



The Top-Gainer TSX Stock of the Last Decade Is Down 25%: Will You Buy?

Description

This market crash caused by the coronavirus pandemic is vastly distinct from other bear markets in history. It has hammered almost all the major financial markets globally with still no end in sight. It isn't just the top TSX stocks that have been affected, but defensive ones like non-cyclical and gold were also weak during the last month. Gold miner stocks, which were looking notably strong earlier this year, also took a major hit since late February.

Pure gold

A mid-tier gold mining company that looks attractive amid this brutal crash is **Kirkland Lake Gold** (TSX:KL)(NYSE:KL). The stock has fallen almost 25% since last month. It was the top gainer in the last decade and returned a massive 6,500%. It significantly outperformed many growth stocks such as **Constellation Software** as well as **Air Canada** during the last decade.

The recent fall in Kirkland Lake Gold could be a solid opportunity for the long term that investors might not get in years. This gold miner stands tall among peers in many aspects and thus might continue to outperform going forward as well.

Operational efficiency

Kirkland Lake is a leading low-cost gold producer in the industry. The company has huge gold reserves of about 35 million ounces combined with recently completed Detour acquisition. Reserves are most important in the mining industry and indicate resources that can be extracted at a future date.

In 2016, its all-in production cost was well above \$900 per ounce, while in 2020, it is expected to be around \$600 per ounce. Its consistently increasing production with falling costs represents operational efficiency.

As the physical gold prices once again start moving upwards as the virus fears grow, this gold miner could reap significant benefits with its cost-efficient operations. Kirkland aims for a production of one

million ounces in 2020, representing flattish growth compared to last year.

In 2016, the company had a net income of \$42 million, while it increased to \$560 million at the end of 2019. Its high-quality projects and [disciplined capital allocation](#) primarily influenced such a steep bottom-line growth.

Its Detour acquisition will likely positively impact its earnings in the coming quarters. Higher realized gold prices against 2019 would also likely benefit this year's earnings.

Mining is one of the most capital-intensive businesses, and many gold miners have a huge pile of debt on their books. Here, also Kirkland Lake differentiates itself from peers. It has no debt on its books, which improves its profitability further.

Attractive valuation

The recent weakness in Kirkland stock has made it look attractive from a valuation standpoint as well. It is currently trading at a price-to-earnings valuation of 16 times based on its next 12-month earnings estimates. Its five-year historical average valuation comes around 17 times. This implies that the stock is trading at a discount and might have room for an upward climb going forward.

I think there are many positives firmly placed with Kirkland Lake Gold stock at the moment. Its operational efficiency, earnings, and free cash flow growth along with a discounted valuation add up to [an attractive investment proposition](#). Short-term gyrations might weigh on the stock, but Kirkland stock looks poised for another stunning decade.

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Author

vinitkularni20

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