

## 3 Reasons Why Goldcorp Inc. Is Ready for a Turnaround

### Description

With its stock down 50% in the past 12 months, investors clearly aren't too optimistic about the future of **Goldcorp Inc.** (TSX:G)(NYSE:GG). Fortunately, there are more than a few reasons to believe the company can turn things around.

Here are three of the biggest factors working in Goldcorp's favour.

#### 1. Industry-leading liquidity

During industry downturns, well-financed companies typically outperform. Not only do earnings take less of a tumble due to lower interest payments, but these companies can also capitalize on the woes of competitors, buying up assets at discounted prices.

Goldcorp is clearly one of the best-positioned operators. It has cash levels of \$940 million and an undrawn revolver worth \$3 billion. This leads to a net-debt to market cap position of only 24%. For comparison, **Newmont Mining Corp.** is at 44%, **Yamana Gold Inc.** is at 97%, and **Barrick Gold Corp.** is at a staggering 127%.

With one of the strongest balance sheets in the industry, Goldcorp has plenty of firepower to out-invest over-leveraged peers.

#### 2. Management is taking advantage

Goldcorp is expanding operations even as gold prices collapse.

Since 2011, gold has generally headed down. The price has fallen from a high of more than \$1,900 an ounce to around \$1,100. Goldcorp's management has seen this before. When gold was at \$300 an ounce 15 years ago, Goldcorp Chairman Ian Telfer doubled down: "I've been in the gold business for 35 years. It goes up and it goes down. But it always goes back up," Telfer said.

Now, Goldcorp doesn't have to play defense like some of its competitors who are having to sell things now because their balance sheet got ahead of them. When asked if the company can pretty much buy anything it wants, Telfer replied, "We can buy a lot. We can buy a lot."

#### 3. Low cost of production gives Goldcorp plenty of time

At about \$850 an ounce, the all-in-sustaining cost of Goldcorp's properties is over \$100 an ounce better than its closest peers. Bloomberg estimates that a third of its competitors now produce gold at below its selling price. Being able to make a profit with lower gold prices is vital for the company's survival.

After expanding its credit facility by 50% to \$3 billion, selling its 26% stake in **Tahoe Resources Inc.** for \$800 million, and dropping its dividend by 60%, Goldcorp now expects this year's free cash flow to total roughly \$900 million. That's miles ahead of many competitors who are attempting to stem the tide of negative free cash flow levels.

### **If you believe in gold, believe in Goldcorp**

In all, there are few investments in the gold sector that have more promise than Goldcorp. With an experienced management team that has proven its prowess time and time again, investors can trust that Goldcorp has a high probability of outperforming peers.

While the company isn't immune from overall industry swings, Goldcorp is positioned to take advantage of the current crisis and emerge as one of the winners.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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