



Goldcorp Inc.: Should You Buy This Stock Right Now?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG) has trailed its peers in recent years, but the situation might be about to change.

Let's take a look at the former go-to stock in the sector to see it deserves to be in your portfolio.

Turnaround efforts

Goldcorp used to be the first name investors would buy when looking for a gold miner to add to their portfolios, but the company lost its shine in the past few years amid a dividend cut, falling production, and stubbornly high operational costs.

Management has worked hard to right the ship, and it looks like things are set to improve.

Why?

Goldcorp is focused on improving its net asset value per share and has made a number of moves to set the business up for high-return growth.

Last year the company purchased Kaminak Gold to get its hands on the promising Coffee project located in the Yukon. Coffee is forecast to produce 200,000 ounces of gold per year beginning in 2020.

The company is also pushing ahead with expansions at two existing mines and continues to work through the ramp-up phase at two other sites that began commercial operation in 2015.

In Q3 2016, all-in sustaining costs (AISC) came in at US\$812 per ounce. That was a significant improvement from US\$858 per ounce in the same period last year.

On the downside, production in the quarter dropped 21% year over year, but the situation should reverse itself in the medium term.

Strong outlook

Goldcorp expects production to jump 20% over the next five years to annual output of about three million ounces. Gold reserves are forecast to rise by an equal amount.

At the same time, the company sees AISC falling to US\$700 per ounce, meaning margins are set to improve significantly from the current position.

At that cost structure, Goldcorp would potentially be the lowest-cost producer in the industry among the large miners.

Gold prices

Gold has picked up a bit of a tailwind in recent weeks and could see more gains through 2017.

What's the catalyst?

Markets are starting to get nervous that Donald Trump's aggressiveness toward China and other trading partners could destabilize global markets.

At the same time, Italy's banks are in big trouble, Brexit is still a wildcard, and national elections in France and Germany could bring about unsettling results.

Investors might simply shrug off any shocks, as they did in 2016, and intentions by the U.S. Federal Reserve to raise interest rates three times in 2017 could cap any upward momentum in the yellow metal.

Nonetheless, there is a chance gold could take a run at its 2016 high in the coming months.

Should you buy Goldcorp?

You have to be a gold bull to own any miners today, and more volatility should be expected in the months ahead.

That said, Goldcorp is on the mend, so it might be worthwhile to start a small position if you are looking to put some new money into the sector.

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