



The Best “Mining” Stock You’ve Never Heard of

Description

[gold bar coins](#) Wall Street is beginning to catch on to the best mining stock you’ve never heard of.

Back in April, [I urged readers to investigate this little-known “mining” firm](#). This company is growing at an extraordinary clip. Based on some conservative estimates, the stock could easily double or triple in value over the next two to three years.

Since my original report, this company has received growing coverage from resource analysts and the press. Over that same period the stock has soared almost 20%. It’s only a matter of time until this firm is discovered by the investment community.

Is this stock the next Silver Wheaton?

I have often stated that the best way to invest in the mining industry isn’t to buy mining companies at all. Rather, investors should investigate a little-known industry niche that is rarely advertised to the investing public: streaming metal companies.

These firms are like the bankers of the resource industry. Rather than operating gold and silver mines themselves, they finance new mining projects and earn royalties when the mines are up and running. This is a safer, more diversified way to invest in the mining business, rather than owning a company betting on one big find.

Thanks to this innovative business model, investors have been richly rewarded. For example, if you had invested \$100,000 in **Silver Wheaton** (TSX: SLW)(NYSE: SLW) and \$100,000 in **Royal Gold** (TSX: RGL)([NASDAQ: RGLD](#)) 10 years ago, your positions would be worth \$1.5 million and \$299,000 today, respectively. This handily beat the returns of the gold mining industry as a whole.

Unfortunately, you can’t buy past performance. These are mature businesses today. If you want to achieve similar returns, you have to find the *next* Silver Wheaton or the *next* Royal Gold.

Sandstorm Gold ([TSX: SSL](#))(NYSEMKT: SAND) might just be what investors are looking for. The company has carved out a lucrative niche in the streaming industry by targeting deals too small for

bigger peers. While Sandstorm is only about five years old, the company is already off to a better start than Silver Wheaton and Royal Gold when they were that age.

The financials speak for themselves. Sandstorm already has 14 gold streams producing, with many more coming online over the next few years. Incredibly, the firm's production totaled more than 30,000 gold equivalent ounces last year, and management expects this figure to nearly double by 2016.

Of course, the strength of a start-up is determined almost entirely by the management team. That said, Sandstorm's founder Nolan Watson is a proven executive. He was the No. 2 man at Silver Wheaton between 2004 and 2008. Guided by legendary resource investor Ian Telfer and with Mr. Watson at the financial helm, the company's market capitalization grew 30-fold over seven years.

Here's the kicker — because this company receives so little coverage from the mainstream investment community, the stock trades at a discount to its peers, as you can see in the chart below. However, given that the company is growing faster than its rivals, I wouldn't expect this valuation gap to last for long.

Company	Market Capitalization (\$M)	2016 EV/Cash Flow
Sandstorm Gold	\$900	9.2
Silver Wheaton	\$10,000	14.1
Royal Gold	\$5,200	15.3
Franco-Nevada	\$8,800	17.5

Source: Sandstorm Gold

However, I have a quick word of warning. As I mentioned at the beginning of this article, Wall Street is starting to discover this hidden gem. Earlier this year, Raymond James initiated coverage on the company, giving the stock an "outperform" rating. In May, TD Securities boosted its target price on the stock. Other firms are following suit as I speak.

This company is getting more coverage in the financial community and the press. If you're interested in this kind of growth potential, make sure you buy soon.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:RGLD (Royal Gold, Inc.)
2. TSX:FNV (Franco-Nevada)
3. TSX:SSL (Sandstorm Gold Ltd.)
4. TSX:WPM (Wheaton Precious Metals Corp.)

Category

1. Investing

Date

2025/08/19
Date Created
2014/07/04
Author
rbaillieul

default watermark

default watermark