

# Nomad Royalty

17:11 24 Sep 2020

## Nomad Royalty Company has the experience and drive to build a big player in the burgeoning mining royalty sector

The coronavirus (COVID-19) pandemic and accompanying economic uncertainty has sparked a rise in precious metals prices in 2020, which has naturally been positive for some in the mining industry.

But a related sector where investor interest has also rocketed in recent months is the mining royalty space - an alternative way to invest in the diggers. The sector had a total market cap of around just US\$2 billion 15 years ago but is now thought to be worth a total of about US\$75 billion.

Investors like royalty firms because they are perceived to offer exposure to growth but in a less risky way than traditional mining firms. Such companies acquire streams and royalties on mining assets, often precious metals projects like gold and silver mines or exploration projects.

"Royalty companies offer all of the good and less of the bad" is how Vincent Metcalfe puts it. He is the CEO of rapidly growing new firm Nomad Royalty Company Ltd (TSE:NSR) (OTCQX:NSRFX), which listed in Toronto in May this year, and whose shares have increased 87% since then.

The company, which has a market cap of around C\$900 million, was established after a reverse takeover, which saw it acquire the royalty portfolio of Yamana Gold and streaming assets from Orion Resource Partners.

Nomad offers investors exposure to 11 mining assets in its portfolio - it is also in the process of buying two more - and five of them are on producing mines. It expects to generate around US\$20 million of cash flow this year at 77% margins.

Metcalfe explains that Nomad offers investors exposure to, for example, the gold price - which is certainly going in the right direction - along with companies' growing resources across a wide portfolio but there is no exposure to a specific asset or country risk ie. when a mine is suddenly shut down by a government.

"It gives you all the upside on the gold price and resource growth, because we don't pay for that once we've got our royalty or stream, but we have no exposure to the capital structure per se because we are paid right from the top line," he says.

### Stable margins

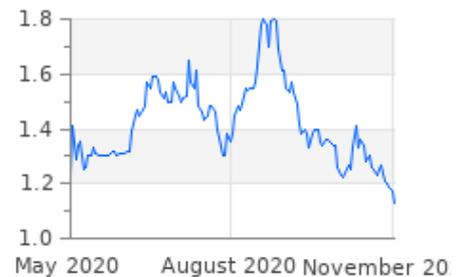
Nomad Royalty's margins are also very stable, he adds, unlike the operators of such assets because production costs per ounce can vary. Metcalfe says margins for Nomad are "generally 99% plus for a royalty" and between 65% and 85% for a stream "depending on how the deal is structured", while the royalty firm always benefits from precious metals price rises.

So what are royalties and streams? Typically, a royalty firm pays to receive a royalty on the underlying precious metal

**Price:** 1.12

**Market Cap:** \$632.26 m

### 1 Year Share Price Graph



### Share Information

**Code:** NSR

**Listing:** TSX

52 week	High	Low
	1.89	1.1

**Sector:** Investments and investor services

**Website:** nomadroyalty.com

### Company Synopsis:

*Invest in Fresh Thinking ~ New Generation Royalty & Streaming Company listed on the TSX under the ticker NSR.*

action@proactiveinvestors.com

sold by an operator, or in the case of a precious metal stream, the right to purchase an agreed-upon amount of the metal, at a significant discount to the spot price.

The holder of the royalty has no ongoing liability to the mine, or owner of the mine, and is therefore exposed to the positive cash flow from the operation without any additional negative cash flow beyond that originally paid out.

Royalties can also be used in return for consideration in a corporate deal, or from the sale of a project or as an adjunct to a debt or equity financing arrangement. In other words, as alternative financing.

Nomad Royalty may be a new company but its management is highly experienced at successfully closing royalty deals.

The trio of Metcalfe, chief investment officer (CIO) Joseph de la Plante and chief financial officer (CFO) Elif Lévesque have worked together 'on and off' for six years and made up the 'deal team' at Osisko Gold Royalties.

That company grew from a market cap of \$350 million back in 2014 when it was formed after the acquisition of Osisko Mining Corp by Agnico Eagle and Yamana Gold to a \$2bn vehicle and the small team wants to repeat the trick with Nomad.

"We don't want to stay sub \$1 billion for the next five years," says Metcalfe who sees their experience of structuring royalty deals as a real boon to Nomad's future growth.

"We've seen what works and what doesn't ... we've been on the inside, we know how to structure these deals," he says, pointing to Nomad's recent deal to buy Coral Gold Resources (CVE:CLH) for US\$45.8 million.

The purchase gives Nomad a net smelter return (NSR) royalty on Nevada Gold Mines' Robertson property - Corals' main asset and a top tier Nevada asset - which is part of the greater Cortez & Pipeline mining complex, of between 1% and 2.25%.

Metcalfe suggests an asset like Robertson would normally be found in the hands of a major royalty group like Franco-Nevada Corp (NYSE:FNV) but that never happened and the Nomad team had the patience and experience to liaise with management to finalize the deal.

What is striking about the deal is the exploration upside and drilling currently underway located in close proximity to the Cortez mill. The royalty comes with downside protection as Coral must pay US\$0.5 million a year for 10 years beginning in 2025 if the mine doesn't go into production.

### **Dividend policy**

In its maiden second-quarter results statement to June 30, 2020, Nomad posted an impressive net income of US\$2.3 million and a cash operating margin of US\$5.8 million or 96%.

And in August, the firm outlined its inaugural dividend policy, declaring a first quarterly payment of C\$0.005 per share, payable on October 15 this year, signalling its intent to return capital to investors, and with a yield of about 1.2% it currently represents double the peer average in the sector.

To emphasise the direction of travel, Metcalfe points out that the aims the firm had for the six to 12 months since listing were achieved in just three months - listing on the OTCQX in New York, bagging a revolving credit facility - now worth up to C\$75 million - and announcing three acquisitions.

Metcalfe expects the next few months to be similarly very busy as the group strikes more deals in a bid to re-rate the Nomad story to multiples that are closer to those of the seniors in the sector.

As the name suggests, Nomad has no intention of standing still.

Contact the author at [giles@proactiveinvestors.com](mailto:giles@proactiveinvestors.com)

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

### No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.

In exchange for publishing services rendered by the Company on behalf of Nomad Royalty named herein, including the promotion by the Company of Nomad Royalty in any Content on the Site, the Company receives from said issuer annual aggregate cash compensation in the amount up to Twenty Five Thousand dollars (\$25,000).