



## I Would Buy This Gold Stock Right Now!

### Description

**Kirkland** (TSX:KL) is a gold producer based in Canada. The company's main operation is the Macassa Mine and Mill. Its main revenue source is derived from the sale of gold bars.

Aside from the Macassa Mine, it owns others that include the Holt, Holloway, Fosterville Mine, and Taylor mines.

The most impressive feature of this stock is its stock price, which has increased 71.9% year to date. I am a firm believer in commodities, and this stock is the real deal. Although it is much smaller than **Barrick Gold** (TSX:ABX)(NYSE:GOLD), its [management team is very competent](#), which is demonstrated by the health of its financial statements.

Kirkland is a good investment based on its increasing net income and its high operating cash flow.

### Increasing net income

Kirkland is [performing very well](#) in the past four fiscal years with revenues increasing from \$116 million to \$916 million.

This increase in revenues has trickled down to net income, which grew from \$6 million to \$274 million. The net income margin for fiscal 2018 is 30%, which is impressive.

Compared to its competitor Barrick Gold, Kirkland is performing very well.

Barrick Gold's latest fiscal year-end numbers indicate a net income margin of -21%. Contrary to Kirkland's revenues, which have increased each year in the past four years, Barrick Gold's performance has been dismal with revenues declining from \$9 billion to \$7.2 billion in the past four fiscal years.

Barrick Gold acquired Randgold at the end of 2018, so the synergy will take many years to fully materialize. Given Barrick Gold's current financial state, Kirkland is a much better choice.

## High operating cash flow

Operating cash flow is arguably one of the most important metrics when determining the strength of a company.

Operating cash flow is the cash that the company earns from its main operations. In the case of Kirkland, operating cash flow is derived from the sale of gold bars, which it creates from gold mined at its many locations.

Since fiscal 2015, operating cash flow has increased every year from \$39 million to \$543 million in fiscal 2018. This is impressive given the fluctuating demand for gold.

This is a much better performance than Barrick Gold; its operating cash flows have decreased from \$2.8 billion to \$1.8 billion in four years. This decrease in Barrick Gold's operating cash flows suggests that its business is shrinking.

Given that Barrick Gold's share price has increased 32% year to date, despite its poor financials, indicates that Kirkland is poised to deliver greater returns for investors.

## Bottom line

Although I tend to favour buying bullion over shares in a company, Kirkland is a solid choice.

Its net income has increased from \$6 million in fiscal 2014 to \$274 million in fiscal 2018 for a net income margin of 30%. This is coupled with the company's high operating cash flow, which has increased every fiscal year since 2014.

Compared to its competitor Barrick Gold, Kirkland is faring much better. Barrick Gold's net income has decreased each of the past four fiscal years along with its operating cash flows.

Given that Barrick Gold increased 32% despite its poor financial position, Kirkland is on track to deliver superior returns to its investors.

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