



Goldcorp Inc. and Yamana Gold Inc. Have Both Plunged; Is Either a Bargain?

Description

Last week was one to forget for shareholders of **Goldcorp Inc.** (TSX: G)(NYSE: GG) and **Yamana Gold Inc.** (TSX: YRI)(NYSE: AUU). Not only did the gold price plunge, but these companies also reported disappointing earnings numbers. As a result, shares of Goldcorp and Yamana plunged 16% and 27% respectively.

So are either one of these companies now a bargain, with gold trading at \$1,170 per ounce? Below we take a look at each.

Goldcorp: A best-in-class producer

Among Canadian gold producers, none have a better reputation than Goldcorp. The company has acted very responsibly over the years, has a very stable balance sheet, and is concentrated in safe jurisdictions. Thus even though its shares are relatively expensive, Goldcorp is known as a safe pick in the sector.

So many people were very surprised when Q3 results came in well below estimates. Production was weak in most operations, and costs jumped 25% relative to the second quarter. As a result, adjusted profit per share came in at 9 cents, half of what analysts were expecting. The stock plunged 13% on the news.

But there was one piece of good news. The Goldcorp said it identified an additional \$185 million of additional savings this year, and thus expects costs to be at the lower end of its guidance range for 2014.

So the 13% plunge was likely an overreaction, especially for such a strong company. It remains a great way to bet on the price of gold.

Yamana: Could be a bargain now

Although Yamana does not quite have Goldcorp's reputation, the company is still a relatively strong producer. But its Q3 results were nothing short of awful.

The company reported a net loss of \$1.02 billion, driven mainly by impairment charges for its Brazilian mines. These mines were reportedly put up for sale near the beginning of the year, but no one was seriously interested. They are nearing the end of their useful life and have posed numerous problems.

Earlier this year, Yamana teamed up with **Agnico Eagle Mines Ltd.** to buy Quebec-based Osisko Mining. Many believe that this purchase was really a way to shift the earnings mix away from places like Brazil.

There are still reasons to buy Yamana over Goldcorp. Its stock is cheaper relative to production (especially after last week), and it even reported a much lower cost figure (\$807 per ounce) than Goldcorp too.

So what should you do?

Even though Yamana is cheaper, and probably offers more upside, you should stick with Goldcorp if you want to bet on the gold price. And the reason is very simple: If you bet on the best-in-class performer, you rarely have to worry about company specific issues. In other words, if the gold price goes up, you're very likely to benefit.

That being said, there are other companies you should consider besides Goldcorp. Five are detailed in the free report below.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

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