



1 Gold Streamer That Should Be in Every Investor's Portfolio

Description

It has been a busy year for precious metals streamers with a flurry of mergers and acquisitions taking place in the industry in recent months. One of the latest deals was **Sandstorm Gold Ltd.'s** ([TSX:SSL](#))([NYSE:SAND](#)) US\$175 million acquisition of Mariana Resources Ltd. This is a needle-moving deal for the junior streamer and affirms why it should be a holding in every portfolio.

Now what?

The deal gives Sandstorm a 30% interest in the high-grade Hot Maden project located in northeastern Turkey. That project has been assessed to have indicated mineral resources of 3.4 million ounces of gold at an average grade of 15 grams of gold per tonne of ore.

This is an impressive grade and attests to the potential that project holds, particularly when it is considered that it makes it one of the highest-grade mines under development. The higher the ore grade, the more economic it is to extract, and this is the reason the mine has been forecast by independent industry experts to have low all-in sustaining costs of US\$400 per ounce of gold produced upon commencing operations.

Sandstorm estimates that its 30% share of the mine will expand its gold production to more than 135,000 ounces by 2022, which is more than triple its gold output in 2016. That coupled with a solid margin for each ounce of gold produced can only mean one thing: a massive lift in earnings which will give its stock a healthy boost.

The deal also adds a range of exploration properties, including a 160,000-hectare land package in the gold-silver district of Argentina's mining-friendly Santa Cruz province.

Aside from this deal, Sandstorm possesses a globally diversified portfolio of 160 streams and royalties, of which 20 of the underlying mines are producing gold. Because it doesn't engage directly in mining operations, much of the risk associated with those assets is far lower than it is for a miner, making Sandstorm a far more attractive investment that offers the same levered exposure.

That diversified portfolio of producing and exploration assets, along with the Hot Maden deal endows

Sandstorm with considerable exploration upside. This is highlighted by the fact that during 2016, more gold ounces were discovered on Sandstorm's properties than were produced, and the company expects that trend to continue. This bodes well for the further growth of Sandstorm's gold reserves and production which will boost earnings and, ultimately, its share price as the value of its assets rises.

What makes Sandstorm an even more compelling investment is that it remains attractively priced compared to its peers. It is trading with an enterprise value of 15 times EBITDA compared to 16 times for **Wheaton Precious Metals Corp.**, 26 times for **Franco Nevada Corp.**, and 32 times for **Osisko Gold Royalties Ltd.**

So what?

Sandstorm not only possesses a portfolio of quality assets and an enviable history of growth, but the Hot Maden project will give its earnings a significant lift on commencing production. These factors combined with it being attractively valued compared to its peers illustrate the considerable upside on offer to investors, especially when the favourable outlook for gold is considered.

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