



Goldcorp Inc. Earnings: 3 Shocking Numbers You Can't Miss

Description

In sharp contrast to **Barrick Gold Corp.'s** ([TSX:ABX](#))(NYSE:ABX) surprisingly positive earnings report released earlier this month, **Goldcorp Inc.** (TSX:G)(NYSE:GG) sent panic waves last week with shockingly dismal numbers, a scary outlook, and a dividend cut that was enough to send the stock tumbling more than 13% by market close on Friday.

For investors who are wondering what's going on, here's a look at three awful figures from Goldcorp's report that indicate more pain ahead.

US\$5.14 vs US\$2.94

That's how drastically Goldcorp's losses per share widened in the fourth quarter after a massive post-tax impairment charge of US\$3.9 billion hit its bottom line. The miner's losses came in at US\$0.15 per share, excluding the one-time charge, missing analyst estimates of a profit of US\$0.01 per share by a gaping margin.

The asset write-downs were largely based on Goldcorp's cautious projections of gold prices averaging US\$1,100 in the long term. Interestingly, the pessimism isn't restricted to Goldcorp: Barrick also took a US\$3.1 billion after-tax write-down in Q4 as it expects gold prices to hover around US\$1,000 per ounce this year and US\$1,200 per ounce in the long term.

In short, gold miners don't foresee a strong recovery in gold prices going forward, which could cap their profits. Goldcorp's position looks worse going by its problem of high costs.

US\$850-925

While every gold miner is aggressively reducing its all-in sustaining costs, or AISC, to boost margins in these challenging times, Goldcorp's efforts may leave much to be desired.

Goldcorp's AISC for 2015 came in at US\$852 per ounce in 2015 before accounting for impairments. What's concerning is that the company expects its AISC to *increase* going forward—something that contrasts the broader industry trends. So, while Goldcorp is projecting its AISC to average between

US\$850 and US\$925 per ounce during the three years through 2018, Barrick has an ambitious target of slashing its AISC to US\$725-775 per ounce by 2018.

With Goldcorp's production volumes expected to taper and gold prices remaining subdued, higher AISC could eat into its already weak margins in coming years. That's certainly a yellow flag investors can't ignore.

67%

That's the extent to which Goldcorp has reduced its dividend. From a monthly dividend of US\$0.02, the miner now intends to pay out the same amount every quarter, effectively lowering its annual dividend by a whopping 67%.

While lower dividends and capital expenditure should turn Goldcorp free cash flow positive, it'll be meaningful to investors if higher profits boosted cash flows. That looks far-fetched for now, leaving Goldcorp investors with little to be optimistic about.

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