

## Why Goldcorp Inc. Is a Good Buy

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is one of the largest gold producers in the world, with gold properties across Canada, the United States, Mexico, Central America, and South America, employing over 18,000 people in several countries.

Goldcorp is primarily engaged in the acquisition, exploration, development, and operation of gold properties. Apart from gold, byproduct silver, copper, lead, and zinc are also mined.

### The impact of falling gold prices

Historically, investors have sought refuge in gold as a store of value, and with the exception of the past few years, this has been largely true. Gold prices hit new records in 2011, but since then they have dropped considerably, recently hitting five-year lows.

Companies, such as Goldcorp, that produce gold are most impacted by a shift in price of gold. As the price of gold decreases, gold-producing companies can offset the drop by implementing processing efficiencies, or adopting a more conservative approach to acquisitions.

Goldcorp has done both of these, and remains in a stronger position than most of its competitors.

### How is Goldcorp doing?

Goldcorp currently trades at just below \$16.50, flirting with the 52-week low it set earlier this month of \$16.16. Year-to-date, the stock is down nearly 24%, and over the course of a year the stock is in the red by 46%. The five-year figure isn't any better—it has dropped 60%.

Year-on-year net income is also negative, but showing signs of improvement, dropping nearly \$600 million to \$-2.1 billion.

Goldcorp has \$3.3 billion in debt, which is considerably less than any of its competitors. For the current year, Goldcorp is forecasting to produce 3.6 million ounces of gold, up from the 2.9 million the company produced last year.

While there have been some operational problems in Mexico over the past few months, the fact remains that Goldcorp stands on firm financials and sufficient supply to weather the current slide of gold prices. Once the price of gold starts to rise again, those firm financials' efficient processes will result in huge revenues. This is what has many analysts continuing to forecast an outperform rating on the stock, with price targets of \$23 or higher.

In my opinion, Goldcorp represents a great buying opportunity for the investor that will not be swayed in the short term by the price fluctuations in gold. If for no other reason, the monthly dividend Goldcorp pays makes this a healthy option worth considering.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## POST TAG

1. Editor's Choice

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## Date

2025/08/02

## Date Created

2015/07/30

## Author

dafxentiou

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