

Osisko Gold Royalties: A Decent Gold Production In The Second Quarter

Jul. 14, 2021 12:20 PM ET | **Osisko Gold Royalties Ltd (OR)** | FNV, SAND, WPM | 8 Comments | 6 Likes

Summary

- Montreal-based Osisko Gold Royalties announced preliminary Q2 2021 production and asset update on July 12, 2021.
- Osisko Gold Royalties produced 20,178 GEOs in the second quarter of 2021, up 62.9% from 2Q'20 and up 1.1% sequentially.
- I recommend buying a small long-term position at or below \$13.
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Investment Thesis

Montreal-based Osisko Gold Royalties (NYSE: [OR](#)) [announced](#) preliminary Q2 2021 production and asset update on July 12, 2021.

Important Note: All numbers indicated here are converted in US\$ with a ratio of 0.799914. This article is an [update of my article published on May 19, 2021](#).

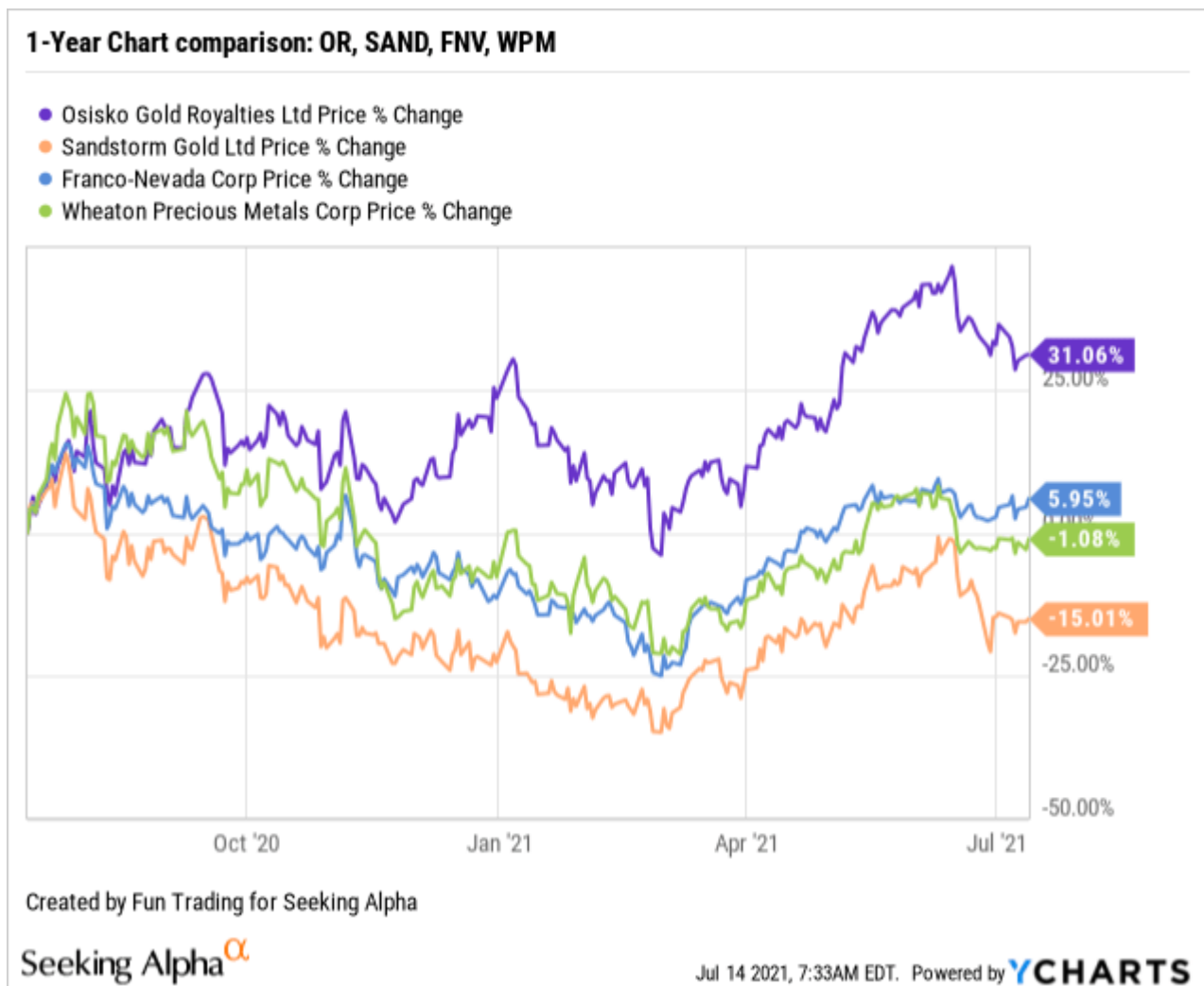
Osisko Gold Royalties is part of the seven streamers that I regularly cover on Seeking Alpha.

