Jittery Market Got You Anxious? This TSX Gold Stock Could Provide Safety

Description

The **S&P/TSX Composite Index** has had a turbulent ride in August. Thanks to trade fears and recession worries, the index has been mainly sideways, with many pronounced downswings along the way.

In this environment, many traditional industries, including financials and energy, have been getting hit hard. With the U.S. 2-10 year yield curve having recently inverted, the end may be nowhere in sight.

In markets like this, investors often flee to gold as a safe haven to protect against uncertainty. Indeed, gold has a tendency to rise in bear markets, as it's perceived as a store of value that is independent of broader economic activity.

If you're interested in gold as a hedge against current market turbulence, you could always buy physical bullion. But if you're not comfortable stashing coins away in your home, gold stocks can make an excellent alternative.

Although many Canadian mining companies are over-burdened with debt and struggling to post profits, there's one new gold miner that's growing by leaps and bounds–not only in the markets, but also on its income statements.

The name of that company?

Kirkland Lake Gold

Kirkland Lake Gold Ltd (TSX:KL)(NYSE:KL) is a Canadian gold company that owns productive mines in Canada and Australia. The company's aim is to mine 950,000 to one million ounces of gold in 2019 and is already over 450,000 ounces in the first half of the year.

In its most recent quarter, it grew net earnings by 69%, its revenue by 31% and its operating cash flow by 52% year-over-year. One of the ways it boosted its profits was by reducing its cost per ouncemined: in Q2 its operating costs per ounce sold were $323, down from $404 a year before.

This demonstrates that the company is finding more efficient ways to extract gold, which, when combined with the commodity's rising price, makes for a powerful earnings booster.

How Kirkland avoided the fate of other mining stocks

Even with gold on the rise, many TSX gold mining stocks are tanking.

The culprit may lie in over-leveraged balance sheets. Many TSX gold miners invested heavily in exploration, which they financed with large amounts of debt. This coincided with the 2012 bear market in gold, resulting in lower revenue and slimmer margins.

Predictably, many gold stocks tanked, and although gold has been rising, major mining companies like **Barrick Gold** are still struggling under huge debt loads.

Kirkland Lake seems to have largely avoided this fate. With $2 billion in assets to $500 million in liabilities, its balance sheet is healthy, and the company has shown itself impressively able to grow without taking on piles of debt.

While the company's debt increased somewhat in its most recent quarter, revenue and earnings increased significantly more, indicating that this is a company that uses debt fairly sensibly.

If gold continues its long-term bullish trend, then this stock–which is up 66% this year–could see even more upside.

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Date
2025/09/12

Date Created
2019/08/22
Author
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