



**Investa Insights**

# Stock Pitch

July 9th, 2019

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Sandstorm Gold Ltd.

Ticker: SAND

Current Price: \$5.65 USD

Target Price: \$8.20 USD

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## Summary

This stock pitch analyzes Sandstorm Gold Royalties in its entirety in order to present a final recommendation, which is based on three key factors. The analysis includes their geopolitical diversification, minimal risk with stable cash flow, and production longevity with optionality of explorations. Risks and catalysts specific to Sandstorm will be detailed in addition to a comprehensive outline of the company's financial health.

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**SANDSTORM**  
GOLD ROYALTIES

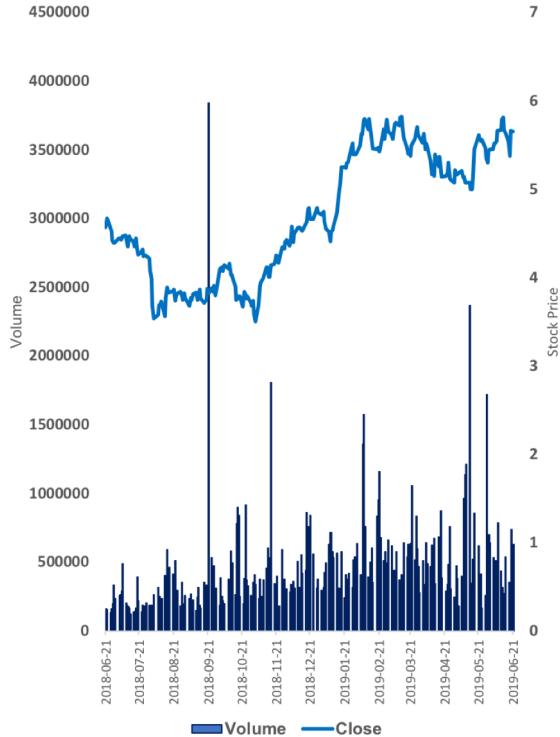
# Overview

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# Company Overview

## 52 Week Performance



## Company Overview

- **Growth-focused** gold royalty company targeting advanced stage development projects and operating mines with low production costs, significant exploration potential and strong management
- Sandstorm helps other companies in the resource industry grow their business while **acquiring attractive assets** in the process
- Currently has **188 streams and royalties** where 20 are currently producing

## Stock Summary

Market Cap (MM)	1,012 USD
EV (MM)	992 USD
52 Week High	\$3.47 USD
52 Week Low	\$5.92 USD
P/E (TTM)	145.79
EV/ EBITDA	22.39
Debt/ Equity	0.00
EPS (TTM)	0.04
Beta (3 Y)	0.19

## Executive Team



Nolan Watson  
CEO

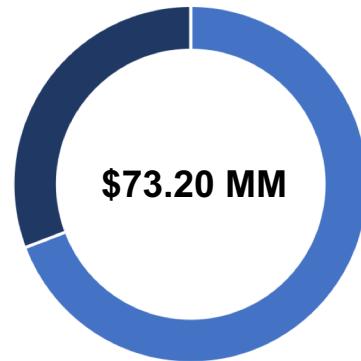


David Awram  
Sr. EVP



Efran Kazemi  
CFO

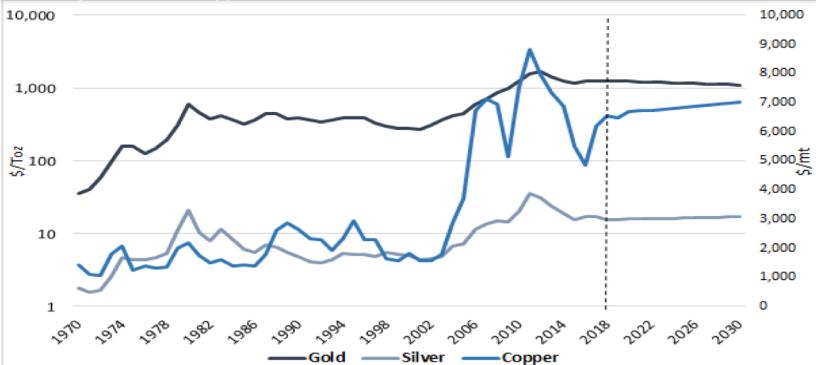
## Revenue 2018



■ Sales (69%) ■ Royalty Revenue (31%)