The company is a good alternative in the streamer segment, especially for those who want to trade the short-term. The stock price could be considered a bit rich, but there is a lot of potential here.

We can compare OR with Sandstorm Gold (NYSE: [SAND](#)), even though the business model is slightly different. My long-term streamers are Wheaton Precious Metals (NYSE: [WPM](#)) and Franco-Nevada (NYSE: [FNV](#)).

Investment Thesis: I recommend buying a small long-term position at or below \$13.

OR is outperforming the group and is now up 31% year over year, well above its competitors, with Sandstorm gold lagging.



Sandeep Singh - President and Chief Executive Officer, [said in the press release](#):

We are pleased to have posted another solid quarter in terms of GEOs and record operating cash margin. We expect a strong second half of the year with the start-up of the Santana mine and increasing deliveries from the Eagle mine. Infill work and new discoveries from the extensive drill campaign at the Canadian Malartic mine continue to strengthen our flagship asset. Additionally, there have been important advancements in our earlier stage development portfolio with assets such as Upper Beaver, Casino and Horne 5 taking significant strides forward. The depth of our portfolio is truly coming to the foreground.

Note: On March 31, 2021, Osisko held an interest of **75.1%** in *Osisko Development Corp. (TSXV)* Osisko Development's main asset is the Cariboo gold project in Canada.

Financials And Production Including recent preliminary data for 2Q 2021 (in US\$)

Note: Values can differ a little due to the conversion from CAD to USD. Osisko Gold Royalties indicates CAD\$ results with an exchange rate (CAD vs. USD) of **0.799914** on July 14, 2021. It is what I applied to the table below.

Osisko Gold Royalties	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21
Total Revenues (included off-take interest) in US\$ Million	30.08	42.11	50.40	53.24	45.76
Net Income in US\$ Million	9.63	9.5	3.6	8.4	-
EBITDA US\$ Million	22.45	25.0	25.3	25.1	-
EPS diluted in US\$/share	0.06	0.06	0.02	0.00	-
Operating cash flow in US\$ Million	11.38	27.30	25.5	17.0	-
Capital Expenditure in US\$ Million	20.98	21.61	45.7	31.5	-
Free Cash Flow in US\$ Million	-9.60	5.69	-20.2	-14.5	-
Total Cash US\$ Million	164.61	137.77	238.9	257.85	-
Long-term Debt in US\$ Million	311.1	318.7	312.6	319.25	-
Dividend per share in US\$	0.038	0.038	0.038	0.038	-
Shares outstanding (diluted) in Million	164.82	166.4	162.5	167.17	-
GEOs	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21
Estimated Production gold equivalent Oz Eq.	12,386	16,739	18,829	19,960	20,178
Gold price realized in US\$ per ounce	1,711	1,909	1,874	1,794	1,815 Estimated
Silver price realized in \$US per ounce	16.00	24.00	24.39	26.26	-

Source: Company release. More data are available to subscribers only.

Analysis: Revenues, Earnings Details, Free Cash Flow, Debt, And Production Details (in US\$)

