



## Why Kirkland Lake Gold (TSX:KL) Tanked Over 10% Today

### Description

### What happened?

The shares of Canadian gold miner **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) tanked by about 10% this morning. This massive selloff in KL stock came after it [revealed](#) Tuesday morning that its home market rival **Agnico Eagle Mines** ([TSX:AEM](#))([NYSE:AEM](#)) has agreed to buy the company in a deal worth about \$13.5 billion. After the news came out, Agnico Eagle's share price also tumbled by nearly 2% in the opening of the Canadian market.

### So what?

Kirkland Lake Gold and Agnico Eagle Mines are both Toronto-based gold mining companies. Currently, Kirkland has a market cap of about \$14.9 billion, which is slightly lower than Agnico Eagle's \$15.6 billion. After shareholders' approval, each Kirkland share will be converted into 0.7935 of an Agnico Eagle common share.

Both the gold mining companies' financials hugely benefited from the pandemic-driven sharp rally in gold prices last year. By comparison, Kirkland's adjusted net profit jumped by nearly 60% YoY (year over year) in 2020, Agnico Eagle registered even a stronger 97% increase in its bottom line. However, Kirkland Lake's overall business is far more profitable than Agnico's business operations. To give you an idea, Kirkland reported an adjusted net profit margin of 37.5% last year, more than double compared to Agnico's 14.4%. This could be one of the reasons why Kirkland investors seemingly didn't like the news of its merger with Agnico Eagle, triggering a sharp selloff in KL stock today.

### Now what?

In a joint press release, both the gold miners termed the deal as "a merger of equals." While investors might have reacted negatively to the merger news today, I find it a positive development for their long-term growth prospects. The deal will help the combined gold mining company drive synergies, enhance profitability, and strengthen overall business operations in the long run. That's why long-term investors

may want to take advantage of the ongoing selloff in their shares and buy these fundamentally [strong Canadian dividend stocks](#) cheap.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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