

## Is it Time to Buy Goldcorp Inc.?

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is down 25% in the past four months and contrarian investors are wondering if the stock has bottomed out.

Let's take a look at the current situation to see if Goldcorp deserves to be in your portfolio.

### Production growth

Goldcorp produced about 2.9 million ounces of gold in 2014 and the company expects output to be as high as 3.6 million ounces this year. The strong growth comes as Goldcorp ramps up commercial production at two of its key facilities.

The Cerro Negro mine in Argentina began commercial production on January 1. Output in the first quarter was 92,600 ounces at an all-in sustaining cost (AISC) of US\$704 per ounce. The mine is expected to produce as much as 475,000 ounces in 2015.

At the Éléonore mine located in Quebec, first quarter production was 32,500 ounces. The facility went into commercial production on April 1, and the company expects to get more than 300,000 ounces from the mine in 2015.

### Capital management

Goldcorp plans to spend US\$1.2-1.4 billion on capital projects this year compared with US\$2.2 billion in 2014. The AISC for 2014 production came in at US\$949 per ounce. That number should remain consistent or drop slightly in 2015. The US\$800 million in lower capital outlays is good news for investors as they wait for bullion prices to recover.

### Balance sheet

Goldcorp finished Q1 with cash and cash equivalents of US\$365 million and long-term debt of US\$3.7 billion. During the quarter, the company drew down an additional US\$300 million of its US\$2 billion line of credit. As of March 31 US\$860 million remained available.

Goldcorp reported adjusted operating cash flow of US\$366 million in the first quarter compared with US\$281 million in Q1 2014.

Some analysts are concerned about the Q1 drawdown, but cash flow should increase significantly through the second half of 2015 as production ramps up.

### Dividends

Goldcorp pays a monthly dividend. The annualized payout of US\$0.60 delivers about 3.4%. The distribution has more than tripled in the past five years and investors could see another increase next

year once the new mines are operating at full capacity.

### Should you buy Goldcorp?

Gold prices remain under pressure, so you have to be a long-term bull on bullion to invest in the sector.

Goldcorp is often cited as the best of the big producers. Given its relatively low debt levels and outlook for production growth, investors should be comfortable taking a small position at current prices. If a recovery takes longer than expected, you will get paid a generous dividend while you wait.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### POST TAG

1. Editor's Choice

### Category

1. Investing
2. Metals and Mining Stocks

### Tags

1. Editor's Choice

### Date

2025/08/04

### Date Created

2015/06/01

### Author

aswalker

default watermark

default watermark