



## Is Now the Time to Buy or Sell Goldcorp Inc.?

### Description

Gold has been a store of wealth for as long as we've been able to take the metal out of the ground. It has the hallmarks of the perfect investment: limited supply, high demand, and an upwardly trending price point.

At least, that's what everyone thought up until 2011 when the price of gold started to flirt with US\$2,000 per ounce. What followed was nothing short of a colossal drop in price—gold consecutively kept passing through one price floor after another, making its way down to south of US\$1,100 per ounce.

While there's no single reason for that drop, the precious metal has been stuck at these low price points for over a year, up until this year when the price finally started to appreciate. During the past few weeks gold has shot up nearly 20% to over US\$1,200 per ounce—levels not seen in over a year.

Whether or not prices will continue to rise or fall back to the deflated norm of the past few years is a question that has both investors and gold producers stumped.

This leaves gold producers such as **Goldcorp Inc.** (TSX:G)(NYSE:GG) stuck in a middle ground, wondering if potential new projects and increases to production output are feasible if the current rally is only short lived. Here's a look at what Goldcorp has done to maintain operations during the lean years and what the current gold-price rally means for the producer

### Efficiencies now can pay off in the long run

Goldcorp is quite possibly the most efficient gold producer on the market today. Over the past few years the decreasing price of gold forced Goldcorp and competitors alike to engage in some serious cost-cutting initiatives. Among those were efforts to reduce the costs of mining gold.

Goldcorp impressively got all-in sustaining costs below \$850 per ounce in 2015; the company stated that even further reductions are still possible during 2016.

The real benefit of those efficiencies and savings comes as the price of gold starts to appreciate as it

has during the past few weeks, giving Goldcorp a boost in margins.

### **Growth prospects are there**

One of the most impressive aspects of Goldcorp is how disciplined the company has been about balancing growth while keeping costs and debt in line. The company has just \$2.5 billion of debt, which seems small and manageable in comparison to both the debt levels of other gold producers as well as Goldcorp's own market cap.

Goldcorp has been steadily ramping up production in a number of new mines, which should guide the company to meet the output guidance of 3.3-3.6 million gold ounces. Another point worth considering is that as those new mines come online, they become more efficient, which in turn will lower costs even more.

Goldcorp currently trades at just over \$21. Year-to-date the stock is up by 30%, which, while impressive, does not erase the losses the stock suffered when extending it over the course of a full year. The difference in price over a full calendar year is 28% in the red.

In my opinion, as far as investing in a gold producer, Goldcorp is one of the best options on the market. Should the price of gold continue to increase or stay at current levels, investors of Goldcorp will be pleased with the long-term prospects for the company.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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