



## Which Is the Better Buy? Goldcorp Inc. vs. Kirkland Lake Gold Ltd.

### Description

Gold has long been viewed as a valuable asset to hold, particularly in times of uncertainty when there is a “flight to safety.”

The price of gold bullion is up 12.6% since the start of the year, and with geopolitical tensions on the rise, not to mention the need in the United States to raise the debt ceiling, that trend may be expected to continue.

And with central banks around the world starting to interest rates, including the Bank of Canada, that could threaten the heightened levels of the stock market, and a flight to safety trade might very well be where we’re headed.

Both **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Kirkland Lake Gold Ltd.** (TSX:KL) offer attractive options to play this angle.

The question is, which is the better buy for your portfolio?

### Goldcorp Inc.

Goldcorp is one of the world’s largest gold producers, so, theoretically at least, there is an added element of safety.

Yet for the company, profitability has been depressed amid lower gold prices that have been in place since 2012.

Management has not been able to generate excess returns on its capital over that period and, in fact, has been far off that mark. This explains why shares are available at less than book value. That means the company could pay down all its debt and still have money left over to return to shareholders.

It also means that if you buy shares in the company today, you are getting any future profits of the company virtually for free.

And while the company managed to generate only \$0.19 of earnings per share (EPS) in 2016, this year is off to a better start with the company already accumulating \$0.36 of EPS over the first two quarters of 2017.

### **Kirkland Lake Gold Ltd.**

Kirkland Lake, at a market cap of \$3.1 billion, is about one-quarter of the size of Goldcorp.

This means that Kirkland Lake shares have more risk to them, but it also means that Kirkland Lake has more of a runway for growth. This should be appetizing to investors looking to put a little extra cash in their pockets, provided they're willing to bear the risk.

Kirkland Lakes shares also have momentum on their side.

While Goldcorp shares are down so far in 2017, it's a much different story for shareholders of Kirkland Lake as the shares are up more than 100% since the start of the year. What's more, Kirkland Lake shares are up more than 700% since the company released its initial public offering in mid-2015.

Right now, Kirkland Lake trades at a 29 times price-to-earnings (P/E) ratio, which is a slight premium to Goldcorp, which trades at 23 times forward earnings.

Yet at least part of that premium is attributable to the outlook for Kirkland Lake, whose earnings growth is forecast to be 61% in 2018 compared to Goldcorp, whose EPS growth is forecast to be 29%.

### **Which should you buy?**

Neither stock pays much of a dividend with Goldcorp shares yielding 0.62% and Kirkland Lake yielding just 0.07%, so dividend and income investors may be best advised to look elsewhere.

Yet for investors or traders who are more focused on capital gains, there is opportunity in both companies, particularly if the price of gold bullion were to continue on its ascent.

Goldcorp is the "classic" value play trading below book value, offering the lower P/E and higher dividend yield.

Yet the combination offered by Kirkland Lake shares in terms the trade-off in price for future growth suggests it to be to the better option of the two today.

Even if we are headed for some turbulence in the markets, there's still opportunity to pad your profits, provided you're willing to think *Foolishly*.

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