



August 26, 2020

Nomad Royalty Company

Delivering on a sector-leading dividend

NEED TO KNOW

- Inaugural dividend of CAD 2c/year, yield of 1.5% puts NSR at the top of the sector
- Dividend growth should be supported by acquisition of cash-flowing assets
- Plenty of capacity for additional transactions, driving stock re-rating potential vs. peers.

Event

- Nomad announced its inaugural dividend policy, CAD 2c annually, payable quarterly (beginning in 4Q20, CAD 0.5c). We had expected an announcement in 3Q, and the ~US\$8.4m/year dividend (pro forma the transactions announced on Monday) is inline with our model, representing a <30% 2021 / ~20% 2022 OCF payout ratio at spot metal prices.
- See our recent [initiation of coverage](#) for our full estimates and valuation thesis.

Impact

- **Positive.** The announcement of a dividend policy was the last major item outstanding on management's corporate checklist for 2020, after the RTO, securing the (up to) US\$75m credit facility, and completing the first three transactions as a public company. We expect the market to react positively to the news, and for the yield to provide support for the stock going forward as Nomad diversifies its shareholder base and increases trading liquidity.
- **The dividend represents a 1.5% yield at current prices**, highest among comparable precious metals focused royalty/streaming peers (see the chart in the sidebar), while the payout ratio is inline with the group (especially into 2022), and sustainable in our view, leaving ample room for coming cash flow to support new acquisitions.
- **We believe management intends to grow the dividend alongside future cash generating acquisitions**, which should result in steady, success-driven increases over time if management is able to execute on its aggressive growth strategy.
- **Growing fast, with more to come.** Pro forma [the most recent transactions](#), Nomad will have six producing assets, two near-production (2021) and four in development, while also increasing liquidity by adding new shareholders to the register. Net of the cash received from Coral (~C\$11m) we estimate total pro forma remaining deal capacity of ~US\$90m.

Estimate and target price revision

- No change to our C\$2.25 target based on the [VTC price deck](#). We will incorporate the most recently announced transaction in our model on close (expected in Sept/Nov).

Catalysts

- With the dividend announcement out of the way, our focus is on transactions, and we expect more to come inline with management's expressed strategy of aggressive acquisition of high quality/cash generating assets, and consolidation of the junior royalty sector.

Action and Recommendation

- Buy NSR for the discount valuation vs intermediate and senior royalty peers and the coming catalysts (including portfolio and cashflow growth). At spot metal prices our estimates have Nomad trading at a ~30% P/NAV discount vs. the junior/intermediate royalty peer average, or a ~20% discount on per share metrics (fig 4). **We see additional transactions driving dividend growth and multiple re-rating over time, even as organic cashflow growth accelerates into 2021.**

VTC Research Flyer

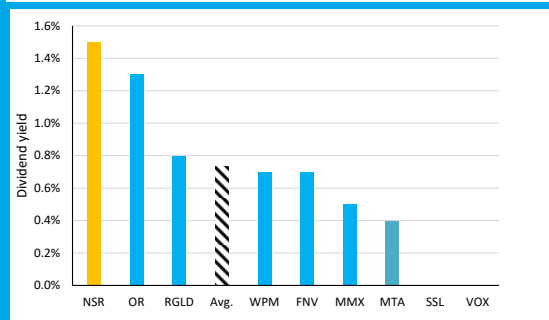
NSR CN		Outperform	
Price (25/08/2020)	C\$	1.30	
Valuation	C\$	1.61	
12-month target	C\$	2.25	
12-month total return	%	73%	
Market cap	C\$m	664	
Market cap	US\$m	503	
Shares OS	m	511	

Investment fundamentals					
YE 31 Dec		2019A	2020E	2021E	2022E
Revenue	\$m	-	25.9	55.2	70.2
Adj. EBITDA	\$m	-	12.4	42.1	54.8
EV/EBITDA	x	-	39.1	11.5	8.8
Adj. earnings	\$m	-	12.1	26.6	35.7
Adj. EPS	\$/sh	-	0.02	0.05	0.07
P/E	x	-	41.9	19.1	14.2
OCF	\$m	-	12.7	31.0	40.1
CFPS	\$/sh	-	0.02	0.06	0.08
P/CFPS	x	-	39.7	16.4	12.7
DPS	C\$/sh	-	0.005	0.020	0.020
Dividend yield	%	-	0.4%	1.5%	1.5%

