

## Does Goldcorp Inc. Belong in Your Portfolio?

### Description

Oil and commodities have not been good investments this year for Canadian investors. As one headline said, "If it Owns a Well or a Mine, it's Probably in Trouble." And that's unfortunately very true. Gold is down 44% from its high of US\$1,921.50 per ounce and, while it hasn't dropped too much from that point, there's no telling what could happen with the price of gold over the long haul.

Because of this, **Goldcorp Inc.** (TSX:G)(NYSE:GG) is experiencing some of the lowest share prices that it has all year. Because investors are unsure how the commodity is going to do, they're unsure how to value Goldcorp. So the question is, Does it belong in your portfolio?

That depends entirely on you. I personally believe that investors should avoid the gold sector entirely. There are other commodities—such as silver—that have far more utility than gold. I like to invest in use. However, if you are the kind of investor that believes holding gold in some shape or form is a smart move, Goldcorp might be the right investment for you.

The primary reason why I believe that is because Goldcorp is one of the most efficient gold miners in the market today. And when things are going bad, it knows how to increase its efficiency even more. Last year Goldcorp had to spend \$1,066 to get an ounce of gold out of the ground. This year it spent \$848 per ounce. By increasing its efficiency, the company has been able to continue generating profit even when the price of gold has dropped.

On top of that, the company has ramped up its production. Its Q3 2015 production was 922,200 ounces, which was a 42% increase year over year. The company had expected that its production guidance would be anywhere from 3.3-3.6 million, so if production remains this strong, it should hit the high end of those numbers.

Further, the company has been making moves to clean up its balance sheet. It holds US\$330 million in cash or cash equivalents with only US\$2.5 billion in debt. Further, it has paid back a revolving line of credit, giving it access to US\$3 billion in the event that it needs the money.

This puts Goldcorp in the unique position of potentially being a buyer in these tough times. As with oil companies, when the price of the commodity is high, everyone thinks that they can succeed in the business. But when the going gets tough, it is the big companies that are able to survive. A lot of quality assets go up for sale and companies like Goldcorp can step in and start buying them up. I wouldn't be surprised if 2016 brings with it a nice acquisition for the miner.

The reality is simple for me. While I don't believe that gold is a smart investment over other commodities such as silver, if you believe that you must have some exposure to the gold market, Goldcorp is the right miner to buy.

### CATEGORY

1. Investing

## 2. Metals and Mining Stocks

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