3 Reasons Why Agnico Stock Is the Best Buy on the TSX

Description

The **TSX** continued to see major volatility last week. It seems like no matter where you look, share prices continue to drop. Yet there's one area where it seems like there may be protection, and that's gold.

The major players in the gold industry have done reasonably well throughout all this uncertainty. But now **Agnico Eagle Mines** (TSX:AEM)(NYSE:AEM) is down about 36% in the last year on the TSX on Friday. Yet according to analysts, this drop is completely unwarranted. Furthermore, it's a solid buying opportunity for Motley Fool investors.

So let's look at three reasons by Agnico stock might just be the best stock you can purchase on the TSX.

Agnico stock and its merger of equals

The gold industry has been going through a period of consolidation. That included Angico announcing a "merger of equals" with **Kirkland Lake** on September 28, 2021, creating "the gold industry's highest-quality senior producer," according to a joint statement. The newly formed company, upon approval, expects to have $23 billion in available liquidity, a 48-million ounce gold reserve base that has doubled in the last decade, and a huge development pipeline. All while at a low-risk, low-cost investment now located on a global scale.

And yet, despite this amazing opportunity, shares bottomed out for Agnico stock on the TSX Friday. And that's something analysts think Motley Fool investors should now watch very closely.

Analyst anticipation

Analysts anticipate the deal should close in mid-February. That would fall in line with the next earnings report for Angico stock as well. The company is expected to outperform in the next year, according to analysts. In fact, shares could just about double to reach the consensus price target.

This comes from Agnico stock trading at incredible value, trading at 17.41 times earnings. Furthermore, annual gold production is expected to reach 3.5 million ounces, with costs remaining at US$900 per ounce. As of writing, the price of gold is almost double that, at US$1,782.

Earnings on the way

As mentioned, earnings are likely on the way for Agnico stock. And analysts believe they'll be strong, but perhaps only slightly above estimates when it comes to outlook. This comes from being conservative heading into a merger between the two companies. That, and the addition of Omicron weighing heavily on the industry as a whole.

Still, the last earnings report smashed estimates, and that's likely to happen again. Agnico stock is estimated to reach $0.96 earnings per share. Meanwhile, net income came in at $114.5 million, reaching record gold production. And should the merger happen next month, analysts believe there could be a surge in share price when the deal closes.

Bottom line

Shares of Agnnico stock on the TSX remain far under fair value, and even further below its target price. With the increase in the price of gold, the mergers of equals could send Agnico stock soaring in the near future. Investors wanting in on the action should definitely dig deeper into this stock on the TSX.

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