TFSA Investors: This Value Stock Is a Better Alternative to Bitcoin

Description

Franco-Nevada ([TSX:FNV](#))([NYSE:FNV](#)) is a leading gold-focused [royalty and streaming company](#). The company has a large, diversified portfolio of royalties and streams by commodity, geography, revenue type, and stage of project. The portfolio is actively managed to maintain a focus on precious metals, such as gold, silver, and platinum group metals. Franco-Nevada has several revenue sources and management ensures that the company's [revenue from energy sources](#), such as oil, gas and natural gas liquids, does not exceed 20%.

Attractive valuation

The company is reasonably priced with a price-to-earnings ratio of 101.73, price-to-book ratio of 5.15, dividend yield of 0.90%, and market capitalization of $26.93 billion. The company carries no debt and is completely equity funded. The company has excellent performance metrics with an operating margin of 28.18% and a return on equity of 5.18%.

Diverse revenue sources

Franco-Nevada's revenue is generated from various forms of agreements, ranging from net smelter return royalties, streams, net profits interests, net royalty interests, working interests and other types of arrangements. The company's operating risk is low since it does not operate mines, develop projects, or conduct exploration.

Franco-Nevada's business model is focused on managing and growing the company's portfolio of royalties and streams. There are several advantages of Franco-Nevada's business model. The company has exposure to commodity price optionality and a perpetual discovery option over large areas of geologically prospective real estate.

Capital-light business model

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Further, Franco-Nevada does not require any additional capital requirements other than the initial investment. The advantage of Franco-Nevada's structure is the company has exposure to a high-margin business that can generate cash through the entire commodity cycle.

Franco-Nevada's business is scalable and diversified where a large number of assets can be managed with a small overhead. This allows management to focus on growth opportunities rather than operational or development issues. However, in the short term, Franco-Nevada's financial results are primarily tied to the price of commodities and the amount of production from the company's portfolio of assets.

Franco-Nevada's financial results have been supplemented by purchases of newly acquired assets. Over the longer term, the company's results are impacted by the availability of exploration and development capital. This helps to expand or extend Franco-Nevada's producing assets or to advance the company's advanced and exploration assets into production.

Strong balance sheet

The company has a long-term investment outlook and navigates through the cyclical nature of the industry. Franco-Nevada has operated by always maintaining a strong balance sheet, which has helped it make investments during commodity cycle downturns.

Franco-Nevada does not operate any of the mining or energy assets in which it has royalties, streams, or other interests. However, Franco-Nevada's business model is dependent on the industry operating in a responsible fashion, and hence the company actively supports the industry in all efforts and initiatives. Franco-Nevada also engages in exploration efforts as part of advancing a property or to conduct due diligence in advance of undertaking an investment.

Overall, Franco-Nevada has limited exposure to many of the risks associated with operating companies due to the company's capital-light business model.

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1. Investing
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1. Editor's Choice
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