



## Why I'm Buying This Top Gold Stock That Has Soared 50% in 2019

### Description

In this article I would like to talk about a gold stock that has soared 50% year-to-date, 94% in the last year, and 358% in the last two years — pretty outstanding returns.

But this safe haven sector has been surrounded by a bout of investor apathy in this market closing in on all-time highs once again. Imagine investors getting more excited about defensive sectors again — imagine them flocking to the safe haven this sector provides!

With red flags and risks abound in the global economy, this doesn't seem like a far-fetched idea. With gold trading at almost \$1,350 per ounce at writing, this metal has certainly found a floor and seems to be waiting for the next catalyst to send it even higher, namely, an investor shift to safer, [defensive](#) investments.

In late 2011, [gold](#) prices peaked at close to \$1,900 per ounce, then retreated steadily to levels of just over \$1,000 per ounce at the end of 2015. Hard times have necessitated action and gold companies have emerged with more efficiently run operations that have driven down costs to survive.

Back to the top gold stock that I'm buying. **Kirkland Lake Gold Ltd.** (TSX:KL)(NYSE:KL) is this outperforming gold stock I'm buying and here's why:

### Safety

Operating in Canada and Australia, Kirkland Lake Gold has one of the safest political risk profiles in the gold sector and the mining sector in general.

Kirkland's Macassa mine, located in the Town of Kirkland Lake just north of Toronto, accounts for approximately 30% of total production and is one of the highest gold grade mines in the world. Production in this mine, which is supported by well-developed infrastructure that includes a provincial highway, a railway system and a private airport, has increased significantly in the last five years. Having the infrastructure in place helps make this a low risk, low cost mine.

In Australia, Kirkland's biggest mine representing approximately 47% of the company's total production, is a high-grade, low cost underground mine located in the State of Victoria. This top-quality mine is seeing growing production at increasingly higher grades with strong exploration potential.

## Growth

Kirkland Lake's production growth has been pretty impressive over the last few years, as the company emerged from a small junior gold company to a \$10 billion market capitalization gold company today with 723 thousand ounces of production (367% increase versus 2015), and with 2019 production growth expected to come in at 30%.

## Operational excellence

Operational excellence at Kirkland Lake Gold has beaten even the company's expectations in the last many years. Operating costs have declined an impressive 37% since 2016 and are expected to decline an additional 18.5% in 2019. All-in-sustaining costs have declined 26% and are expected to decline an additional 21% in 2019.

In the first quarter of 2019, Kirkland reported that it had a cash balance of \$416 million (up from \$332 million in December 2018), and free cash flow generation of \$93 million.

## Dividend potential

While Kirkland isn't what we would classify as a dividend stock by any stretch of the imagination, with a dividend yield of a mere 0.3%, we should note that the growing free cash flow generation and cash flow balance accumulation of this company is impressive.

With an increase in its dividend from Cdn\$0.04 to US\$0.04 recently, we can understand management's point of view.

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