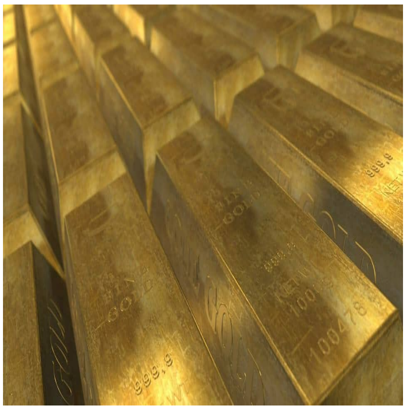

# 1 of the Best-Positioned Gold Stocks on the TSX

## Description

Despite the earnings and revenue miss for its second-quarter results, **Goldcorp** (TSX:G)(NYSE:GG) is still one of the best-positioned gold stocks on the Toronto Stock Exchange. In fact, the meaningful dip of the stock, after the earnings report last Wednesday, is a good opportunity to pick up some shares for long-term accounts looking for exposure to gold.



### Q2 results

Here are some key metrics compared to the same period in 2017:

| | Q2 2017 | Q3 2018 | Change |
|---|---|---|---|
| Gold production (ounces) | 635,000 | 571,000 | -10.1% |
| Gold sales (ounces) | 649,000 | 562,000 | -13.4% |
| Operating cash flows | US$158 million | US$158 million | 0% |
| Adjusted operating cash flows | US$320 million | US$310 million | -3.1% |
| All-in sustaining costs (per ounce) | US$800 | US$850 | +6.3% |

Although gold production was lower in the second quarter compared to the same quarter last year, Goldcorp management expects to increase gold production in the second half of the year with key contributions from its Éléonore mine in Quebec and Cerro Negro mine in Argentina. Further, Goldcorp reconfirmed its 2018 guidance for gold production of about 2.5 million ounces at all-in sustaining costs of US$800 per ounce plus or minus 5%.

For the quarter, Goldcorp posted net earnings loss of US$0.15 per share compared to net earnings per share of US$0.16 in the same quarter last year. However, it’s important to note that there was a non-cash foreign exchange loss of US$0.20 per share. So, the gold miner’s operating cash flow generation remained stable.

**Goldcorp is positioned for better years ahead**

Goldcorp stock is trading at multi-year lows, but it is positioned for better years ahead. It is one of the best large-cap gold producers to own as a hedge if you believe gold prices will be higher in the future.

Goldcorp's investment projects to improve efficiency at its Peñasquito mine in Mexico and Musselwhite mine in Ontario are going well and running ahead of schedule.



Goldcorp's cost-reducing and production-improving initiatives have also been successful, achieving US$250 million of annual savings. Furthermore, management is aiming for another US$100 million of annual savings by the end of 2019.

Additionally, the gold producer has an investment-grade S&P credit rating of BBB+ and a conservative debt/cap of about 13%, which are better than its closest competitors.

The analyst consensus from **Thomson Reuters** has a 12-month target of US$18.20 per share on the stock, which represents about 45% near-term upside potential from the recent quotation of US$12.54 per share.

**The problem**

Historically, a strong U.S. dollar has been a negative for gold prices, and increasing interest rates expected in the United States should keep the U.S. dollar strong. This should, in turn, continue to put pressure on gold prices.

**How should investors act?**

Goldcorp is a well-managed, large-cap gold producer. Management's efforts to improve the efficiency and production levels of the company should improve Goldcorp's cash flow generation in coming years. However, a strong U.S. dollar is going to keep gold prices low.

Although Goldcorp seems to be a great value, investors should use it as a potential hedge against a market downturn, during which there may be a flight to gold as a safe haven. At that time, Goldcorp stock could be a huge winner.

Investors should keep their allocation in gold and precious metals in check — perhaps not more than

5% of their diversified portfolio.

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