



Love Gold and Dividends? Check Out These 2 Stocks

Description

Gold stocks leverage you to precious metals, but they also tend to be very volatile. One way to mitigate the risks is to opt for gold stocks that pay dividends. However, few gold stocks have a track record of sustainable and growing dividends, and those are the kind of stocks you must seek as an income investor. I have two such incredible stocks in mind for you: **Franco Nevada Corp.** ([TSX:FNV](#))([NYSE:FNV](#)) and **Royal Gold, Inc.** ([NASDAQ:RGLD](#)).

Both are streaming and royalty companies. The business of streaming is far more stable than that of traditional miners. A streamer doesn't own and explore mines, but instead it buys bullion streams from other miners at fixed costs under "streaming agreements" in exchange for upfront payment. It's a win-win situation, as streamers don't have to bear any of the costs and risks associated with mines and also get bullion at cheap rates.

Now that you know how streaming works, find out which stock suits your dividend appetite.

Franco Nevada

Franco Nevada is a pretty diversified company: It got only about 66% of its revenues from gold, 21% from silver, 7% from platinum group of metals, and 5% from oil and gas in the last quarter. Geographically, the company also diversified with nearly half of its revenues originating in Latin America.

As deliveries from **Teck Resources's** Antamina and Glencore's Antapaccay mines in Latin America rose, Franco Nevada's gold equivalent ounces hit record highs last quarter, encouraging it to raise its production guidance for fiscal 2016. As of May 2016, Franco Nevada held interests in 139 exploration-stage assets across the world, indicating massive growth potential in coming years.

Franco Nevada's cost of sales was only about US\$80 million during the nine months ended Sept. 30, 2016, against revenues worth \$455 million. Thanks to such low costs and a solid asset profile, the company's free cash flows have surged from negative to almost \$370 million in the past decade, allowing it to raise its dividends for nine consecutive years. With production expected to rise, investors can expect higher dividends in the future. The stock yields 1.4% currently.

Royal Gold

Much like Franco Nevada, Royal Gold's earnings per share hit record highs last quarter, backed by record net gold equivalent ounces thanks largely to new streams from Pueblo Viejo — a mine jointly owned by **Barrick Gold Corp.** and **Goldcorp.** In 2015 Royal Gold paid Barrick US\$610 million to buy metal streams from the mine. Accordingly, Royal Gold received 11,000 ounces of gold and 0.3 million ounces of silver from the mine last quarter.

Royal Gold has several similar multi-year streams under its belt with some of the biggest miners, securing its production for many years to come. Most importantly, these streams are bought at low rates. For instance, Royal Gold paid only about US\$22.7 million for bullion streams last quarter and generated revenue worth US\$117.9 million.

Thanks to hefty margins, Royal Gold has increased its dividend for 16 straight years with a compounded average growth of 20% since 2001. That's a fantastic run — one that investors can bank on even as they enjoy the stock's 1.4% yield.

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TICKERS GLOBAL

1. NASDAQ:RGLD (Royal Gold, Inc.)
2. NYSE:FNV (Franco-Nevada)
3. TSX:FNV (Franco-Nevada)

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