



Is Goldcorp Inc. Attractive Today?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG) just reported Q1 2018 results that came in a bit weaker than analysts expected.

Let's take a look at the company as well as the broader situation in the [gold](#) market to see if Goldcorp deserves to be on your buy list right now.

Financial results

Goldcorp generated Q1 2017 net earnings of US\$67 million, or US\$0.08 per share, compared to US\$170 million, or US\$0.20 per share, in the same period last year. Analysts expected to see earnings of US\$0.11 per share, according to **Reuters**.

Adjusted operating cash flow rose from US\$315 million in the first quarter last year to US\$350 million, supported by higher average realized gold and zinc prices.

Gold production was 590,000 ounces at all-in sustaining costs (AISC) of US\$810 per ounce, compared to 655,000 ounces at AISC of US\$800 per ounce for Q1 2017. The drop in production is primarily attributed to the sale of the Los Filos mine and the closure of the Marlin site last year.

Guidance

Goldcorp confirmed its full-year gold production guidance of 2.5 million ounces (+/-5%) at AISC of US\$800 per ounce (+/-5%).

The company said it is making good progress on its goal of implementing US\$250 million in sustainable annual efficiencies by the middle of 2018, with US\$210 million already achieved as of March 31. Management has identified more cost-saving opportunities, and investors should see the efficiencies target increase with an extension of the program.

Goldcorp also has a strong pipeline of growth projects and remains committed to its goal of increasing production and resources by 20% while reducing AISC by 20% through 2021.

Stock price

Goldcorp trades at close to \$17.50 per share, which is down from about \$19 at this time last year. Gold currently sells for US\$1,320 per ounce compared to about US\$1,270 at the end of April 2017. Based on those numbers, the stock might be [oversold](#) right now.

Gold market

Changes in U.S. interest rates and safe-haven demand can impact the price of gold.

Rising interest rates tend to be negative for gold, as they increase the opportunity cost of holding the yellow metal. The U.S. Federal Reserve increased rates three times last year, and we could see another three moves in 2018. The fact that gold has actually rallied since December might be a surprise to some market observers, given the interest rate headwinds.

Geopolitical events can also impact the price of gold, although the moves tend to be short-lived, as we have seen over the past year. For example, escalating tension with North Korea briefly supported safe-haven buying in 2017. The situation appears quite different today amid more amicable discussions with the country, and that could be contributing to the recent gold pullback. Concerns over a potential U.S.-China trade war, and the conflict in Syria remain on the radar, and either one could trigger a rush back to gold if the market senses an increased risk.

Should you buy?

Interest rate headwinds will likely cap any meaningful upside in gold prices, so I wouldn't back up the truck today.

However, long-term gold bulls might want to consider adding a bit of Goldcorp to their portfolios while the stock remains largely out of favour. The company is making good progress on its turnaround efforts, and although the Q1 numbers missed expectations, the next few years could deliver some impressive results.

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aswalker

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