



Now Is the Time to Buy This Precious Metals Streamer

Description

The recent sell-off of gold stocks has created an opportunity for investors seeking to boost their exposure to gold and hedge against the economic and geopolitical [uncertainty](#) that triggered the recent market ructions. One of the best ways to invest in gold is by buying precious metals streamer **Osisko Gold Royalties Ltd.** ([TSX:OR](#))([NYSE:OR](#)).

Now what?

Not only do precious metals streamers like Osisko Gold Royalties offer the same levered exposure to gold as miners, but they are lower-risk investments.

You see, streaming companies don't engage in mining, which is a capital-intensive, costly, and high-risk activity. Instead, they provide financing for miners in exchange for the right to a royalty payment on every ounce of gold or silver produced or the right to acquire a portion of a miner's production at a price well below the market price. This also means that their assets are far more diversified than miners, significantly reducing risk and dependency on one or two key assets to provide most of their gold and silver production.

Osisko Gold Royalties has 131 royalties, streams, and offtake agreements located across six continents with the majority in the mining-friendly jurisdictions of the U.S. and Canada.

You only need to look at the [problems](#) being experienced by embattled silver miner **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) to understand how risky it can be to be a miner. The licence for Tahoe's Escobal mine located in Guatemala was suspended in July 2017; since then, the miner has been unable to recommence operations. The mine is responsible for most of Tahoe's silver production, and in 2016 it generated 45% of the company's revenue. This means its closure has been a tremendous blow for the miner, causing adjusted 2017 earnings to decline by a massive 53% year over year.

Because Osisko Gold Royalties doesn't own or operate any mines, it has far lower costs than a gold miner. It also isn't subject to the same degree of risk as a miner when it comes to cost blowouts or if an ore body becomes uneconomic to mine.

Investors in Osisko Gold Royalties are shielded from much of the downside associated with investing in miners.

The streaming company has built an impressive portfolio of assets in a short period. Osisko Gold Royalties's flagship asset is a 5% net smelter return royalty for the Canadian Malartic gold mine. This mine, operated jointly by **Agnico Eagle Mines Ltd.** and **Yamana Gold Inc.**, has a long history of growing production, and for 2017 it had exceeded its production target with output reaching 633,462 ounces of gold.

For 2017, Osisko Gold Royalties reported record gold production as well as income from streams and royalties, causing gross profit to rise by a healthy 16% compared to 2016 to \$59.5 million. While the company disappointingly reported a loss of \$42.5 million for the year, that can be attributed to an \$89 million impairment charge recorded against its royalty interest in the Éléonore gold mine.

Now that the streamer has successfully integrated the purchase of 74 royalties, streams, and precious metal offtakes agreements and taken the hit on the Elenore royalty interest, it is positioned to unlock value for investors in 2018. Osisko Gold Royalties expects 2018 production to grow by 32% to 40%, which, along with reduced costs, will boost profitability and give its bottom line a healthy lift.

So what?

Growing production and earnings should cause Osisko Gold Royalties stock to soar. While investors wait for this to occur, they will be rewarded by its sustainable, regular dividend, which yields 1.4%. Osisko Gold Royalties is on the cusp of unlocking considerable value for investors, making it a must-own stock in an operating environment where the outlook for gold remains firm.

CATEGORY

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2. Metals and Mining Stocks

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