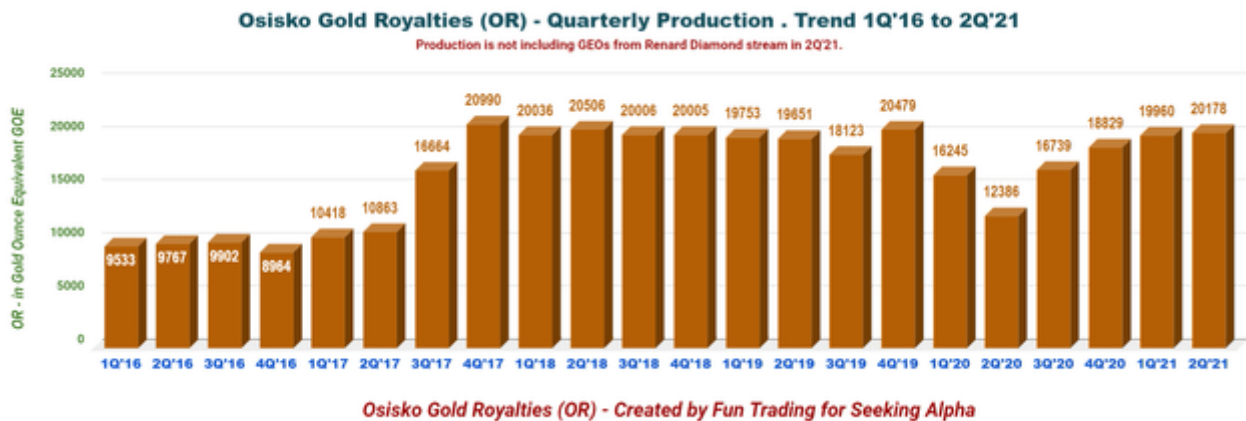
1 - Revenues were US\$45.76 million in 2Q'21 (including revenues from offtake interests)



Osisko Gold Royalties posted revenues of **US\$45.76 million** in the second quarter of 2021 (including offtake interests), up from US\$30.08 million the same quarter a year ago.

The cash operating margin was slightly up 94% QoQ. The cash operating, including Renard production, is 97%.

2 - Production in gold equivalent ounce and details



Osisko Gold Royalties produced **20,178 GEOs** in the second quarter of 2021, up **62.9%** from 2Q'20 and up **1.1%** sequentially. This amount is not including the GEOs from the Renard Diamond stream. It was another good production.

Gold price increased this quarter to an estimated \$1,815 per oz.

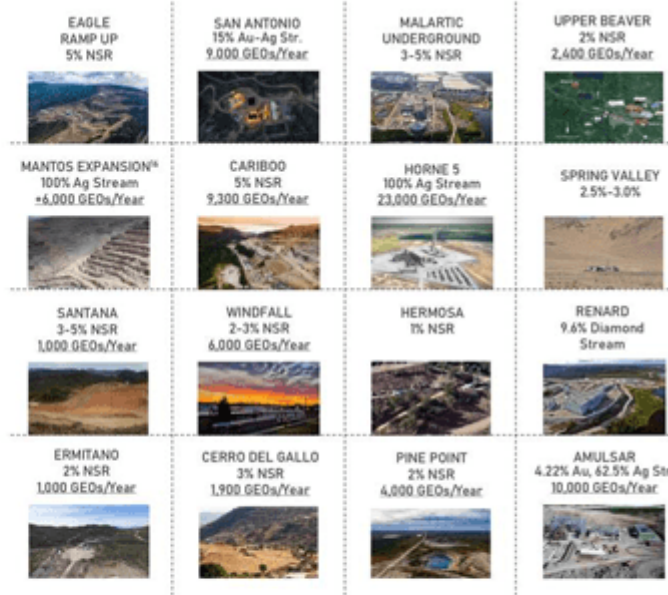
3 - Guidance 2021 remains the same

Guidance for 2021 is 78K to 82K GEOs, up 17% from 2020.

GEO PRODUCTION



+



PRODUCING ASSETS PERFORMING WELL AND ENTERING A PHASE OF MAJOR ORGANIC GROWTH¹⁶

Source: Presentation

4 - Assets update

- Malartic Exploration Update:** On July 8th, Agnico Eagle released an exploration update for the ongoing 141,400 m drill program on their Malartic property. Infill drilling continues to return solid results in the core of the *East Gouldie deposit*. Recent results in the *Chert zone* suggest adding additional mineral resources between the East Malartic and East Gouldie deposits. At *East Amphi*, recent work suggests that the mineralization remains open at depth below the historical underground mine.
- Kirkland Lake Exploration:** Update Agnico updated the 52,200m drill program on the *Kirkland Lake project* on July 8th. Significant new intersects were encountered in all areas of the *Upper Beaver deposit* at shallow levels ranging from near-surface to less than 300m vertical depth. Robust gold intersections obtained so far in 2021 within the Footwall Zone are expected to significantly impact the size and a potentially average grade of this zone in the next mineral reserve and mineral resource estimate update. Osisko holds a 2% NSR royalty on Agnico Eagle's Kirkland Lake project, including Upper Beaver.
- Osisko Development Grows Cariboo:** The company begins Drilling in *San Antonio*. Osisko Development expects exploration potential to expand both oxide and sulfide resources. Osisko holds a 5% NSR royalty on Osisko Development's Cariboo and Bonanza Ledge II projects, as well as a 15% precious metals stream on the San Antonio project.

