



Franco-Nevada Q3 2021 Earnings Review

Description

Like other central banks, the Bank of Canada printed loads of money during the pandemic. Specifically, the Bank of Canada launched the quantitative easing (QE) program in April 2020 at the onset of the COVID-19 pandemic, buying up “as much as \$5 billion worth of government bonds every week to keep lending cheap,” published [CBC](#). The bank just ended the multi-billion-dollar QE program, which signals that rate hikes could come soon in 2022. Pundits believe there will be at least two rate hikes next year.

QE reduces the value of money, which, in turn, should boost the value of gold. However, the gold spot price has only appreciated about 11% since April 2020. Meanwhile, **Franco-Nevada's** ([TSX:FNV](#))([NYSE:FNV](#)) stock price has climbed about 22% in that period. If gold prices were to reflect the impacts of QE, the gold-focused royalty and streaming company should trade at much higher levels.

Franco-Nevada Q3 2021 earnings results

The gold stock reported positive results for the third quarter (Q3), setting the stage for a record year. Across Franco-Nevada's diversified portfolio, it witnessed strong contributions from precious metals, energy, and iron ore for the quarter. Specifically, FNV president and CEO Paul Brink highlighted that “higher energy prices have led us to increase our 2021 energy guidance for the second time this year. Margins have moved higher this year due to the inflation-protected nature of our business model.”

In Q3, the company generated 13% higher in revenues, 9% higher in adjusted net income, and 15% higher in adjusted EBITDA, a cash flow proxy. From the production of its mining assets, the company also experienced gold equivalent ounces (GEOs) sold growth of 9% — with growth coming from silver and other mining assets (not gold or platinum-group metals). Its energy portfolio also saw excellent growth year over year, helped by higher commodity prices. Revenue jumped 142% for the portfolio.

The gold stock's year-to-date results

The year-to-date results show a bigger picture. Franco-Nevada's revenue growth was 36% to US\$972 million, adjusted net income growth was 44% to US\$509 million, and adjusted EBITDA growth was

40% to US\$822 million. Additionally, the company's GEOs sold climbed 24% — with growth across its portfolio except for platinum-group metals. Its energy portfolio saw incredible growth year to date, helped by higher commodity prices, with revenue rising 131% to US\$147 million.

Management now expects energy revenue to be about US\$200 million this year, an increase of about 23% from the previous guidance based on the midpoint of the target range. Notably, the business has zero debt and ended the quarter with US\$1.6 billion of available capital.

The Foolish investor takeaway

For the last quarter of 2021, [Franco-Nevada](#) guides for reasonable commodity prices such as US\$1,750 per ounce for gold, US\$22 per ounce for silver, and US\$70 per barrel for the WTI. The gold stock trades at a valuation that's below its historical levels. Combined with the potential for higher commodity prices, the undervalued stock is a good buy and hold for those seeking commodity exposure with a focus on gold.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/24

Date Created

2021/11/04

Author
kayng

default watermark

default watermark