

July 27, 2020

# Nomad Royalty Company

## Breaking the ice with a deal in Quebec

### NEED TO KNOW

- Adding an asset in Quebec with a clear path to production and leverage to higher prices
- Plenty of capacity for additional transactions, driving stock re-rating potential vs. peers.
- Dividend policy expected soon, another key catalyst (along with potential transactions)

### Event

- Nomad announced its first transaction as a public company, with the acquisition of an existing 1% NSR on all metals from the Troilus Gold Project in Quebec, Canada for US\$7.5m (US\$1.9m in cash and 5.8m units issued, including a common share and a half-warrant exercisable at C\$1.75 for 24 months).
- See our recent [initiation of coverage](#) for our full estimates and valuation thesis

### Impact

- **Positive.** Incremental diversification of the portfolio and adding high quality interests in good jurisdictions should start to drive the stock's re-rating vs. peers. While a smaller transaction, we like the royalty on a large resource in Canada with a history of production; at gold prices over C\$2,500/oz and rising, we see a high degree of probability that Troilus could be contributing sooner than expected.
- **Past producer with a growing resource.** The Troilus gold/copper project was acquired by Troilus Gold in 2017 and has seen the M&I resource grow from 2.1moz AuEq to 4.7moz, along with a 1.8moz AuEq inferred resource. The mine is a past producer, operated by Inmet Mining from 1996-2010, averaging ~140kozpa Au and ~5ktpa Cu. Drilling, permitting and studies are advancing through 2020, with a resource update and PEA expected in 2H20.
- **Total remaining deal capacity of +US\$80m, net of this transaction, estimated cash on hand and the recently announced credit facility (up to US\$75m).** At spot metal prices, we expect another ~\$10m of FCF in 2H20, with +US\$30m of FCF forecast in 2021/22 from the existing portfolio.

### Estimate and target price revision

- No change to our C\$2.25 target, based on the average of 1.5x our NAV estimate and 20x our 3-year average cashflow forecast on the [VTC price deck](#). Minor changes only to our 2020 estimates reflecting share issuance and the cash purchase price.

### Catalysts

- A dividend policy announcement is the next key catalyst for the stock (aside from new acquisitions), which we expect in the near term. We currently model an initial CAD 0.5c quarterly dividend in 4Q20, representing a ~25% OCF payout ratio in 2021 at spot prices.
- We continue to expect Nomad to be aggressively acquisitive, focusing on producing or near production royalties and streams, with more deals to come.

### Action and Recommendation

- Buy NSR for the discount valuation vs intermediate and senior royalty peers, the leverage to higher prices, and the coming catalysts (including portfolio and cashflow growth).
- At spot metal prices our estimates have Nomad trading at a ~45% P/NAV discount vs. the royalty peer average, or a ~30% discount on per share metrics. **We see additional transactions driving dividend growth and multiple re-rating over time, even as organic cashflow growth accelerates into 2021.**

### VTC Research Flyer

NSR CN		Outperform
Price (27/07/2020)	C\$	1.56
Valuation	C\$	1.59
12-month target	C\$	2.25
12-month total return	%	44%
Market cap	C\$m	797
Market cap	US\$m	590
Shares OS	m	511

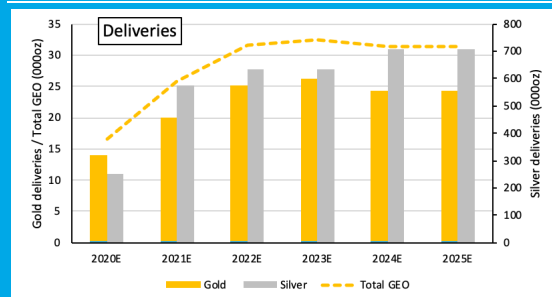
  

Investment fundamentals				
YE 31 Dec		2019A	2020E	2021E
Revenue	\$m	-	29.0	55.2
EBITDA	\$m	-	21.7	42.1
EV/EBITDA	x	-	27.2	14.0
Adj. earnings	\$m	-	9.5	26.6
Adj. EPS	\$/sh	-	0.02	0.05
P/E	x	-	NMF	22.4
OCF	\$m	-	12.8	31.0
CFPS	\$/sh	-	0.02	0.06
P/CFPS	x	-	46.3	19.2
DPS	C\$/sh	-	0.005	0.020
Dividend yield	%	-	0.3%	1.3%

(all figures in USD unless noted)

Source: Capital IQ, VTC Research, July 2020

### NSR forecast – gold and silver deliveries



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Please refer to the last page of this report for important disclosures and analyst certification.

