



Not All TSX Gold Stocks Will Rally: Consider This Cheap 1 for Huge Gains

Description

Gold has seen one of the best moves so far this year in decades. It is up more than 30% in 2020, and interestingly, the rally seems far from over. Market pundits see this movement lasting at least through 2020 due to the broader economic picture. But how can investors play this potential rally with an attractive risk/reward balance?

Many TSX gold stocks have rallied more than 60% this year on the back of higher yellow metal prices. The same has made them extremely expensive and, thus, they have a little steam left from their current levels. However, very few of them are still trading at an attractive valuation. **B2Gold** ([TSX:BTO](#))(NYSE:BTG) is one of them.

Top TSX gold stock: B2Gold

Let's talk about its valuation first, and then we'll discuss its operations. Shares of this \$10 billion gold miner have been up more than 120% in the last 12 months, even beating the top TSX gold stocks **Barrick Gold** and top streamer **Wheaton Precious Metals**.

Despite this rally, B2Gold stock is trading at a forward price-to-earnings multiple of 20 times, lower than the industry average close to 50 times.

Notably, B2Gold's earnings are expected to double this year compared to 2019, per analysts' estimates. This might even exceed expectations, given the steep gold rally this year. Higher realized gold prices significantly enhance gold miners' top line and profit margins.

B2Gold released its second-quarter earnings on August 5. Its net income [grew](#) to \$119 million, an increase of 130% compared to the same quarter last year. Higher production and higher metal prices boosted its earnings during the quarter. B2Gold doubled its dividend for 2020 after higher-than-expected second-quarter earnings.

Investors should note that a TSX stock with such attractive earnings growth, trading at a reasonable valuation multiple is a worthy investment proposition.

Operational characteristics

B2Gold operates three gold mines in Namibia, the Philippines, and Mali. Its production growth notably increased, while the cost largely trended flat in the last few years. In 2020, B2Gold aims to produce more than one million ounces of gold, nearly 5% higher than the last year.

Temporary suspensions driven by the pandemic might lead to lower production in 2020. However, this could more than offset higher production from its key Fekola mine, driven by mill expansion and a larger mining fleet.

Gold is expected to keep its upward climb at least in 2020. Geopolitical tensions and volatile equity markets could force investors to turn to safe havens like gold. Increasing global trade tensions, U.S. presidential elections, and slower global economic growth driven by the virus have already set a favourable ground for the yellow metal.

Bottom line

In the last five years, B2Gold has returned more than 600%, while Barrick Gold and Wheaton Precious Metals has returned around 400%. The current scenario is altogether different from the last five years. The [COVID-19 pandemic](#) will likely continue to boost the traditional safe havens and, thus, miners that are undervalued could deliver sizable gains.

Overvalued gold stocks may fall short of expectations, even if the metal rallies. However, investors could turn to TSX gold miner stocks that are discounted and will likely outperform in the long term.

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