



## Goldcorp Inc.: Is Now the Time to Buy?

### Description

Gold-mining heavyweight **Goldcorp Inc.** (TSX:G)(NYSE:GG) failed to enjoy the same rally that significantly lifted the stock prices of its peers. Over the last year, its share price has fallen by 5%, whereas the prices for **Barrick Gold Corp.** and **Newmont Mining Corp.** have risen by 32% and 28%, respectively. Goldcorp's share price was held back by fears over the impact of declining production and rising costs on its bottom line.

Nonetheless, it delivered some solid fourth-quarter 2016 results which exceeded market expectations and allowed it to meet its full-year forecasts. Though Goldcorp hasn't rallied as its peers have, it's attractively priced, making now the time for investors to add Goldcorp to their portfolios.

### Now what?

The most outstanding aspect of Goldcorp's fourth-quarter results was that net earnings surged to US\$101 million or US\$0.12 per share. This was not only a massive improvement over the US\$4.5 billion net loss incurred for the same period in 2015, but it beat analysts' average estimates by 33%.

There are a range of reasons for this remarkable recovery.

Key among them is a 6% quarter-over-quarter increase in gold production and an incredible 8% reduction of all-in sustaining costs. A marked improvement in ore grades, particularly at its flagship Peñasquito mine in Mexico, also helped.

Because of these stronger results, Goldcorp was able to meet its forecast gold production, and all-in sustaining costs came in at US\$856 per ounce, which was the lower end of the miner's annual guidance.

More importantly for investors, this bodes well for Goldcorp's operational performance during 2017, despite forecasted gold production expected to be 13% lower at 2.5 million ounces. This is because the company continues to focus on cost reductions that will cause all-in sustaining costs drop by roughly 1% to US\$850 per ounce.

Corporate administration costs, which fell by an impressive \$10 million during the fourth quarter 2016 compared to a year earlier, should also continue to decrease in 2017 because of the company's cost-saving initiatives.

Furthermore, activities at Goldcorp's Argentinian Cerro Negro mine, which is its second-most productive mine, continue to ramp up, and this will help to boost its 2017 performance.

The macro picture is also looking quite positive.

Gold is currently trading at US\$1,225 per ounce and is expected to average US\$1,250 over the course of 2017, and it could very well rise higher.

There are growing doubts over the ability of President Trump to implement his much-vaunted fiscal stimulus, on top of which, the global economy is fraught with economic and political fissures that have the potential to cascade into a full-blown crisis. If this were to occur, then gold would surge because of its status as possibly the best safe-haven asset.

Obviously, higher gold prices are a powerful tailwind for precious metals miners such as Goldcorp.

### **So what?**

One aspect of investing in Goldcorp that makes it a superior investment compared to non-yielding bullion or gold ETFs is that it yields income for investors by way of a quarterly dividend payment. While this yield only comes to about 0.5%, it provides investors with the means of obtaining a regular tax-effective income stream while enjoying the benefits that exposure to gold provides in uncertain times.

### **CATEGORY**

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