

Company: Goldcorp Inc	Ticker: GG Current Price: \$ 15.05	Industry: Semiconductor - Specialized	
Target Price: \$18 Stop Loss: \$12.80(15%) 52 Week High/ Low: \$17.87 / \$ 11.64	TTM P/E: 30.1 Forward P/E: 36 EPS: \$0.50	Beta: 0.75 Credit Rating: BBB+ (S&P) Rating Outlook: Positive	Market Cap: \$12.86B Avg Vol (12 M): 7.7495m Dividend Yield: 0.13%

Company Background:

Goldcorp Inc. is a gold production company headquartered in Vancouver, British Columbia, Canada, which engaged in gold mining and related activities including exploration, extraction, processing and reclamation. Goldcorp's operating assets include four mines in Canada, two mines in Mexico, and four in Central and South America. In 2017 Goldcorp announced it had formed a 50/50 joint venture with Barrick Gold to consolidate the Maricunga Gold Belt in the Atacama Region of northern Chile. On June 9th, Goldcorp acquired the minority 25% interest held by Kinross Gold in Cerro Casale and 100% interest in the Quebrada Seca exploration project for US\$260 million.

Industry Outlook:

Last year, caused by a combination of global macroeconomic challenges and regional political instability, demand for risk hedging in the market raised and brought gold way back in front of investors. With price increased 25% in the first three quarters, the return was mitigated by U.S. presidential election, ended up with 8% annual increase after three consecutive years of falling. From December 22nd up till today, gold price went up 9.62% thanks to depreciation of U.S. dollar. The trend will continue since a slowed growth is expected. Economic projections from FOMC, World Bank, and IMF indicated a slowed economic growth in the next three years. Mining companies has been suffering from the sagging gold price for the past few years and having difficulties to maintain positive earnings. With strong expectation for an increase in gold price, we shall expect the turnaround for the these companies. Moreover, the rising precious metal prices also benefits GG since they produce other metals such as Silver, Zinc, Lead, and Copper as well.

Investment Thesis:

Our recommendation is a buy with a target price of \$18 (19.6% upside), which implies PE 36 of 2017 EPS TTM. With strong expectation for a rising gold price and other precious metals prices, GG, a mining company that specialized in producing gold will benefit from it, turnaround from the prior sagging performance. By evaluating its major mine in Canada, Mexico, and Dominican Public, we consider the company undervalued, even without expanding its business. Also, in such niche market, GG constantly spearheaded and led its industry peer. Moreover, it established strategic relationship with the biggest mining company in the industry, Barrick Gold, capitalizing its advantages as the second largest mining company in the industry.

Investment Risks:

- The new tax bill and the cash repatriation led by it will benefit the U.S. economy, mitigating the global macro challenges in short term
- The challenge in its production and supply management, whether it can meet the demand from operation perspective
- Failing to expand its reserve
- The reserve estimation was lower than it said on technical reports

Most recent quarter financial highlights (July- Sept 2017):

- Net earnings were \$111 million, or \$0.13 per share, compared to net earnings of \$59 million, or \$0.07 per share, for the third quarter of 2016
- Operating cash flows for the third quarter of 2017 were \$315 million compared to \$267 million for the same period
- Gold production of 633,000 ounces at all-in sustaining costs ("AISC") of \$827 per ounce, compared to 715,000 ounces at AISC of \$812 per ounce for the third quarter of 2016
- Program to implement \$250 million of sustainable annual efficiencies by the middle of 2018 is on track with \$200 million expected to be achieved in 2017 across our portfolio.
- Solid reserve growth and project execution enhances confidence in the Company's future growth plan

Financial Performance:

In Millions of USD	2012	2013	2014	2015	2016	2017 Est	2018 Est
Revenue	5435	3687	3436	4375	3510	3470	3805
Operating Profit	2799	1415	1109	1557	1207	1353	1579
Net Income	1643	624	230	15	217	430	475
Revenue Growth %	1.36%	-32.16%	-6.81%	27.33%	-19.77%	-1.14%	9.65%
EBITDA%	63.92%	55.57%	54.19%	69.71%	63.56%	67.52%	68.83%
Operating Profit %	51.50%	38.40%	32.30%	35.60%	34.40%	39.00%	41.50%
Net Income Margin	30.23%	16.92%	6.69%	0.34%	6.18%	12.39%	12.48%
D/E	0.03	0.08	0.20	0.21	0.21	0.15	0.16
EPS	0.54	0.60	0.60	0.42	0.12	0.08	0.08
PE Ratio	22.6	36.3	n.a.	n.a.	n.a.	27.8	36.0
Current Ratio	4.20	4.89	5.95	6.38	2.57	4.77	5.00
ROE	7.2%	3.2%	1.4%	0.1%	1.6%	3.0%	3.5%
ROA	7.0%	3.0%	1.2%	0.4%	1.7%	3.0%	3.0%
Dividend Per share	0.54	0.60	0.60	0.42	0.12	0.08	0.08
FCF	-8.12	-731.27	-894.95	357.05	537.90	390.60	478.50

Discounted Cash Flow

	2012-17	2018-22
Avg Revenue growth	-3.08	5%
Avg EBITDA Margin	61.39%	68.18%
Avg Net Income Margin	12.07%	12.44%
Avg Debt/Equity	0.15	0.15
Avg FCF / EBITDA Margin	-9.63%	17.47%
Cost of Debt		2.27%
Tax Rate		30%
Cost of Equity		6.04%
WACC		10.6%
Perpetuity growth rate		2.5%

Analyst Opinion

Buy:16	Hold: 9	Sell:1
Target Price Range	12~22	Avg. 17.67

Source: Bloomberg

Relative Valuation

	Barrick Gold Corp	Agnico Eagle Mines	Kinross Gold Corp	Kirkland Lake Gold	Industry Median*
P/E	17.4	52.35	65.94	21.3	40.37
P/B	1.76	2.16	1.23	2.88	1.17
Dividend Yield	0.86%	0.93%	n.a.	0.2%	0.6%
Revn Grth	-5.22%	7.70%	13.75%	57.63%	13.75
NI Grth	n.a.	43.66%	2304.00%	131.89%	88.14%
Operating Margin	25.39%	20.94%	13.14%	37.64%	16.23%
Debt / Equity	55.47%	27.97%	39.22%	7.34%	27.97%
Market Cap	16.88B	10.66B	5.36B	3.25B	3.24B
Revenue TTM	8.47B	2.18B	3.4B	725.76M	1.06B
Net Income TTM	1.08B	203.09M	77.71M	119.34M	89.53M
FCF TTM	814M	-23.22M	16.2M	181.46M	16.2M

* Resource: Bloomberg, all data updated to the latest quarter except for Revenue, Net Income, and FCF

Total Return

	GG	Precious Metal Mining	S&P 500
YTD	12.14%	0.05%	5.36%
2017	-4.54%	7.12%	18.47%
Last 3 Years	-37.96%	12.03%	29.90%
Last 5 Years	-58.92%	-55.80%	82.70%

CSR Characteristics

	GG	Industry
Governance Disclosure Score	71.43	61.61
ESG Disclosure:	59.09	45.25
Social Disclosure Score	63.16	43.86
Environmental Disclosure Score	51.94	45.35

Data: Bloomberg data of FY 2016 (CSR)