



## Top Gold Stocks With No Debt to Buy

### Description

As the price of gold continues to hit multi-year highs, investors have been increasingly looking to take positions in gold stocks. Gold is a proven hedge against recessions and bear markets.

The stock market crash of 2020 is no different. Thus far, the S&P/TSX Global Gold Index is up 17.21% in 2020. It is far outperforming the 15.84% loss posted by the S&P/TSX Composite Index. It is therefore not surprising that investors are flocking to the industry.

There are several ways to [invest in gold](#). You can buy the physical metal, an ETF that tracks bullion, or stocks. Leaving the first two aside, investing in producers can yield significant returns. It can also come with added risk, as they have high capital requirements.

During the last gold bear market, producers had amassed significant levels of debt. This led to write-offs, dividend cuts and a significant deterioration of shareholder value. It is for this reason I prefer to look at gold stocks that have attractive debt profiles.

### Top-performing gold stock

Over the past handful of years, there has been no better gold stock to own than **Kirkland Lake Gold** (TSX:KL)(NYSE:KL). Since 2015, Kirkland's share price is up by 1,820%. To put this into perspective, a \$10,000 investment in the company would be worth approximately \$191,000 today.

Recently, the company's share price has been under pressure. Despite acquiring world-class assets, the recent acquisition of Detour Gold will lead to higher all-in sustaining costs (AISCs). Combined with a lower than average mine life from legacy assets, the markets soured on Kirkland Lake.

The company is down 15% in 2020 and is one of the worst-performing gold stocks in the industry. The good news is that investors have been presented with an opportunity. Kirkland Lake is trading at only 11.21 times forward earnings, which is below the industry average (12.95). Likewise, it is trading at a 25% discount to analysts' one-year estimate of \$60.51 per share.

One of the most attractive aspects of the company is its pristine balance sheet. The company has no debt and generates significant cash flow. At gold prices above \$1,700 per ounce, the uptick in costs

brought on by Detour is more than offset.

Thanks to its impressive cash generation, it is quietly turning into a dividend-growth stock. As of writing, there is only one Canadian Dividend Aristocrat in the industry. Kirkland Gold is on pace to join the list in two years.

A strong management company has turned Kirkland Gold into one of the [best gold stocks](#) in North America.

## A company on track for a big 2021

Another stock that has an impressive debt profile is **Alamos Gold** ([TSX:AGI](#))(NYSE:AGI). In the second half of 2020, the company is expecting to see a significant uptick in cash flow. The company's Lower Mine at Young-Davidson is on track to be completed by end of June.

This will result in lower costs and higher production — an attractive combination.

Unfortunately, 2020 is a transition year. Alamos is currently dealing with government-mandated shutdowns due to COVID-19 mitigation efforts. The good news is that the restart time will be relatively quick.

The company's stock price is performing in line with the industry average, up by approximately 14% year to date. Production is expected to come in near the low end of guidance, before rebounding in a big way in 2021. Full-year production from the Lower Mine will lead to an approximately 25% increase in production and lower AISCs in the \$800 per ounce range. In comparison, estimates are for AISCs of \$1,039/oz in 2020.

As you can imagine, should gold remain in the \$1,500-\$1,800/oz range, Alamos gold will be a cash-generating machine. It is one of the few gold stocks trading below book value (0.95) and has a P/E-to-growth ratio of only 0.59. This implies that the company's stock price is not keeping up with expected growth rates.

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