

Why Sandstorm Gold Ltd. CEO Nolan Watson Loves Gold Long-Term

Description

Earlier this week, I had the opportunity to catch up with **Sandstorm Gold Ltd.** ([TSX:SSL](#))(NYSEMKT:SAND) CEO Nolan Watson. We discussed his current outlook for gold prices, examined the quality of Sandstorm's portfolio, and highlighted why companies such as his are the best way to play rising metal prices.

Ryan Vanzo: When deciding between investing in a miner directly or a streaming company such as Sandstorm, what assumptions would one have to make to prefer one over another?

Nolan Watson: To want to own a miner instead of a royalty company you have to assume that the miner can deliver what they say, within the timeframe that they outline, and that they won't have any technical problems or metallurgical problems, etc. On a spreadsheet, mining companies can look cheaper but in reality, almost none of the underlying assumptions when building and operating a mine go as planned, which is why the royalty companies are better investments.

Ryan Vanzo: Similarly then, what is your current forecast for the metals markets and what is Sandstorm doing to position itself for these conditions?

Nolan Watson: My current forecast for gold is lower in the short-term, higher in the medium-term and much higher in the long-term. We are positioning ourselves by using the current price environment as an opportunity to buy things.

Ryan Vanzo: With many miners facing legacy debt and operational issues, how is the credit quality of your current investment portfolio?

Nolan Watson: At today's gold price there is only one of our 70 contracts that we feel is at risk. The rest of our royalties are on profitable assets or on exploration/development projects where the price of gold is not relevant to the short term and no deal reworking will be required.

Ryan Vanzo: Do lower commodity prices expand the supply of potential deals and/or allow you to negotiate better terms?

Nolan Watson: The low gold price environment certainly increases the supply of potential deals and lowers the cost of picking up assets.

Ryan Vanzo: Additionally, how has the competition for deals trended since you've been in the business?

Nolan Watson: When we started Sandstorm in 2009, there was **Silver Wheaton, Franco-Nevada, Royalty Gold**, Gold Wheaton, IRC, Silverstone and Sandstorm all competing for business. Since then, Gold Wheaton, IRC and Silverstone have all been bought out, and **Osisko** is the only new entrant. Competition is moderate and slightly lower than when we started the business.

Ryan Vanzo: Sandstorm looks very attractive on a future cash flow basis compared to peers. Do commodity prices need to rise, or merely stabilize, to meet these targets?

Nolan Watson: Cash flow is dependent on the gold price. The price of gold would need to stabilize in order to realize our future cash flow predictions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:SSL (Sandstorm Gold Ltd.)

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/08/24

Date Created

2015/06/12

Author

rvanzo

default watermark

default watermark