



## 2 Debt-Free, Dividend-Paying Gold Companies for Your TFSA

### Description

The world has recently been surprised by the return of rising rates and inflation. The February shock to global equities and the return of volatility have pushed investors to rethink their investment strategies going forward, particularly since most investors today have not had to invest in a rising-rate environment.

In times of uncertainty and inflation, gold has historically been a powerful portfolio hedge. However, if you do not want to own the physical yellow metal, there are companies operating in the precious metal sector that have excellent balance sheets and decent yields.

Two possibilities in this space are **Franco Nevada Corp.** ([TSX:FNV](#))([NYSE:FNV](#)) and **Centamin PLC** ([TSX:CEE](#)).

### Franco Nevada

While Franco-Nevada is not a cheap stock, trading at a P/E of around 90 at current prices, it is a stable and financially sound company that gives solid exposure to precious metals. Franco Nevada primarily provides funding to gold-mining companies, but it also has some exposure to silver miners and oil and gas producers.

In return for funds provided up front by Franco Nevada, companies are contracted to pay royalty streams for a set period of time. Franco Nevada is not exposed to mine-specific risks, and royalty streams come from multiple geographic areas provided by various companies.

This strategy provides greater diversification and has led to past returns that have been far more stable, both in good times and bad, than most individual gold companies, the Canadian global gold index, or the physical metal itself.

Franco Nevada pays a 1.3% dividend at current prices, which is paid out in U.S. dollars. The company has been raising its dividend every year since 2008, while maintaining a low payout ratio as a percentage of free cash flow. Franco Nevada grows its production by using its substantial free cash flow, which allows the company to operate debt-free.

It is this strategy that leaves Franco Nevada with a rock-solid balance sheet that allows it to thrive during cyclical downturns and to raise dividends in the future.

## **Centamin**

Centamin is a London-based mining company that operates mainly in Africa, with its primary mine in Egypt. Its excellent balance sheet and strong financial growth make this company an interesting gold play.

Recently, while other mining companies were cutting dividends and reducing debt, Centamin was increasing production and growing revenues. Centamin, like Franco Nevada, is debt-free, and presently pays a yield of just under 6%.

Given Centamin's financial strength and production growth, it is likely that it will continue to pay a dividend in the near future. Centamin has a policy of paying a dividend of 30% of its free cash flow, ensuring balance sheet stability. Similar to Franco Nevada's strategy, Centamin grows by using free cash flow as opposed to using debt to expand mining projects. This strategy has enabled Centamin to grow its production, revenues, and free cash flow during the recent downturn in commodities.

These two gold-related stocks may provide capital security and appreciation, dividend payouts, and possible protection from volatility and inflation.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:FNV (Franco-Nevada)
2. TSX:FNV (Franco-Nevada)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
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