



Is Goldcorp Inc. Still a Good Investment?

Description

Gold has been historically viewed as a safe haven for storing wealth. Investors have been putting money into gold as far back as anyone can remember, and for good reason; there is a limited supply, high demand, and a price that has trended upwards over time. What more could anyone ask for in an investment?

And then the gold bubble of 2011 happened.

Prices went from just shy of US\$2,000 per ounce to the current levels of under US\$1,100 per ounce—a near 50% drop in value. To put it mildly, this has been an utter disaster of a decade in terms of revenue for gold companies.

The silver (or rather gold) lining is that the epic drop in prices forced gold producers to take a look at costs and expenditures and to implement some real savings.

Goldcorp Inc. (TSX:G)(NYSE:GG) is one of those companies that has done an absolutely stellar job in reducing overall costs, making it a particular favourite for investors.

Here are a few reasons why investors should look at Goldcorp as a good investment.

Goldcorp is incredibly efficient

Goldcorp currently trades just shy of \$15. Year-to-date, the stock is down by approximately 6%, much like the entire market. Goldcorp still pays a monthly dividend, albeit a smaller one, of \$0.03 per share, giving the company dividend a yield of 2.28% at current prices.

In 2015, the company had an all-in sustaining cost of \$850 per ounce. This was an improvement of nearly \$100 over the same figure in 2014, and the company is still looking at improving that further in 2016.

The company also has significantly less debt than any of its gold-producing peers, and it has the cash available to expand when the opportunity arises.

Goldcorp is ready to expand

Goldcorp may be the world's largest gold producer by market value, but that doesn't mean the company plans to sit still and ignore new opportunities for growth and expansion.

The company is already well known in the industry for being extremely efficient. It has a reputation as being one of the safest investments to make in the precious metal, particularly in times of extreme volatility as we are in right now.

With CEO Chuck Jeannes stepping down in April, incoming CEO David Garfalo has made the case that there are significant opportunities for the company to invest in beyond the Americas. Africa and Eastern Europe have been highlighted as potential areas of expansion.

This is a near turnaround from the previous strategy of only investing in safe, low-risk areas across the Americas.

What all of this means is that when gold prices start to appreciate, as many assume will start this year, Goldcorp will reap significant revenues thanks to the cost-cutting savings put in place over the past few years.

In my opinion, if you really must invest in a gold company, Goldcorp would be the one that comes to mind first, but gold producers as a whole are still considered very risky investments.

CATEGORY

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2. Metals and Mining Stocks

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