



Can Goldcorp Inc. Stock Outperform its Competitors Long Term?

Description

When investors think of gold companies, **Goldcorp Inc.** (TSX:G)(NYSE:GG) is typically one of the first companies to come to mind. As one of the largest miners of the yellow metal globally, Goldcorp is often viewed as somewhat representative of the commodity price of gold, with investor focus primarily centered on the size and scale of Goldcorp's operations as key to making a long-term bet in the miner.

Of course, other firms, such as **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX), are often cited as worthy investments, and investors choosing between the two certainly have a lot to consider.

I'm going to talk about a couple key drivers of both Goldcorp and Barrick, with the focus on long-term profitability and growth.

Goldcorp

Since the beginning of the year, shares of Goldcorp have performed quite well, given the fact that the price of gold has finally begun to move incrementally higher, increasing 5%. This upward trajectory has been stalled somewhat by weaker-than-expected [quarterly earnings](#) in late April, with the company's stock price down just shy of 6% from pre-earnings levels, as Goldcorp reported higher costs and lower production on a year-over-year basis during the most recent Q1 results.

Goldcorp's overall net income came in higher than analyst expectations at \$0.20 per share instead of \$0.11 per share; however, concerns about increasing production costs and lower gold production have some analysts expecting worse performance in the company's upcoming quarters. While Goldcorp's management team contends it will be able to meet previously indicated guidance, these assumptions have undoubtedly been called into question by Mr. Market.

Barrick

In contrast to Goldcorp, its main competitor, Barrick, has not performed as well, down 8.8% year to date. As indicated by fellow Fool contributor Matt Smith, much of the decrease in Barrick's share price can be linked to [operational issues](#) at a number of the company's mines; these issues contributed to a reduction of more than 20% on a preliminary basis over the company's most recent quarter — a

significant decline to say the least.

The question with respect to Barrick from a long-term perspective is just how simple or difficult these production issues will be to resolve, and if specific concerns may impact cash flows in the medium to long term.

Bottom line

Both Goldcorp and Barrick appear to be following a sector-wide trend of production declines spurred by efforts to reduce costs and maximize production efficiency. While costs continue to be difficult to nail down, until the price of gold drops toward the US\$1,000 level, companies like Goldcorp and Barrick should be able to weather such a scenario and remain profitable.

At this point, it appears Goldcorp remains the more stable bet of the two firms, and I would suggest long-term investors choose accordingly. That being said, holding a well-diversified basket of options is always a good idea, so having some exposure to both in differing percentages may not be a bad idea.

Stay Foolish, my friends.

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