



## What to Expect When Goldcorp Reports This Week

### Description

**Goldcorp** (TSX: G)(NYSE: GG) is set to publish its latest earnings report on Thursday. With precious metal prices down the tubes, any armchair equity analyst could tell you to expect some ugly numbers from the gold mining giant. But in addition to the revenue hit, the company is also dealing with a landowner dispute in Mexico and a failed takeover bid for **Osisko Mining** ([TSX: OSK](#)).

Let's dig deeper into what has been happening at Goldcorp over the past quarter and what we're likely to see this week.

### Stats on Goldcorp

|                      |           |
|----------------------|-----------|
| Analyst EPS Estimate | \$0.15    |
| Year Ago EPS         | \$0.31    |
| Revenue Estimate     | \$982.53M |

Change From Year-Ago Revenue -3.20%

Earnings Beats in Past 4 Quarters 1

Source: Yahoo! Finance

### How bad will Goldcorp's earnings be this quarter?

In recent months, analysts have been clawing back their expectations of Goldcorp's earnings, slashing

their consensus expectations by 20% to \$0.15 per share for the upcoming quarter. For the full-year the Street has cut estimates by \$0.27 to \$1.04 per share. Thankfully for shareholders, the stock has stabilized after big losses in 2013, with shares up 8% year to date.

The past few months have been challenging for Goldcorp. First, Osisko Mining announced a friendly deal valued at \$3.9 billion that will see the miner acquired by **Yamana Gold** and **Agnico Eagle Mines**. The offer for the company and its flagship malartic mine in Quebec tops Goldcorp's \$2.6 billion offer.

It's a missed opportunity for Goldcorp. With the company's low-cost operations and strong balance sheet, it was well position to take advantage of the crisis in the mining industry by buying some assets on the cheap.

On the same day Goldcorp withdrew its bid for Osisko, the company was forced to suspend operations at its Mexican Los Filos mine after it was unable to negotiate the renewal of an occupancy agreement with a local landowners group called the Ejido Carrizalillo. According to *MiningWatch Canada*, the Ejido Carrizalillo announced an indefinite strike outside the mine talks broke down with until Goldcorp addresses their concerns.

Landowners have emphasized concerns about the long term environmental and health costs of Goldcorp's highly profitable, open pit gold and silver operations near their community. In the company's earnings report, take a look at the damage for the recent mine shut down. Management commentary could give some insight as to how long this dispute might last.

Looking beyond these short-term hiccups, investors will be watching the Goldcorp's cost-cutting campaign closely. The company is fighting to reduce expenses as it adapts to the biggest fall in gold prices in three decades. Goldcorp is slashing expenditures, selling assets, and reworking mine plans to lower costs and focus on the most profitable production.

Management forecasts all-in sustaining costs will decline to U.S. \$950 and U.S. \$1,000 an ounce in 2014 from U.S. \$1,031 last year. In lieu of higher commodity prices, squeezing costs out of operations will be the main profit driver for the foreseeable future.

## **Foolish bottom line**

Investors are eagerly awaiting to see how effective these cost-cutting efforts have been. In the upcoming report, watch to see if management can deliver on its pledge. However, shareholders also have to evaluate how sustainable these cost saving measures are. Goldcorp cannot continue to defer purchasing new equipment and trucks forever.

## **CATEGORY**

1. Investing

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## **Date**

2025/07/05

## **Date Created**

2014/04/28

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