- **New Discovery and Expansion at Windfall**
- **Western Copper and Gold: Announces Strategic Investment by Rio Tinto and Casino PEA Update**
- **The first Production at Santana Expected this Month**
- **Best Hole Ever at Island Gold - Alamos Gold**
- Others (Falco/Glencore, Talisker investment from NewGold, Shovelnose, Highland Copper, etc.)

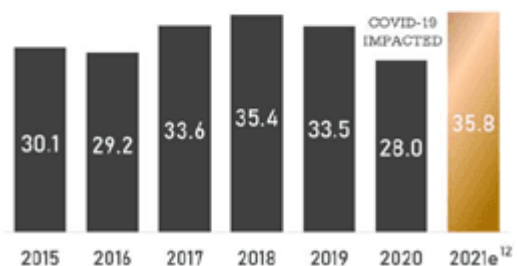
Conclusion and Technical Analysis

In my previous article Osisko Gold Royalties is a well-run company that offers great growth potential and is supported by its Canadian Malartic royalty. Canadian Malartic is an exciting prospect for Osisko, with the Odyssey underground project that has been sanctioned recently.



- ◆ Flagship royalty asset on Canada's largest gold mine
- ◆ A stable producer at first quartile costs
- ◆ Significant additional mine life from newly approved, Odyssey underground project
- ◆ \$0.40/t processing royalty on any ore outside royalty boundaries processed through mill

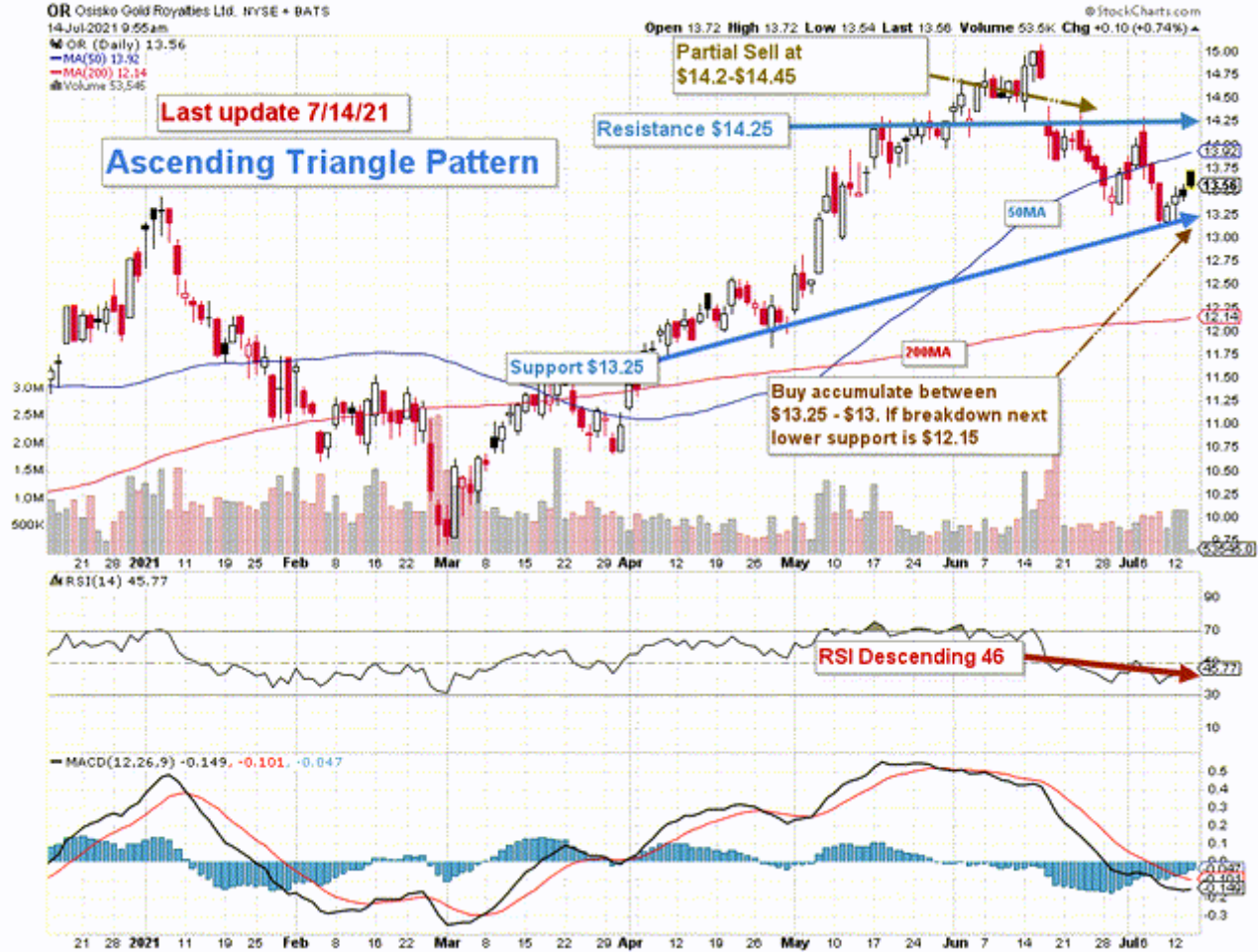
OUNCES DELIVERED TO OSISKO (K GE0s)



