

Will Goldcorp Inc. Hit \$40?

Description

Goldcorp Inc. (TSX: G) (NYSE: GG) is up 13% in November after a brutal slide that knocked almost a third off the company's valuation in just 10 weeks. The stock briefly traded below \$20 per share at the start of the month and is now hovering around the \$24 mark. The recent bounce is encouraging for gold bugs and investors are wondering if the bottom is finally in.

Let's take a look at Goldcorp's situation to see if there is hope for more gains through 2015.

Earnings

Goldcorp's Q3 2014 earnings results disappointed the market amid a dismal pricing environment for gold and production issues at some of its mines.

Goldcorp reported Q3 adjusted net income of US\$70 million or US\$0.09 per share. The consensus estimate was double that amount, and the results were significantly lower than the Q3 2013 earnings of \$0.23 per share.

Production

The company had a rough quarter at its El Sauzal asset, located in Mexico. Production was halted in September due to stability problems in the walls of the mine. As a result, gold output from the facility came in at 6,100 ounces for the third quarter compared to 21,400 in Q3 2013.

Year-over-year gold production in Q3 also dropped at five other mines, while the remaining five mines had higher production compared to Q3 2013.

New Projects

The good news for investors is the ramp up of production at Cerro Negro and Éléonore.

Cerro Negro, located in Argentina, poured its first gold at the end of July. Production began on schedule and within capital cost guidance. Goldcorp acquired the property in 2010 and resource estimates for the site have roughly doubled since the purchase. The mine is expected to be low-cost and long-lived with proven and probable reserves of 5.74 million ounces.

Éléonore is located in Canada and just poured its first gold in October. Commercial production is set to begin in early 2015 with annual output of 600,000 ounces of gold per year once the mine hits full production. Proven and probable gold reserves at the site are about 4 million ounces.

Financials

Goldcorp finished Q3 with \$1.9 billion of liquidity including \$376 million of cash and cash equivalents, \$52 million in money market investments, and \$1.5 billion remaining on its \$2 billion revolving credit

facility.

Total debt as of September 30 was \$3.1 billion.

Goldcorp pays a dividend of US\$0.60 per share that yields about 2.9%. The company trades at about 23 times forward earnings.

Should you buy?

If you believe gold prices are going to stabilize or move higher, Goldcorp is probably a solid bet, if such a thing exists with gold mining companies. Goldcorp has a strong balance sheet and free cash flow should increase as the new projects ramp up production. If gold prices move higher through 2015, investors could even see a dividend hike.

For Goldcorp to double from here, the stock would need a serious catalyst in the gold market and that could happen at any time. The [November 30 referendum](#) in Switzerland could be just the boost gold needs to reverse the current bear market in the precious metal.

If you prefer to buy stocks with low volatility and solid track records of dividend growth and capital appreciation, the free report discussed below is worth reading.

CATEGORY

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Date

2025/08/04

Date Created

2014/11/27

Author

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