



## Why Agnico Eagle Mines Ltd. Will Outperform Goldcorp Inc. in 2015

### Description

**Goldcorp Inc.** (TSX: G)(NYSE: GG) is an analyst favourite in the current, challenging gold market. While I am a believer in Goldcorp, I think **Agnico Eagle Mines Ltd.** ([TSX: AEM](#))([NYSE: AEM](#)) will outperform Goldcorp over the near term.

### Recent performance

Over the past 52 weeks Goldcorp's stock has declined about 7.6%. Over the past four quarters, Goldcorp earned \$0.68 per share, meeting the average analyst estimate according to Capital IQ.

In terms of earnings and stock performance, Agnico Eagle Mines is the clear winner. The company earned \$1.14 per share over the comparable period, topping analysts' forecast for \$0.86. Over the last 52 weeks, the company's stock was actually in the black, a rarity for a gold miner, adding 3.55%.

If you take a longer-term historical recap on the two companies' performance, there are greater similarities. Over the past five years, Goldcorp's stock has lost 46.78% of its value whereas Agnico Eagle is down 49.63%. While past performance is in no way an indication of future performance, I think the recent divergence in the two companies is reflective of what we will see in the near future.

### Assets key to performance

Agnico Eagle jointly purchased **Osisko Mining** this year with **Yamana Gold**, giving the company access to the Canadian Malartic mine, a low-cost high grade mine in a geopolitically stable region. Goldcorp originally bid for Osisko mining, but later backed down. While Goldcorp did not want to "overbid" for Osisko, Agnico Eagle's ownership of the mine has greatly added to the company's gold production, while Goldcorp is facing challenges at a few of its operations, and this is why I think that right now, Agnico Eagle will outperform Goldcorp.

### Production divergence

In Agnico Eagle's latest results, the company missed estimates on earnings, but said that for 2014 as a whole, its gold production would be 1.4M oz, exceeding the upper range of its prior guidance. The company also raised its full year 2015 production forecast to 1.6 M oz. from a previous outlook for 1.25 M oz. The increased production is expected thanks to higher output from its Meadowbank mine in

Canada, Kittila mine in Finland, and solid performance at its Mexican operations.

Goldcorp, meanwhile, is currently undergoing some challenges when it comes to its near-term production. and I expect these production issues will weigh on its financial performance.

### **Goldcorp's challenges**

The company recently pulled the environmental study on its El Morro mine in Chile following some challenges with obtaining local governmental approval for the mine's development. The mine's future is currently in hiatus. In 2014, Goldcorp also suspended operations at El Sauzal, after fears of instability in its pit wall. The company is also examining its future investment plans in Guatemala following the country's move to raise mining royalties to 10% from 1%. Goldcorp currently operates the Marlin mine in Guatemala, the country's largest. There has been no word over whether Goldcorp plans to scale back operations at that mine. All of these challenges have resulted in Goldcorp targeting 2014 production at the low-end of its guidance.

### **Forward outlook**

We are headed into a new year with Goldcorp dealing with production challenges, while conversely Agnico Eagle Mines' production is on the upswing. The production challenges that Goldcorp faced in 2014 may already be baked into Goldcorp's stock price, and it is part of the reason the company's stock has fallen this year. The company is still dealing with these challenges and in 2015, we will most likely see an impact on Goldcorp's financials.

With both miners having nearly identical all-in-sustaining costs per ounce of gold mined, and Agnico Eagle having a positive production outlook thanks to increased output from its low-costs mines, Agnico Eagle should outperform Goldcorp in 2015.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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### **Author**

Iklingel

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