



Investor Alert: There's a New Mega-Cap Gold Stock in Town

Description

One of the key factors investors in mining stocks have to consider is the potential for consolidation. Indeed, finding a mega-cap gold stock with excellent growth potential isn't easy.

However, the [recent combination](#) of **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) and **Agnico Eagle** ([TSX:AEM](#))([NYSE:AEM](#)) certainly makes an intriguing case for investors on the fence about growth in the gold mining space. These companies are both likely to benefit from the combination. Accordingly, we've seen the stock prices of both rise following the deal being announced (though Kirkland Lake did drop heavily on the announced discount Agnico Eagle would be paying to acquire this gem).

Here's why I think either stock is a great buy right now ahead of this merger.

Low-premium deal between Agnico and Kirkland Lake

As mentioned, one of the intriguing aspects of this merger deal is the relatively low premium paid by Agnico Eagle to acquire Kirkland Lake. I mean, Kirkland Lake is among the best-quality miners out there. One might expect to see a substantial premium paid for these assets.

Shares of Kirkland Lake Gold and Agnico Eagle Mines dropped after these two miners announced a "merger of equals." Indeed, this deal provided Kirkland Lake investors with a lesser deal premium compared to other gold combinations.

This transaction worth \$13.4 billion (US\$10.6 billion) creates one of the largest bullion producers in the world. It follows other huge takeovers in recent years that contributed to the industry's reshaping.

Indeed, upon reviewing the deal more closely, there's a lot of value to be had for both parties. This deal cements the combined entity as a mega-cap gold mining behemoth. Those concerned about the ability for either gold miner to compete no longer have that worry.

That defensiveness related to size is worth a lot.

The combination of Kirkland and Agnico will give rise to a miner having assets in Finland, Mexico, Canada, and Australia. Besides this, the company will also generate anticipated production of 3.4 million ounces of the yellow metal in 2021. This, in turn, helped to elevate its ranking among the senior gold producers in the world.

For every Kirkland share, investors will receive 0.7935 of an Agnico share. The companies stated that this represents a 1% premium over Kirkland's 10-day average share price on the Toronto Stock Exchange.

Bottom line

I've liked both Kirkland Lake and Agnico Eagle for some time. Both companies are great businesses to buy and hold for the long term. However, a combined company — that's something worth holding onto for a very long time.

Accordingly, I'm considering loading up on either, or both, of these stocks prior to the merger being completed. I think there's a lot of [value left to be unlocked](#) by these miners.

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2. Metals and Mining Stocks

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