Source: Company Presentation

Gold equivalent production is expected to increase again in the second half of 2021.

Technical Analysis (Short Term)



OR forms an ascending triangle pattern with resistance at \$14.25 and support at \$13.25. The trading strategy is to sell about 30% of your position between \$14.2 and \$14.45 and accumulate at or below \$13.25.

OR is moving with the gold price. If the gold price continues to climb and cross \$1,835 on its way to \$1,900, OR will probably retest \$14.25 and eventually cross it (breakout) to retest \$15.

However, if the gold price turns bearish suddenly due to the FED's action, OR could eventually break down to \$12.15.

The gold price is climbing because the market believes the FED will not act against inflation despite its recent hawkish stance. However, it is not a done deal, and the FED could be forced to act sooner to slow down concerning inflation.

In this case, the gold price could fall back below \$1,700. The best strategy now is to trade short-term the ups and downs using the TA chart. Watch gold like a hawk.

Warning: The TA chart must be updated frequently to be relevant. The TA chart is updated regularly for my subscribers, who access it through my stock tracker.

Author's note: If you find value in this article and would like to encourage such continued efforts, please click the "Like" button below as a vote of support. Thanks!



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Additional disclosure: I trade short-term OR occasionally.

6 Likes

8 Comments

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Sorgenfrei

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Today, 7:12 AM

@Fun Trading

Thanks for the article!

It is interesting to see if I compare your articles about \$OR and \$SAND that there is not much interest and discussion.

This is despite the fact that Osisko has performed far better than Sandstorm recently and is also less risk averse. I wonder.

Fun, one note, I can't for the life of me see an ascending triangle in your chart. What makes you think that?

I have another interesting thing there:

Queen's Road Capital Announces Investment in Osisko Green

www.newsfilecorp.com/...

I haven't heard a peep about this from the Osisko family.

How do you feel about them putting on a "SPAC"?

Is it possible to see \$BRSGF investing along side Osisko Gold, with \$OR purchasing royalty / streams and QRC lending on convertible debentures and perhaps taking some equity as fees and interest payments?

Best regards

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jimklawyer

15 Jul. 2021, 10:23 PM

Comments (2.75K) | + Follow

The negative free cash flow numbers over the most recent quarters make OR a non-starter for me. Of course, if they get the negative FCF fixed on a consistent basis by then the share price would undoubtedly be higher if the price of gold cooperated.

 Reply  Like



Fun Trading

16 Jul. 2021, 6:24 AM

Marketplace Contributor Premium Comments (34.56K) | Following

Author's Reply @jimklawyer

Yes, I agree. I find OR quite expensive based on free cash flow.

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gret

14 Jul. 2021, 3:49 PM

Comments (1.66K) | + Follow

Thanks

 Reply  Like (1)



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14 Jul. 2021, 4:48 PM

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Author's Reply @gret

You are very welcome

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Bossco

14 Jul. 2021, 1:05 PM

Premium Marketplace Comments (3.89K) | + Follow

Thank you for the article @Fun Trading

How is trading OR shares treated in USA brokerage accounts (both taxable & non-taxable)?

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14 Jul. 2021, 1:21 PM

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DanShirey

14 Jul. 2021, 1:26 PM

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