



Don't Let its Delisting From the TSX Deter You From Buying Royal Gold, Inc.

Description

Precious metals streamer **Royal Gold, Inc.** (NASDAQ:RGL) recently completed its delisting from the Toronto Stock Exchange, but this shouldn't deter investors from adding it to their portfolios.

You see, growing economic uncertainty and geopolitical insecurity are all fueling market volatility, which have triggered a flight to safety among investors as they seek to hedge their bets against the increasing likelihood of a market correction. One way in which investors have been doing this has been to boost their exposure to gold. Royal Gold offers a superior lower-risk alternative means of doing so.

Now what?

A key benefit of investing in a precious metal streamer is their ability to more easily diversify their asset base than miners.

Royal Gold, like many of its peers, has a highly diversified portfolio of royalty and streaming agreements spanning mines across five continents. The majority of its revenue comes from Canada, the U.S., Mexico, and Chile. These agreements also give Royal Gold a long-life asset base with reserves of 86 million ounces of gold and 780 million ounces of silver.

Meanwhile, it derives 85% of its revenue from gold; the majority of revenue is earned in the relatively low-risk jurisdictions of Canada, the U.S., and Chile.

Despite its strengths, Royal Gold reported some disappointing third-quarter 2016 results, which can be attributed to it recording US\$99 million in impairment charges during the quarter.

Nonetheless, this has cleared the decks for 2016. Along with the significant increase in the price of gold, Royal Gold's bottom line will enjoy a healthy bump.

Then there is Royal Gold's low-cost structure with cost of sales of US\$344 per ounce, well below the realized average price per ounce of gold sold. This allows it to generate a solid margin for every ounce of gold sold, particularly with the average price per ounce for the fiscal fourth quarter ending June 30, 2016, being 8% higher than the previous quarter.

It is also worth noting that Royal Gold's voluntarily delisting from the Toronto Stock Exchange will also help to boost its profitability as this action will reduce its administrative costs.

So what?

Precious metal streamers are one of the best ways for investors to gain exposure to gold and silver. They not only offer the same leverage to gold as the miners, but they do so with far lower risk, because they are not in the business of operating mines.

Royal Gold's low-cost structure is far lower than that of gold miners, meaning that as the price of gold rises, its profitability will really take off, giving its bottom line a healthy bump and ultimately causing its share price to appreciate. While waiting for this to occur, investors will be rewarded by its regular dividend payment, which yields just over 1%.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NASDAQ:RGLD (Royal Gold, Inc.)

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