

Could GoldCorp Inc. Be the Missing Stock in Your Portfolio?

Description

Many investors believe that gold is a must-have in their portfolios because it is arguably one of the best stores of value. However, the problem with buying gold is all it does is sit there. It doesn't reward you with dividends. Therefore, if you buy \$10,000 worth of gold and the price never changes, you'll be left with \$10,000 worth of gold.

Instead, if you were to buy one of the gold miners, such as **GoldCorp Inc.** (TSX:G)(NYSE:GG), you would be able to gain access to the gold market, while also generating significant returns due to the dividends the company pays.

Fortunately for you, GoldCorp is down over 30% since it reached its peak back in February. However, because gold prices have remained under pressure, the company has been suffering. When gold is high, GoldCorp is high, and when gold is cheap, GoldCorp is cheap. When your sole business is selling gold that you dig out of the ground, this logic makes sense.

But GoldCorp is putting itself in a really great position to dominate if and when the price of gold returns to much higher levels. In 2014 the company pulled 2.9 million ounces of gold out of the ground. In 2015 the company intends to pull out an additional 700,000 ounces. This additional output should help bolster the top line for the company.

And it is doing this at an incredible all-in sustaining cost (AISC), which is the total cost of getting the gold out of the ground. Across its network of mines, the company sees an AISC of anywhere from \$875-950. It's not the lowest the company has ever been, but it is a competitive rate. The lower the company can get the AISC, the more money it can expect to make in profit.

But here's why I think GoldCorp belongs in your portfolio above all other reasons. The company pays a very lucrative 3.51% yield, which comes out to US\$0.60 per year. And what's amazing is that over the past five years, the dividend has tripled. This means that it likes to reward its investors. If the company's cash flow continues to grow as more gold is produced, I would expect this dividend to grow even higher.

All told, GoldCorp is an income-generating gold mine that still gives you exposure to the shiny metal. It may not be you holding gold in your own vault, but you'll definitely be pleased with the income returns. I would simply wait for it to find its support. Based on my analysis, it might drop another dollar or two per share.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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Author

jaycodon

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