(all figures in USD unless noted)

Source: Capital IQ, VTC Research, August 2020

Royalty sector yield – NSR tops the chart



Source: Capital IQ, VTC Research, August 2020

Analysts:

Michael Siperco +1 416 323 2150
michael.siperco@velocitytradecapital.com

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

Nomad Royalty Company model summary

Nomad Royalty Company (NSR CN)												
TSX:	C\$1.30	Target:	C\$2.25	Market cap (C\$m):	664	Shares OS (FD):	511					
		Rating:	Outperform	Market cap (US\$m):	503	Annual DPS:	0.00					
FYE	Dec	Return:	73%	EV (C\$m):	639	Current yield:	0.0%					
				EV (US\$m):	484							
Assumptions		Spot	2020E	2021E	2022E	2023E	Production (GEO)					
Gold	US\$/oz	1,938	1,786	2,150	2,250	2,350	Blyvoor	0	7	10	13	
Silver	US\$/oz	26.73	17.99	21.50	22.50	23.50	Bonikro	6	7	7	7	
Copper	US\$/lb	2.92	2.49	2.47	2.47	2.50	Woodlaw n	0	3	3	3	
USD/CAD	US\$	0.76	0.73	0.75	0.75	0.75	Mercedes / South Arturo	3	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		41.8	19.1	14.2	13.3	Total gold	000oz	14	20	25	26
P/CFPS	x		39.7	16.4	12.7	12.1	Total silver	000oz	250	576	634	634
EV/EBITDA	x		39.1	11.5	8.8	8.3	Total GEO	000oz	17	26	32	33
FCF yield	%		3%	6%	8%	8%						
Net debt/EBITDA	x		(1.0)	(0.8)	(1.2)	(1.7)						
Price/NAV	x		0.87									
Income Statement						2020E	2021E	2022E	2023E			
Total revenue	US\$m		26	55	70	76						
Operating expenses	US\$m		11	9	11	13						
Adj. EBITDA	US\$m		12	42	55	58						
Depreciation	US\$m		4	4	4	4						
EBIT	US\$m		8	38	51	54						
EBT	US\$m		(18)	38	51	55						
Adj. earnings	US\$m		12	27	36	38						
Adj. EPS FD	US\$		0.02	0.05	0.07	0.07						
Cash Flow Statement						2020E	2021E	2022E	2023E			
CF before WC changes	US\$m		13	31	40	42						
Cash flow from operations	US\$m		12	31	40	42						
Cash flow from investing	US\$m		(9)	0	0	0						
Cash flow from financing	US\$m		8	(8)	(18)	(8)						
Net change in cash	US\$m		10	23	22	34						
CFPS FD	US\$		0.02	0.06	0.08	0.08						
Capex	US\$m		0	0	0	0						
FCF	US\$m		13	31	40	42						
Balance Sheet						2020E	2021E	2022E	2023E			
Total assets	US\$m		225	244	262	293						
Total liabilities	US\$m		25	25	15	15						
Total equity	US\$m		212	228	253	281						
Cash and equivalents	US\$m		22	45	67	102						
Debt	US\$m		10	10	0	0						
Net debt / (cash)	US\$m		(12)	(35)	(67)	(102)						
Sum of parts valuation						US\$m	US\$/sh	C\$/sh				
						Blyvoor	185	0.36	0.51	40%		
						Bonikro	104	0.20	0.29	22%		
						Woodlaw n	49	0.10	0.14	11%		
						Mercedes/South Arturo	53	0.10	0.15	12%		
						RDM	23	0.04	0.06	5%		
						Gualcamayo oxides	50	0.10	0.14	11%		
Total producing interests						464	0.90	1.29				
Total development assets						90	0.18	0.25				
Investments / other						22	0.04	0.06				
Cash						22	0.04	0.06				
Total debt						(10)	(0.02)	(0.03)				
Corp/G&A						(9)	(0.02)	(0.02)				
Total NAV						579	1.13	1.61				
Target						50% NAV - 50% 3-year CFPS blend						
						US\$/sh	Multiple	US\$/sh	C\$/sh			
NAV			1.13	1.50x		1.70	2.43					
CFPS			0.07	20.00x		1.46	2.09					
Target						1.60	2.25					

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

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