



3 Reasons Investors Should Acquire Goldcorp Inc. Now

Description

When market conditions are ripe for an asset to take off, and that asset is currently underpriced, it creates an opportunity; acquiring the asset should ensure a profit. And, in my opinion, **Goldcorp Inc.** (TSX:G)(NYSE:GG) is one of those companies that have been hammered in the market, making it highly lucrative.

It is a common belief that investors should buy gold because it is a great store of value. The unfortunate reality about buying gold, though, is that it doesn't actually do anything. It sits in a vault. If you had \$1,000 of gold and it went up 10%, you'd have \$1,100 of gold. But if it never moves in price for 10 years, you won't have any gains. On the other hand, Goldcorp pays a lucrative dividend that will give investors exposure to gold, while also rewarding them handsomely.

Unfortunately for investors that have held Goldcorp for a while, the stock is down over 30%. This is primarily because of some operational problems it had in Mexico last year, which sent the stock down. However, I believe that Goldcorp is in a prime position to shine for a few reasons.

1. It is still better run than its competitors

While it ran into some operational problems over the past few months, the reality is that the company is still one of the best-run gold mines on the market. We can see this in the balance sheet, which shows just how little debt it has. Many companies that size carry much more debt, but Goldcorp only has \$3.5 billion in debt.

The ability to keep debt down is due to a very functional management team. And this team really is great. It makes acquisitions that are smart without overpaying, ensuring that the company is not riddled with further debt. When a company is doing great, debt is no problem. When a company starts to suffer, debt can be the nail in the coffin.

2. It is increasing production

In 2014 the company produced about 2.9 million ounces of gold. The company expects to increase that to 3.6 million ounces this year, which is a significant boost to production.

The way it is doing this is through two major facilities. One of them just opened in April and the company expects to get more than 300,000 ounces out of it by the end of the year. Increasing production is a smart way for the company to keep the balance sheet positive.

3. Gold prices could rise on Greek fears

We should expect to see the price of gold start rising over the next couple of days due to the tumultuous environment in Greece. When there is a concern for currency, people run to a safe investment like gold. And with a company that depends entirely on the price of gold, when the asset goes up, the stock should follow.

Buying now is a smart move

The reality is that buying Goldcorp now would be a smart move. It is a well-run company that is increasing production and should see the price increase over the coming months. And all along, the stock will be paying a lucrative monthly dividend that comes out to 3.64%.

CATEGORY

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Date

2025/08/04

Date Created

2015/07/01

Author

jaycodon

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