Figure 1: Nomad Royalty Company model summary

Nomad Royalty Company (NSR CN)												
TSX:	C\$1.56	Target:	C\$2.25	Market cap (C\$m):	797	Shares OS (FD):	511					
		Rating:	Outperform	Market cap (US\$m):	590	Annual DPS:	0.00					
FYE	Dec	Return:	44%	EV (C\$m):	798	Current yield:	0.0%					
				EV (US\$m):	590							
Assumptions		Spot	2020E	2021E	2022E	2023E	Production (GEO)		2020E	2021E	2022E	2023E
Gold	US\$/oz	1,813	1,775	2,150	2,250	2,350	Blyvoor		0	7	10	13
Silver	US\$/oz	19.53	17.63	21.50	22.50	23.50	Bonikro		6	7	7	7
Copper	US\$/lb	2.93	2.45	2.50	2.50	2.50	Woodlaw n		0	3	3	3
USD/CAD	US\$	0.74	0.73	0.75	0.75	0.75	Mercedes / South Arturo		2	3	3	3
							RDM		1	1	1	1
							Gualcamayo		0	1	3	3
							Premier Gold Loan		7	4	4	2
Ratios			2020E	2021E	2022E	2023E						
P/E	x	NMF	22.4	16.7	15.6							
P/CFPS	x		46.3	19.2	14.9	14.1						
EV/EBITDA	x		27.2	14.0	10.8	10.1						
FCF yield	%		2%	5%	7%	7%						
Net debt/EBITDA	x		(0.2)	(0.6)	(1.1)	(1.6)						
Price/NAV	x		1.04									
Income Statement			2020E	2021E	2022E	2023E	Sum of parts valuation		US\$m	US\$/sh	C\$/sh	
Total revenue	US\$m		29	55	70	76	Blyvoor		185	0.36	0.51	40%
Operating expenses	US\$m		3	9	11	13	Bonikro		104	0.20	0.29	22%
Adj. EBITDA	US\$m		22	42	55	58	Woodlaw n		49	0.10	0.14	11%
Depreciation	US\$m		4	4	4	4	Mercedes/South Arturo		53	0.10	0.15	11%
EBIT	US\$m		18	38	51	54	RDM		22	0.04	0.06	5%
EBT	US\$m		18	38	51	55	Gualcamayo oxides		50	0.10	0.14	11%
Adj. earnings	US\$m		10	27	36	38						
Adj. EPS FD	US\$		0.02	0.05	0.07	0.07	Total producing interests		464	0.90	1.29	
Cash Flow Statement			2020E	2021E	2022E	2023E	Total development assets		90	0.18	0.25	
CF before WC changes	US\$m		13	31	40	42						
Cash flow from operations	US\$m		13	31	40	42						
Cash flow from investing	US\$m		(2)	0	0	0	Investments / other		22	0.04	0.06	
Cash flow from financing	US\$m		(2)	(8)	(18)	(8)	Cash		13	0.03	0.04	
Net change in cash	US\$m		9	23	22	34	Total debt		(10)	(0.02)	(0.03)	
CFPS FD	US\$		0.02	0.06	0.08	0.08	Corp/G&A		(9)	(0.02)	(0.02)	
Capex	US\$m		0	0	0	0	Total NAV		571	1.11	1.59	
FCF	US\$m		13	31	40	42						
Balance Sheet			2020E	2021E	2022E	2023E	Target		50% NAV - 50% 3-year CFPS blend			
Total assets	US\$m		170	189	207	238		US\$/sh	Multiple	US\$/sh	C\$/sh	
Total liabilities	US\$m		11	11	1	1	NAV	1.11	1.50x	1.69	2.41	
Total equity	US\$m		7	23	49	76	CFPS	0.07	20.00x	1.46	2.09	
Cash and equivalents	US\$m		13	37	59	93	Target		1.60	2.25		
Debt	US\$m		10	10	0	0						
Net debt / (cash)	US\$m		(3)	(27)	(59)	(93)						

Source: VTC research, Company Reports, Capital IQ, July 2020

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