



## Which Is the Better Buy: PrairieSky Royalty Ltd. or Osisko Gold Royalties Ltd.?

### Description

Royalty stocks are appealing from an investment standpoint since companies receiving royalties are not concerned with day-to-day operations and could present less risk for investors. I'm going to look at two royalty stocks for two different commodities and determine which one could be the better buy today.

**PrairieSky Royalty Ltd.** ([TSX:PSK](#)) has properties ranging from Manitoba to British Columbia, and the company makes money by collecting royalties from oil and gas producers from production that is done on its land.

**Osisko Gold Royalties Ltd.** ([TSX:OR](#))([NYSE:OR](#)) acquires and manages interests in precious metals around the world, although its focus is on North America. A key source of royalty income for the company comes from its interests in the Canadian Malartic gold mine, which is the largest in Canada and is operated by **Agnico Eagle Mines Ltd.** and **Yamana Gold Inc.**

### A comparison of commodity prices

Both companies are dependent on commodity prices since that will ultimately drive production and total sales dollars. The price of oil has failed to see any sustained increase this year, and optimism is not high for it to see significant growth anytime soon. Gold has been increasing in price this year, and that ascent could continue, especially if investors flock to the commodity amid the rising global tensions and uncertainty we have seen this year.

### Review of financial performance

PrairieSky saw a strong quarter in Q2 as revenues topping \$102 million were more than double the \$48 million the company collected a year ago. The company was also able to achieve a profit margin of 40%, and that could continue to climb as depreciation costs have kept margins lower, but increasing revenue will mean any excess will flow to the bottom line.

PrairieSky has only been listed on the TSX since 2014, and the company has not seen much growth since then, with revenues of \$224 million increasing just 13% over the past two years. However, in just its last three quarters PrairieSky has already eclipsed that total, as it is on its way to a much strong

2017.

Osisko was listed on the TSX around the same time as PrairieSky, and although it recorded just \$62 million in revenue this past year, it has more than tripled since the \$17 million it posted in its first year. In its most recent quarter, the company saw growth of just 16%, while net income has declined by 30%. However, with profit margins averaging just under 70%, there is lots of potential if the company can continue to grow its top line.

### **Which stock is the better buy today?**

If I had to choose one stock to invest in, it would be Osisko for two reasons.

While oil prices have shown stability and have even increased a little this year, PrairieSky's stock has only appreciated 1%, while Osisko has been able to generate returns of 24%. I'm not overly optimistic that oil prices will be able to see much of an improvement either, and for that reason, I would choose gold instead.

Another reason I would choose Osisko is for its superior profit margin, which puts the company at less risk should operations slow down.

### **CATEGORY**

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:OR (Osisko Gold Royalties)
2. TSX:OR (Osisko Gold Royalties)
3. TSX:PSK (PrairieSky Royalty Ltd.)

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