



Is Now the Prime Time to Buy Goldcorp Inc.?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG), one of world's largest producers of gold, announced first-quarter earnings before the market opened on April 30, and its stock responded by falling over 6% in the day's trading session. Let's take a closer look at the results to see if a sell-off of this magnitude was warranted, or if we should consider using it as a long-term buying opportunity.

The results that ignited a sell-off

Here's a summary of Goldcorp's first-quarter earnings results compared with its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q1 2015	Q1 2014
Adjusted Earnings Per Share	\$0.01	\$0.26
Revenue	\$1.27 billion	\$1.23 billion

Source: Goldcorp Inc.

Goldcorp's adjusted earnings per share decreased 96.2% and its revenue increased 3.4% compared with the first quarter of fiscal 2014. The company's steep decline in earnings per share can be attributed to its adjusted net income decreasing 94.3% to just \$12 million, which was led lower by its total mine operating costs increasing 43.6% to \$942 million.

Its slight revenue growth can be attributed to its total amount of gold sold increasing 21% to 827,500 ounces, but this increase was slightly offset by the average realized price of gold decreasing by 6.2% to \$1,217 per ounce and its all-in sustaining costs increasing 5.4% to \$885 per ounce of gold.

Here's a quick breakdown of 15 other notable statistics from the report compared with the year-ago period:

1. Gold produced increased 6.6% to 724,800 ounces
2. Silver produced decreased 11.1% to 8.52 million ounces

3. Silver sold increased 14.6% to 10.54 million ounces
4. Average realized price of silver decreased 13.1% to \$15.30 per ounce
5. Copper produced decreased 57.2% to 9.2 million pounds
6. Copper sold decreased 53.3% to 15 million pounds
7. Average realized price of copper decreased 20.7% to \$2.45 per pound
8. Lead produced decreased 25.9% to 36.7 million pounds
9. Lead sold decreased 12.8% to 39.5 million pounds
10. Average realized price of lead decreased 11% to \$0.81 per pound
11. Zinc produced decreased 6.1% to 82.5 million pounds
12. Zinc sold decreased 8.3% to 82.6 million pounds
13. Average realized price of zinc increased 1.1% to \$0.91 per pound
14. Cash flow from operating activities decreased 78.8% to \$58 million
15. Adjusted operating cash flow increased 30.2% to \$366 million

Should you buy shares of Goldcorp today?

I think the post-earnings drop in Goldcorp's stock was warranted, but I also think it has led to a great long-term buying opportunity because it trades at favourable valuations and pays a monthly dividend.

First, Goldcorp's stock trades at just 24.9 times fiscal 2015's estimated earnings per share of \$0.91 and only 20.8 times fiscal 2016's estimated earnings per share of \$1.09, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 28.6.

Second, Goldcorp pays a monthly dividend of \$0.05 per share, or \$0.60 per share annually, giving its stock a 2.6% yield at current levels. The company has also increased its dividend four times since 2010, making it one of the top dividend-growth plays in the industry today.

With all of the information provided 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 to initiate positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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