



## Kirkland Lake Gold (TSX:KL) Smashes Earnings, Making Now the Time to Buy

### Description

Gold miner **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) has been a on tear, reporting robust results since I first wrote about the miner in May 2017 and gaining a whopping 338% over that period, making it one of the best-performing gold stocks.

### Strong first-quarter results

The latest results from the miner indicate there are further gains ahead for patient investors, despite gold softening in recent weeks. Gold production shot up by an impressive 57% year over year to 231,879 ounces with average all-in sustaining costs (AISCs) of US\$560 per ounce sold. Those are some of the lowest AISCs in the industry and were a notable 33% lower than a year earlier. That strong production growth and industry-low AISCs saw Kirkland Lake report record quarterly EBITDA of almost US\$202 million, which was more than double a year earlier, and record net income of US\$110 million, which was 120% higher.

These extremely impressive results came after solid reserves growth during 2018. By the end of last year, Kirkland Lake's gold reserves expanded by 24% year over year to almost 5.8 million ounces. Those reserves have an impressive grade of 15.8 grams of gold per tonne of ore (g/t), which is 42% greater than 2017. This is particularly important for investors to note, because the higher the ore grade, the more economic it is to extract the gold from the surrounding ore.

The impressive operational results can be attributed to record production and improved ore grades at Kirkland Lake's Macassa and Fosterville mines. It also places the miner firmly on track to achieve its improved 2019 guidance, including annual gold output of 950,000 to one million ounces and average AISCs of US\$520-560 per ounce sold.

If Kirkland Lake achieves that forecast, which is highly likely, then its earnings will surge, ultimately giving its stock a solid boost.

I expect gold production and reserves to continue growing because of the company's ongoing exploration and development drilling at Fosterville and Macassa. Kirkland Lake is targeting annual

production of 600,000 gold ounces at Fosterville, which possesses significant exploration upside and is focused on expanding Macassa's production to greater than 400,000 ounces annually.

Kirkland Lake is also forecasting a significant reduction in operating costs at both mines. Cash costs at Fosterville are predicted to drop to US\$130-150 per ounce mined, while for Macassa it is anticipated that these will be as low as US\$400-420 an ounce. This indicates that AISCs will fall further, boding well for greater profitability and firmer earnings, considering that both mines are responsible for around 86% of Kirkland Lake's total gold output.

Kirkland Lake also finished the first quarter 2019 in a solid financial position with cash expanding by 25% to US\$416 million. That not only provides sufficient capital to continue funding its exploration and development programs but should continue to grow because Kirkland Lake is generating significant amounts of free cash flow. The miner also has no long-term debt and minimal liabilities, further enhancing its financial flexibility and underscoring why it is a best-in-class investment in an industry that is [notoriously risky](#) and capital intensive.

As a result of those robust results, Kirkland Lake hiked its quarterly dividend by 34% to US\$0.04 per share, giving the miner a 0.4% forward yield. While that is a very modest yield, it makes Kirkland a superior investment to gold bullion, which does not pay income to investors.

## Why buy Kirkland Lake?

The intermediate gold miner has been one of the strongest performers in its industry, and there are signs of further gains ahead, as Kirkland Lake continues to successfully expand its gold reserves and production. This means that Kirkland Lake's market value will appreciate further, even if gold doesn't firm as significantly as anticipated, while even a modest gold rally will give its stock a decent boost. Exposure to gold by investing in Kirkland Lake will also act as a handy hedge against the growing risk of a global economic downturn or market correction.

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**Author**  
mattdsmith

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