



If You Invested \$1,000 In Kirkland Gold (TSX:KL) Stock 5 Years Back, Here's What You'd Have Now!

Description

Gold stocks have created massive wealth for investors in the recent past. Further, with the economy going for a toss amid the COVID-19 pandemic, people are looking to invest in gold mining companies such as **Kirkland Gold** (TSX:KL)(NYSE:KL) that are largely considered recession-proof.

Shares of Kirkland Gold have returned 2,650% in the last five years. The stock has risen from \$3 in August 2015 to its current trading price of \$64.5. This means a \$1,000 investment in Kirkland Gold five years back would have returned a staggering \$26,500 today, making it one of the top investments on the **TSX**.

Kirkland Gold is a solid long-term bet

Despite the stellar bull run for Kirkland Gold stock, it continues to trade at a reasonable valuation. It is valued at a market cap of \$19.9 billion with a forward price to sales multiple of 8.3. Its price to earnings multiple of 20 is also not too high given the robust growth forecasts.

Analysts expect Kirkland Gold sales to rise by 75.4% to \$2.42 billion in 2020 and by 13.4% to \$2.75 billion in 2021. Comparatively, its earnings are forecast to grow at 18.2% in 2020 and 13.6% in 2021.

Kirkland Gold has a strong balance sheet and is debt-free. Though its dividend yield is just 1%, the stock has a low payout ratio of 11.8% which gives it enough room to increase these payouts in the upcoming quarters. The company [increased dividends by 100%](#) and repurchased shares worth \$400 million in 2020.

Why gold prices will move higher in 2020 and beyond

Gold mining companies including Kirkland Gold continue to benefit from multiple drivers. The interest rates have been declining for a few years now and were near record lows in early 2020. Income investors are looking at other options that have the potential to outpace inflation which makes gold an

attractive asset class given its store of value.

The COVID-19 pandemic has driven consumer spending significantly lower while business shutdowns have resulted in a spike in unemployment rates. Several governments have pumped in billions of dollars to revive the economy and quantitative easing measures might lead to a weakening of the U.S. dollar. Gold and the U.S. dollar have an inverse relationship, which could drive prices of the yellow metal higher.

The pandemic has also disrupted mining production, which will result in supply shortages taking gold prices higher. The global economic uncertainty due to COVID-19 and geo-political risks are also key drivers of rising gold prices.

Will gold prices reach \$2,500 by the end of 2020?

Gold prices increased from \$1,500 an ounce at the end of 2019 to over \$2,000 an ounce last week. It is currently at \$1,930. Gold bull markets have historically been elongated, which means there is a lot of runway for prices to move higher.

As Fool contributor [Sean Williams states](#), gold prices soared by 1,500% between December 1969 and January 1980. It rose by an astonishing 600% between August 1999 and August 2011. Gold prices have risen over 90% since late 2015.

Looking at historical returns and the above-mentioned factors, we can see that there is a lot of potential for gold prices to move higher, making Kirkland Gold and peer stocks enticing picks for your portfolio.

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