

## Should Bullion Investors Buy Goldcorp Inc. or Agnico Eagle Mines Ltd.?

### Description

The latest surge in gold prices is giving some much-needed support to the beleaguered miners.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)) to see if one deserves to be in your portfolio.

#### Goldcorp

Goldcorp might be entering a sweet spot in the gold cycle. The company decided to invest heavily in several new projects over the past few years, and production is now starting to ramp up just as gold appears to be turning the corner.

Output for Q2 2015 hit a record 900,000 ounces, up 40% from the same period in 2014. For the full year, Goldcorp expects to produce 3.3-3.6 million ounces at an average all-in sustaining cost of US\$850-900 per ounce.

As the new Eleonore and Cerro Negro mines move toward full production capacity, operating costs per ounce should come down.

Cash flow in Q2 was \$US528 million and adjusted net earnings came in at US\$65 million. Free cash flow for Q2 was US\$174 million.

The balance sheet is in solid shape. Goldcorp finished Q2 with US\$3.6 billion in long-term debt and about \$1 billion in cash and cash equivalents. The company also has more than US\$2 billion available in undrawn credit lines.

Goldcorp reduced its dividend payout when it reported its second-quarter earnings. The current distribution is US\$0.02 per month.

#### Agnico Eagle

Agnico Eagle has endured the weak gold market better than most of its peers, and the stock is actually up more than 30% in 2015.

The company reported Q2 2015 net income of US\$10 million. Agnico Eagle had Q2 operating cash flow of US\$188.3 million and spent US\$115.5 million on capital projects, so cash flow is easily covering the capital expenditures and the quarterly dividend of US\$0.08 per share.

Agnico Eagle has paid a dividend every year since 1983.

The company expects to produce 1.6 million ounces of gold in 2015 at an average all-in sustaining cost of US\$870-890 per ounce.

Agnico Eagle has a strong balance sheet with long-term debt of just US\$1.18 billion. The company finished Q2 with cash and cash equivalents of US\$210 million.

### **Which should you buy?**

Both companies will do well if gold prices continue their recovery. Goldcorp's big capex expenditures are behind it, and investors should see production grow at a healthy clip over the next few years.

Agnico Eagle has a strong portfolio of properties with potential for low-cost production, but many are still in the exploration stage.

At this point, it is pretty much a coin toss, although Goldcorp might have more torque if gold prices really take off.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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### **Date**

2025/08/26

### **Date Created**

2015/10/22

### **Author**

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