



Invest Like Warren Buffett: Buy This Top TSX Stock

Description

Warren Buffett's portfolio addition of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) took the investing world by surprise.

Of course, the Oracle of Omaha has been skeptical of gold as an investment for years. Buffett is a long-term investor focused on the growing cash flows equities provide. Gold as an asset class just didn't make the cut.

However, gold miners were recently in his wheelhouse. In this context, I'm going to discuss **Kirkland Lake Gold** (TSX:KL)(NYSE:KL).

Valuation isn't cheap: It's dirt cheap

As far as gold miners go, Kirkland Lake has the best fundamentals and valuation of its peer group. This is a world-class global miner, focused on the geopolitically safe jurisdictions of Canada and Australia.

Kirkland Lake's price-to-earnings ratio of only 13 is absurdly cheap. This is a cash flow-producing machine, trading at less than eight times cash flow at these levels. If gold trends higher, as it should, over the medium term, Kirkland Lake's margins and cash flow growth will improve further. I think with the amount of stimulus that's being pumped into the economy, gold is likely to catch a bid. Gold miners provide excellent leverage to the price of gold. Accordingly, stocks like Kirkland Lake are among my top picks for defensive investors right now.

Timing is perfect for an acquisition

As I pointed out in a [recent article](#), I think a deal is likely on the horizon for Kirkland Lake. The gold miner will be looking to replace some of the production it will lose over the medium term. One of Kirkland Lake's high-grade mines in Australia is nearing the end of its life. Thus, replacing these cash flows will be an important strategic priority.

I think the timing is perfect for gold companies looking to acquire reserves right now. The price of gold has dipped to around US\$1,750 per ounce. This past summer, gold shot to a record high of above US\$2,000 an ounce. Accordingly, all gold miners (Kirkland Lake included) have seen their valuations dip, as investors seem to have lost their bullish sentiment on gold.

For those bullish on the medium- to long-term value of gold, this dip is a perfect buying opportunity. Kirkland Lake has a significant amount of cash to use for an acquisition right now. Additionally, acquisition financing is near historic lows right now.

The stars are aligning for Kirkland Lake. I think investors would be remiss to ignore this opportunity today.

CATEGORY

1. Dividend Stocks
2. Investing
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POST TAG

1. dividend
2. dividend stock
3. Gold
4. investing
5. market
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7. yield

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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