



Today's Top Buy: Kirkland Lake Gold

Description

Kirkland Lake Gold (TSX:KL)(NYSE:KL) is, hands-down, the [best gold mining stock](#) on the planet (or at least among the dozens I've looked at). Indeed, this has been my top pick for some time and will continue to be.

Here's why this stock is down significantly year to date and why investors should consider picking up shares at this level.

Great earnings, but gold prices weighing on gold miners

As per Kirkland Lake's most recent quarterly earnings report, Kirkland Lake recorded net income of \$233 million, or \$0.85 per share, in Q4 2020. This represents a year-over-year increase of approximately 38%. Furthermore, Kirkland's revenue was up by almost 68% year over year totaling \$691 million. In terms of operations, the company produced 369,464 ounces of gold. Additionally, the average realized price of the commodity was roughly \$1875 per ounce.

Now, given where gold prices are trading today, it's understandable that investors may be somewhat bearish on future earnings from here. Indeed, investors have largely moved away from safe-haven investments like gold back to growth stocks or value stocks in other commodity sectors with better momentum. That makes sense.

However, I think gold is simply taking a breather right now. Additionally, I think investors need to consider the catalysts underpinning last year's rally in the price of gold and consider whether these catalysts still hold true. Massive stimulus is still being injected into the economy. The U.S. dollar remains weak and is likely to be for some time. And there's a level of risk in the markets today due to the valuations present right now that hasn't been this prevalent in a long time.

Indeed, in situations like these, I would suggest investors focus on the fundamentals of companies like Kirkland Lake before anything else. And, in that regard, Kirkland Lake is an excellent option. Trading at roughly 12-times earnings, this gold miner is a bargain for investors right now.

Detour mine update extremely bullish

Kirkland Lake's acquisition of Detour Lake is one which has been bemoaned by the market. After all, Kirkland Lake's other mines are higher grade. Investors viewed the move away from grade toward volume as a negative of late.

However, the story is more complex than that, and it's evolving every day. Kirkland Lake recently announced the filing of Detour Lake technical report, which includes a new life-of-mine plan. Some of the highlights of the results posted by the company include significant production growth with low unit costs. Its target is to reach the 800,000 oz mark by 2025 with average operating cash costs of \$524/oz. Additionally, the overall grade of this mine could be much higher than previously thought.

The plan further indicates a production life of 22 years on the basis of nearly 14 million oz of mineral reserves with ample scope for growth.

That's a lot of long-term growth potential that just got added to the table for investors. The company's continued focus on generating value with its existing operations is key for investors to consider right now. Yes, there's the potential of an acquisition or two down the road. Kirkland Lake certainly has the war chest for that. But for now, taking the company's existing operations into consideration, this is a dirt-cheap miner.

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