



## Should You Buy Goldcorp Inc. or Barrick Gold Corp.?

### Description

For years, **Goldcorp Inc.** (TSX:G)(NYSE:GG) has been the gold standard (no pun intended) in its industry. While other gold miners — such as **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) — have burned money on bad acquisitions and failed projects, Goldcorp has remained very disciplined. As a result, Goldcorp is a very popular investment among gold enthusiasts.

But more recently, we have started to see some reasons not to own Goldcorp. First, it is very expensive. Is the company really worth this premium price? Second, Goldcorp just made an acquisition. Has the company lost its discipline?

Below we take a look at those questions, and try to determine just what investors should do.

### Goldcorp: An expensive stock?

When looking at the numbers, Goldcorp clearly has a fully priced stock.

To illustrate, the company is valued at roughly \$26 billion (including debt), while Barrick is valued at about \$28 billion. But Goldcorp only produced about half as much gold last year as Barrick.

This may be an unfair comparison. After all, Barrick is a shrinking company, while Goldcorp is growing. And investors have clearly lost confidence in Barrick's management team — this is partly why the company's stock is so battered. The opposite is true at Goldcorp. Because the management team is so well-respected, the company is trading at a premium.

That said, Goldcorp is clearly a fully priced stock. It's something to be aware of before buying any shares.

### Has the company lost its discipline?

Early last week, Goldcorp announced a \$526 million all-stock takeover of **Probe Mines Ltd.** ([TSXV:PRB](#)). More recently, chairman Ian Telfer spoke about the necessity of acquisitions in a recent interview with *The Globe and Mail*.

As Mr. Telfer said, “The only way mining companies can grow is through acquisitions and the only way they can survive is through acquisitions. Sometimes, I’m not sure people outside the mining business appreciate that.” He makes a good point, but this argument is often used as justification for reckless purchases (the kind that Barrick has been known to make). So should Goldcorp investors be worried?

I don’t think so. First of all, the Probe acquisition was very small for a \$20+ billion company like Goldcorp. Secondly, Probe’s prime asset is located close to one of Goldcorp’s operations, allowing the combined company to dramatically cut costs.

But most importantly, Goldcorp bought Probe at a time when there are few buyers and many sellers. So investors can be reasonably sure that Goldcorp didn’t overpay. Better yet, the company has shown plenty of discipline recently. Just last year, the company backed out of a bidding war for Osisko Mines, when two other companies pushed the price higher than what Goldcorp was comfortable with.

### **So what should investors do?**

If you want to bet on gold, there’s a strong argument for just buying gold ETFs. But if you want to buy a miner, then Goldcorp is still a very good option. Remember, mining is an industry where value can be created or destroyed very quickly. So it’s usually a good idea to pay a little more for the right management team.

That said, there’s another company with strong management you should consider for your portfolio. It’s also The Motley Fool’s top turnaround stock for 2015. You can read all about it in the free report below.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSXV:PRB (Probe Gold)

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/07/22

### **Date Created**

2015/01/27

### **Author**

bensinclair

default watermark