



Goldcorp Inc.: Should This Be Your Top Precious Metals Pick?

Description

Gold stocks have been quietly drifting higher in recent days, and investors who are bullish on the metal are wondering if the bloodbath in the sector could finally be near its end.

That's a tough call to make, but let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) to see if it should be the stock you buy for a bullion rebound.

Financials

Goldcorp reported a Q3 2015 net loss of \$192 million, or \$0.23 per share. That doesn't sound great, and it isn't, but the company also had some positive numbers in the quarter that could point to better times ahead.

Gold production in Q3 hit 922,200 ounces, up from 651,700 ounces in 2014. The boost in output is the result of new mines coming online. As production ramps up to capacity at the new facilities, output should continue to rise next year.

All-in sustaining costs (AISC) in the third quarter were US\$848 per gold equivalent ounce, down from US\$1,066 per ounce in the same period last year.

The company is doing a good job of lowering expenses, and AISC should continue to fall as operations at the newer facilities work through some start-up glitches and move toward full production.

The company achieved positive free cash flow of US\$243 million in the quarter compared to negative free cash flow of US\$355 million in Q3 2014.

Goldcorp's balance sheet is in decent shape as compared with some of its peers. Long-term debt is down to US\$2.522 billion and the company has the full amount of its US\$3 billion in credit facilities available.

The company also finished the third quarter with US\$257 million in cash and cash equivalents, plus another \$73 million in money market investments.

Capital spending

Free cash flow got a boost as a result of lower capital requirements. Goldcorp invested heavily in recent years to bring its new Eleonore and Cerro Negro mines online.

Now that the major investments are completed, investors could see better free cash flow in the coming quarters if gold prices improve and all goes according to plan at the new mines.

Should you buy Goldcorp?

The company is making good progress on getting costs down and production for 2015 is expected to be at the high end of guidance, which is 3.3-3.6 million gold equivalent ounces.

Gold prices remain under pressure and volatility looks set to continue. If you think gold is going to rise in 2016, Goldcorp is a certainly solid choice to play the rebound, but making that call still looks risky. There might be better places to invest your money right now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/04

Date Created

2015/12/02

Author

aswalker

default watermark