.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:OSK (Osisko Mining)

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