

## Goldcorp Inc.: Is This Stock a Buy?

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is up nearly 50% this year, but the stock has trailed behind its peers.

Let's take a look at the current situation to see if Goldcorp deserves to be in your portfolio.

### Earnings

Goldcorp had a tough second quarter, despite benefiting from higher gold prices. The company reported a net loss of US\$78 million compared to net earnings of \$392 million in Q2 2015.

Operating cash flow was US\$234 million, down from US\$528 million the previous year.

Much of the pain can be attributed to lower production due to reduced ore grades, a mill shut down at one of its mines, and the exhaustion of surface stockpiles at another.

All-in sustaining costs (AISC) for the quarter were US\$1,067 per ounce on production of 613,400 ounces compared to US\$853 per ounce on 908,000 ounces in Q2 2015.

Overall, it wasn't a great three months for the company.

### Balance sheet

Goldcorp finished Q2 2016 with long-term debt of just under US\$2.9 billion and had US\$328 million in cash and cash equivalents. The low debt position gives Goldcorp significant flexibility to pursue growth opportunities and makes it an attractive pick for investors who want to avoid some of the highly leveraged names in the space.

The company also has about US\$3 billion in available credit facilities, so there is ample liquidity available for project expansion or acquisitions.

### Guidance

Goldcorp reconfirmed its 2016 guidance of 2.8-3.1 million ounce at AISC of \$850-925 per ounce.

That's better than the Q2 results and suggests the second half of the year is going to be more efficient, but the AISC is still quite a bit higher than that of its larger peers.

### Growth

Goldcorp put two new mines into commercial production last year. As output ramps up to capacity, the company should see production rise and AISC fall.

Management is also taking advantage of the difficult market conditions to add new assets.

Goldcorp closed its acquisition of Kaminak Gold in July. The deal includes the high-grade, open pit Coffee project located in the Yukon. Coffee comes with three million ounces of indicated resources and a land package of 60,000 hectares that has the potential for near-mine discoveries.

Regarding organic growth, Goldcorp is moving ahead with expansions at two additional sites.

### **Is the stock a buy?**

If you are a long-term gold bull, Goldcorp deserves to be on your radar. The stock offers a solid balance sheet with a growing development pipeline, and investors could see the company turn the corner on its production and cost improvements just as gold ramps up for a potential extended run.

I wouldn't jump in right away, but a pullback could present a good opportunity to start a new position in this stock.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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