



Go for the Gold in Exciting Times: 2 Gold-Streaming Companies Worth Considering

Description

With a rising U.S. dollar, gold has started to fall in recent weeks. The retreat has driven a lot of gold-related stocks down, making them more attractive for investors wishing to add some to their portfolios. The global trade tensions and economic uncertainty often lead some investors to believe that gold may be an effective hedge if things really start to go south.

There are many ways to hold gold that investors may choose, and each of them has their strengths and weaknesses. Physical gold is the most direct method, although it must be stored. ETFs do not give you access to the physical bullion. Gold-mining companies give you the most leveraged exposure, but you have operational and sometimes geographic risk to worry about. But my favourite method to hold gold is through streaming royalty companies.

I have begun to look at some streaming companies as a gold alternative to holding the physical metal. One company that I have been looking at is **Osisko Gold Royalties Ltd.** ([TSX:OR](#))([NYSE:OR](#)). In the past, my streaming company of choice has been **Franco Nevada Corp.** ([TSX:FNV](#))([NYSE:FNV](#)). And while I still believe this is an excellent company, I always like to keep an eye out for companies to complement my holdings.

Both companies have strong balance sheets, although of the two, Franco Nevada, being in a debt-free position, definitely has an edge. Franco Nevada generally commits to keeping [its balance sheet debt-free](#), although, during the commodity downturn, it used debt strategically to secure new streams at an opportune time — an excellent use of leverage that it quickly paid off. Osisko has more long-term debt, although this is mostly offset by its free cash flow and cash on hand.

In Q1 2018, Franco Nevada increased its operating income by over 40%, and [Osisko increased its operating income](#) by 110%. The companies both reported strong revenue growth with Franco Nevada's growing by 2.3% and Osisko's growing by 90%. As the results indicate, both companies are performing very well financially.

Both streaming companies pay comparable dividends today, with Franco Nevada paying 1.25% and Osisko at 1.65%. Neither of their dividends are particularly large, but both companies have continued to grow their dividends. Last October, Osisko increased its dividend by 25%, and Franco Nevada

recently increased its dividend by 4.3%.

The two companies have different diversification profiles. Osisko, while it does have some international assets, is largely focused in North America at present. This could shelter investors from international tensions and geopolitical risk should it occur. Franco Nevada offers a diversified portfolio of revenues that come from precious metals, silver, and oil and gas. The company also has significant geographical diversification.

In my mind, holding both of these companies would be the best option if investors are able. Franco Nevada, being the larger, more mature company with a rock-solid balance sheet, could provide more stability and geographic diversification. Osisko, as the younger company with a potential for quicker dividend and business growth, would make an ideal complement. Your allocation would then depend on your risk profile and time horizon.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. NYSE:OR (Osisko Gold Royalties)
3. TSX:FNV (Franco-Nevada)
4. TSX:OR (Osisko Gold Royalties)

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