



Goldcorp Inc.: Is This Stock Oversold?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG) is trading near its 12-month low.

Let's take a look at the former go-to name in the gold sector to see if the pullback presents an opportunity to buy.

Earnings

Goldcorp just reported Q2 2017 net earnings of US\$135 million, or US\$0.16 per share, compared to a net loss of US\$78 million in the same period last year.

Production in the quarter rose to 635,000 ounces at all-in sustaining costs (AISC) of US\$800 per ounce, which was an improvement over Q2 2016 production of 613,000 ounces at AISC of US\$1,067.

Management reconfirmed 2017 gold production guidance of 2.5 million ounces (+/- 5%) and reduced the AISC target to US\$825 per ounce (+/- 5%). The previous guidance called for AISC of US\$850 per ounce (+/- 5%).

Outlook

Goldcorp says it is on track with its turnaround plan and expects to deliver a 20% increase in gold production, a 20% increase in resources, and a 20% decrease in AISC over the next five years.

In the past 18 months, two new investments have pushed up gold reserves from 42 to 50 million ounces. Goldcorp now expects reserves to hit 60 million ounces by 2021.

Why is the stock down?

On the surface, the Q2 numbers and guidance look pretty good, but investors dumped the stock once the report came out, and it currently trades close to its lowest level in a year.

Part of the reason might be due to the news that the current CFO is leaving the company. Goldcorp says the transition is part of a planned succession.

Another reason might be that net cash provided by operating activities at continuing operations came in at US\$158 million, which was much lower than the US\$234 million reported in the same period last year.

Gold market

Gold is up in recent weeks, supported by reduced expectations for U.S. rate hikes and increased safe-haven demand due to rising geopolitical concerns.

The precious metal has traded within a range of about US\$1,200-1,300 per ounce for most of this year, and that trend is likely to continue unless we see a major financial or geopolitical shock.

Should you buy Goldcorp?

Goldcorp appears to be making progress on its turnaround plan, and more improvements should be on the way.

If you are a long-term bull on gold and have a contrarian investing style, it might be worthwhile to start nibbling on Goldcorp while the name remains out of favour.

At this point, the stock could be getting a bit oversold.

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aswalker

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