



Battle Market Uncertainty With This Top TSX Gold Stock

Description

The COVID-19 pandemic brought devastating economic turmoil last year. Indeed, heightened market volatility materialized in a way we haven't seen in some time.

However, one year later, much of the volatility has died down. Indeed, whatever volatility is left appears to be on the upside.

Speculative assets like Bitcoin are outperforming equities by a wide margin. Safe-haven stocks are underperforming, as investors shift to cyclical or growth stocks for capital appreciation.

That said, being defensive is always a good idea. If and when volatility rears its ugly head again, having a high margin of safety in one's portfolio is a good thing.

Accordingly, sticking to [safe bets](#) such as **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) is a great idea. For those more cautious investors, here's why I'd recommend Kirkland Lake right now.

Very attractive valuation relative to the market

It's arguably one of the best times to buy a gold miner like Kirkland. Gold prices remain elevated (though not at all-time highs). Accordingly, gold miners are seeing some of their best results ever.

The same goes for Kirkland Lake. The company ended 2020 in its best financial shape ever. Despite massive spending increases on dividend payouts, buying back shares, and capital expenditures, this miner increased its total cash balance by 20% to \$848 million.

In the same year, Kirkland spent upwards of \$732 million to buy back 18.9 million shares, \$115.9 million on dividend payouts, and \$98.6 million on debt repayment of its recent acquisition.

That's a pretty decent return for shareholders.

As of writing, the company yields at 2.1%, with an annual payout of \$0.75. With an estimated EPS of

\$3.73 in 2021 and no debt going forward, there's a lot of room to raise its dividends. The shares have a P/E (TTM) ratio of 15 times earnings and an EV/EBITDA of 5.5, among the lowest in the sector.

Free cash flow growth strong

Kirkland generates a tonne of free cash flow. That's a great thing for all shareholders. Why? Well, the company's cash position and balance sheet has never looked this good. Indeed, the company is poised to pursue mergers and acquisitions to bolster its long-term growth prospects.

The company's recent Detour deal was one the market initially bemoaned. However, after a re-appraisal of the mine's grade, investors appear more bullish on this deal.

Other such deals could provide a big boost on the horizon. If the company can continue to increase its production (and grade), this stock should fly.

Indeed, there's no better time to own gold miners like Kirkland Lake than right now.

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