



Goldcorp Inc.'s Earnings Are Out: Should You Buy, Sell, or Hold Today?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG), one of world's largest and fastest growing gold producers, announced fourth-quarter earnings before the market opened on February 19, and its stock responded by falling over 5%. Let's take a thorough look at the results and the company's outlook for fiscal 2015 to determine if we should consider using this weakness as a long-term buying opportunity, or a warning sign.

The quarterly results are in

Here's a summary of Goldcorp's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Earnings Per Share	\$0.07	\$0.09
Revenue	\$1.09 billion	\$1.20 billion

Source: Goldcorp Inc.

Goldcorp's adjusted earnings per share decreased 22.2% and its revenue decrease 9.6% compared to the fourth quarter of fiscal 2013. These weak results can be largely attributed to the company selling just 707,900 ounces of gold during the quarter, a decrease of 2.5%; the average realized gold price falling to \$1,203 per ounce, a decrease of 4.1%; and its all-in sustaining cash costs increasing 27.8% to \$1,035 per ounce of gold compared to the year-ago quarter.

On a positive note, Goldcorp announced that it produced a record 890,900 ounces of gold in the fourth quarter of fiscal 2014, and this represented an increase of 15.9% from the 768,900 ounces produced in the year-ago period.

Here's a quick breakdown of 12 other important statistics and updates from the report compared to the year-ago period:

1. Produced 10,426,300 ounces of silver, an increase of 6.7%
2. Sold 7,887,500 ounces of silver, a decrease of 11.3%
3. Average realized silver price decreased 17.2% to \$14.31 per ounce
4. Produced 27.2 million pounds of copper, a decrease of 5.6%
5. Sold 20.2 million pounds of copper, a decrease of 0.5%
6. Average realized copper price decreased 12.1% to \$2.82 per pound
7. Produced 27,200 pounds of lead, a decrease of 49.3%
8. Sold 29,400 pounds of lead, a decrease of 36.2%
9. Average realized lead price decreased 17% to \$0.83 per pound
10. Produced 68.9 million pounds of zinc, a decrease of 14.8%
11. Sold 84 million pounds of zinc, an increase of 9.1%
12. Average realized zinc price increased 8.8% to \$0.99 per pound

Goldcorp provided its outlook on fiscal 2015, calling for the following results:

- The production of 3.3-3.6 million ounces of gold, an increase of approximately 20% compared to fiscal 2014
- All-in sustaining costs in the range of \$875-\$950 per ounce of gold
- Capital expenditures in the range of \$1.2 billion-\$1.4 billion

Should you buy Goldcorp on the dip?

Goldcorp is one of the world's leading producers of gold, but decreased sales and increased expenses led it to a disappointing fourth-quarter performance, and its stock has reacted accordingly by falling over 5%.

Although I think the post-earnings decline in Goldcorp's stock is warranted, I also think it has led to a great long-term buying opportunity. I think this because the stock now trades at very attractive valuations, including just 28.3 times fiscal 2015's estimated earnings per share of \$0.97 and only 24.5 times fiscal 2016's estimated earnings per share of \$1.12, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 28.6 and its long-term growth potential.

With all of the information above in mind, I think Goldcorp represents one of the best long-term investment opportunities in the gold industry today. Foolish investors should take a closer look and consider using the post-earnings weakness as an opportunity to begin scaling into long-term positions.

CATEGORY

1. Investing
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1. Editor's Choice

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