



Key Takeaways From Goldcorp's Earnings

Description

Barrick Gold ([TSX: ABX](#))(NYSE: ABX) is certainly a tough act to follow. On Wednesday the company reported respectable first-quarter results, and bid farewell to Chairman Peter Munk. On Thursday it was **Goldcorp's** (TSX:G)(NYSE:GG) turn. And it did not disappoint.

Although the price of gold pulled revenue and earnings down, Goldcorp (like Barrick) was able to bring costs down as well. All-in sustaining costs came in at \$840 per ounce, down 26% year over year. And unlike Barrick, Goldcorp was able to increase production. In total, the company produced 658,100 ounces in the quarter, up 13% year over year.

A tale of two companies

The past 12 months have been a very different story for Barrick and Goldcorp. A year ago, Barrick had \$12.4 billion of net debt, thanks to an expensive copper mining acquisition and aggressive capital spending. We all know what happened next. Barrick's massive project, Pascua Lama, got deferred indefinitely, and gold prices plunged. Barrick's debt load became a major problem.

Meanwhile, this time last year, Goldcorp had less than \$1 billion in net debt. So while it too had to deal with falling gold prices, it was not as strained financially.

The results

In order to deal with its massive debt load, Barrick was forced to sell assets and raise equity. Unfortunately this was at a time when gold mining was a buyer's market, and the company's share price was trading near 52-week lows. As a result, Barrick's production per share decreased by 24%.

Meanwhile, Goldcorp was free to pursue opportunities such as **Osisko Mining**. And even though Goldcorp was outbid in that case, it reinforces the difference it has with Barrick (which of course was nowhere to be found at the Osisko sweepstakes). In the first quarter of 2014, production per share at Goldcorp increased 13% year over year. And this is only the beginning – later in 2014, Goldcorp will grow production even further as Cerro Negro, Éléonore, and Cochenour come on line.

Foolish bottom line

Many investors in gold mining companies are just looking to bet on the price of gold. But even in these situations, it is important not to forget some fundamental truths – for example, if you buy a company with a levered balance sheet, and the market turns against you, the results can be ugly. Luckily for Goldcorp's shareholders, that's a lesson they have not had to learn.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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