



Latest Results Make Now the Time to Buy Goldcorp Inc.

Description

It has been a tough year for investors in senior gold miner **Goldcorp Inc.** (TSX:G)(NYSE:GG). While many gold mining stocks have soared because of significantly firmer gold, Goldcorp has failed to perform, falling by 3% over the last year. Much of this can be attributed to the market's overbaked perception of risk because of operational issues, such as declining gold production, poor ore grades, and rising costs.

However, Goldcorp has moved fast to resolve those issues and reduce the risks they have created, which, when combined with improved operational results and a weaker stock price, makes now the time to buy this senior gold miner.

Now what?

If we turn to Goldcorp's latest results, the improvements it has made to its operations and the positive effect this is having on its financial performance is quite clear. Net earnings for the third quarter 2017 were almost double a year earlier, and that was despite gold production falling by 11%.

While all-in sustaining costs, or AISCs — the best measure of the profitability of a gold miner — rose by 2% compared to a year earlier, that is not as serious as it first appears. This is because it can be attributed to increased capital spending on maintaining and improving existing operations, which is important because essentially it will lead to higher production and lower operational costs in the future.

Furthermore, direct production costs for the quarter fell by an impressive 12% year over year, and that trend should continue, because of Goldcorp's commitment to rationalizing its operations.

A key driver of lower costs were the significant operational improvements completed at Goldcorp's flagship Peñasquito mine in Mexico. Mine production expanded by a notable 10% compared to the same quarter in 2016, and Peñasquito's AISCs of US\$288 were a third of what they had been a year earlier.

This significant overall improvement indicates that Goldcorp remains on track to achieve its five-year forecast; by 2021, it expects to be producing three million ounces of gold annually with AISCs of

US\$700 per ounce. That would not only see Goldcorp's profitability grow sharply, but it would make it one of the lowest-cost senior gold miners.

What makes Goldcorp even more attractive is the large pipeline of projects that it has under development, which it continues to expand through a combination of organic growth and acquisitions. Of the nine projects currently under development, five are forecast to come online between 2018 and 2021. These will significantly enhance Goldcorp's production by boosting the ore grades mined and reducing operating expenses, thereby ensuring that it can meet its five-year forecast.

So what?

Goldcorp's recent weakness, and management's moves to rationalize operations, strengthen the balance sheet, and boost production makes it one of the most attractively priced senior gold miners available. When those factors are considered in conjunction with the considerable economic and political uncertainty that exists, it is likely that further [geopolitical crises](#) could emerge, which would push gold higher, giving Goldcorp's stock a healthy lift.

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