



Why Kirkland Lake Gold (TSX:KL) Stock Whipsawed This Week

Description

What happened?

Kirkland Lake Gold (TSX:KL)(NYSE:KL) stock is trading with extreme volatility this week. After posting solid gains on Monday, the stock whipsawed Tuesday. As a result, KL stock is now trading at \$51.38 per share with 2.3% year-to-date losses against nearly 16% gains in the **TSX Composite Index**.

Here's what could be the primary reason for Kirkland Lake stock's roller-coaster ride this week.

So what?

Kirkland Lake Gold stock surged more than 8% in intraday trading on Monday, September 27. The stock erased some of these gains later during the session and closed \$55.70 per share — up 3.4% for the day. Notably, it was its highest closing level in over eight months. [Rumours](#) about its merger and acquisition talks with several companies were the main driving force behind this sharp rally.

The next day, these rumours turned out to be true when Kirkland Lake announced that its Canadian rival **Agnico Eagle Mines** ([TSX:AEM](#))([NYSE:AEM](#)) has agreed to acquire the company in a deal roughly worth \$13.5 billion. But this news surprisingly upset Kirkland investors, as [KL stock tanked by more than 10% Tuesday](#) before settling with 7.8% losses for the session. Agnico shares also slid by 1.2% Tuesday.

The Canadian gold miner Kirkland Lake's two major operating mines, Macassa Mine and Detour Lake Mine, are located in northern Ontario, while its Fosterville Mine is located in Australia. Agnico Eagle owns gold mines in Canada, Finland, and Mexico and is also engaged in exploration and development activities in other countries, including the United States and Colombia.

According to the agreed merger deal, Kirkland Lake Gold's each common share will be converted into Agnico Eagle's 0.7935 shares. In the last few years, Kirkland Lake has emerged as one of the most

profitable Canadian gold mining companies with an outstanding financial position. By comparison, Agnico Eagle's profit margins are much lower, and the debt level is much higher than Kirkland Lake. That's why Kirkland Lake Gold investors were seemingly unhappy with the current deal and likely anticipated a better deal.

Now what?

Now, with the merger deal already on the table, investors should look at its positive aspects, in my opinion. After the Kirkland-Agnico merger, the combined company will become the world's one of the top senior gold producers with solid profitability, strong liquidity, and a low-risk profile. It would create a great investment opportunity for long-term investors — especially those who want exposure to gold.

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