



1 Top Gold Miner to Buy in November

Description

Gold has fallen sharply since hitting a multi-year higher of over US\$1,550 per ounce in September to be trading at US\$1,468 an ounce. The increased optimism surrounding the economic outlook, because of the Fed's latest interest rate cut and signs that the trade war between the U.S. and China could be coming to an end, has given stocks a healthy lift.

Gold's latest weakness has created an opportunity to acquire quality gold miners at an attractive valuation, and one which is poised to perform strongly is **Kirkland Lake Gold** (TSX:KL)(NYSE:KL). I have been bullish on the miner [since late 2017](#). Over the last two years, it has gained a whopping 251%. There are signs that Kirkland Lake will continue to deliver value for investors, even after making such solid gains.

Strong results

The miner owns two of the highest-quality underground mines in operation globally: the Macassa and Fosterville mines. Kirkland Lake has also been consistently reporting solid quarterly performances for the last two years. This is evident from its third-quarter 2019 results, where production grew by an impressive 38% year over year to 248,400 gold ounces.

Even more impressively, Kirkland Lake continues to report industry-low all-in sustaining costs (AISCs), underscoring the quality of its assets and profitability. For the third quarter, the miner reported that its AISCs had fallen by 13% year over year to US\$562 per ounce, which is lower than most of its peers, highlighting the profitability of Kirkland Lake's operations. Its cash costs were even lower at US\$287 per gold ounce mined, highlighting its considerable profitability in a favourable operating environment, where gold is trading at over US\$1,468 per ounce.

Kirkland Lake's low costs can be attributed to the high ore grades of Kirkland Lake's Macassa and Fosterville operations, which have gold reserves with an average grade of 21.9 grams of precious metal per tonne of ore (g/t) and 31 g/t, respectively. For these reasons, Kirkland Lake reported record third-quarter net earnings of US\$0.83 per diluted share, which was three times greater than a year earlier.

The miner's strong performance over the first three quarters of 2019 indicates that Kirkland Lake can deliver on its full-year guidance. When Kirkland Lake reports that it has achieved its full-year forecast, its stock will rally.

Those exceptionally high ore grades make it more economic to extract the gold from the surrounding rock, thereby reducing the miner's production expenses and increasing its profitability. Kirkland Lake, through its drilling and development program, is focused on boosting its gold reserves and controlling costs.

Another appealing aspect of Kirkland Lake is its rock-solid balance sheet. It finished the third quarter with almost US\$616 million of cash and no long-term debt. This indicates that Kirkland Lake is well positioned to continue financing the development of its existing properties and make opportunistic acquisitions as they arise.

That financial flexibility also means that the miner can weather a prolonged slump in the price of gold, although there are signs that gold will rally once again after the optimism surrounding the Fed's rate cut and global economic outlook wanes.

Foolish takeaway

Kirkland Lake's earnings will continue to grow, as it focuses on expanding its Macassa and Fosterville operations, while controlling costs. This means that even gold's latest pullback will have little material impact on the miner's 2019 performance. When those factors are considered, along with the likelihood of [gold rising](#) once again and Kirkland Lake's low AISCs, now is the time to buy the miner and profit from its next rally.

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