



Gold Back Above US\$1,300: Should You Buy Goldcorp Inc.?

Description

Gold has clawed its way back up to the US\$1,300 mark, and investors who are positive on the precious metal are wondering which mining stocks might be attractive right now.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) to see if it should be on your buy list.

Financials

Goldcorp generated Q3 2016 net earnings of US\$59 million, or US\$0.07 per share, compared to a loss of US\$0.23 per share in the same period last year. Lower operating costs, the strengthening U.S. dollar, and higher realized gold prices contributed to the turnaround in the year-over-year results.

The positive numbers are somewhat surprising, as revenue fell by US\$621 million, or 21%, due to reduced production at four of the company's mines. Goldcorp produced 715,000 ounces of gold in the quarter compared to 922,000 ounces in Q3 2015.

All-in sustaining costs (AISC) came in at US\$812 per ounce compared to US\$858 per ounce in the same period last year, so that metric is moving in the right direction. Lower output generally results in higher AISC, but Goldcorp is making progress on its efforts to reduce operating expenses.

Goldcorp's balance sheet remains in good shape. The company repaid US\$226 million of its debt during the quarter and finished September with US\$3.4 billion in available liquidity.

Overall, it was a solid quarter for the company, and the turnaround efforts are starting to bear fruit.

Growth

Goldcorp completed its purchase of Kaminak Gold during the third quarter. The acquisition includes the coveted Coffee project, which is a high-grade site with three million ounces of indicated ounces, including 2.2 million ounces of probable gold reserves.

Goldcorp expects to see annual output of about 200,000 ounces for the first five years of the mine's

life. Production is scheduled to begin in 2020. Coffee comes with land package of 60,000 hectares, which could produce additional resources.

Goldcorp is also moving ahead with expansion plans at two of its existing mines.

Outlook

Goldcorp expects production to improve in the fourth quarter and has maintained its 2016 guidance of 2.8-3.1 million ounces.

The company remains on track to deliver US\$250 million in sustainable annual efficiencies by 2018 with 60% of the target already identified.

Should you buy?

Goldcorp has lagged its peers this year, so there is an opportunity for contrarian investors to pick up the stock while it moves through its restructuring process.

AISC should come down in the next few years as the company improves efficiency at its facilities and begins production at the Coffee project.

You have to be a long-term gold bull to own any of the miners right now. If you are in that camp, it might be worthwhile to pick up a bit of Goldcorp while the stock is still out of favour.

CATEGORY

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