# Industry Outlook

## Gold, Silver & Copper Forecast



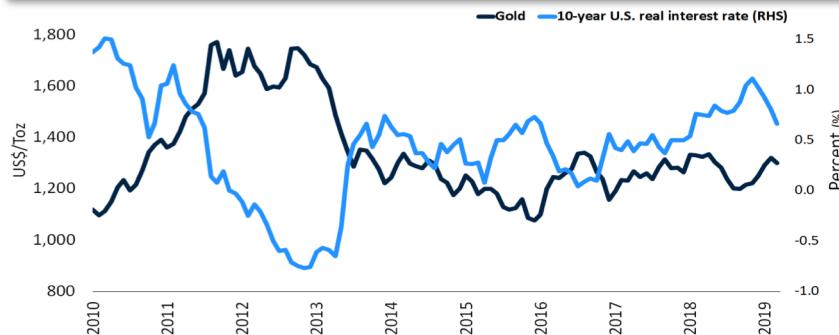
## Gold & Interest Rates Correlation and Future Outlook

- A pause in interest rate hikes by the U.S. Federal Reserve combined with robust Gold and Silver demand contributed to the price increase. However, it must be stated that correlation doesn't equal causation.
- The Price Index is **forecasted to continue its upward trend** while being led by gold, averaging 2.6% higher than in 2018.
- Upside risks to the forecast include the possibility of an interest rate cut in the United States.

## Industry Trends

- **Gold:** After reaching a recent trough in September 2018 **prices have increased 6.1%** in Q1F19 supported by strong demand and a fall in long-term real interest rates.
- **Silver:** A **bullish outlook is predicted for Silver** with a trading range of \$12.75 to \$20 (44% of the average price). The overall consensus is that the average price of Silver will end up in the middle at \$16.28.
- **Copper:** Prices rose 1% in Q1F19 after a steep plunge in the second half of 2018. Prices have been supported by improving prospects for economic growth and strong import copper demand in China (which accounts for half of global copper consumption).

## Gold & Interest Rates Performance



# Investment Thesis I: *Geopolitical Diversification*

## Geographically Diverse

- It is important to geographically diversify holdings as some economies will suffer greater than others.
- Sandstorm not only provides solace for a portfolio in this time of economic uncertainty, but is also provides **security through a wide geographic presence**

## Breakdown of Mine Distribution

- North America: 53.19%
- South America: 22.34%
- Europe: 1.60%
- Africa: 10.11%
- Asia: 9.04%
- Australia: 3.72%

## Current Global Production

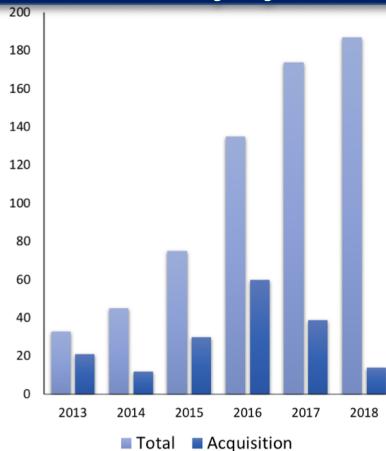


## Total Mine Distribution Worldwide



# Investment Thesis II: Minimal Risk with Stable Cash Flows and Growth

## Stream & Royalty Growth



## Diversified Revenue Streams

- Collecting from **stable Majors** with exposure to Juniors to participate in their upside
- **Consistent cash flows** with reduced risk of any individual mine failure

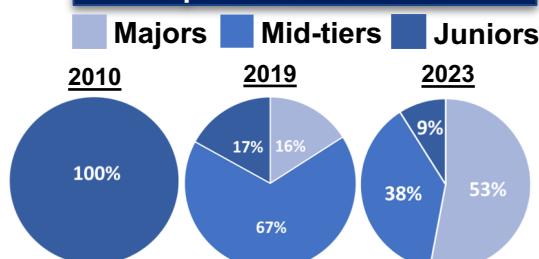
## Organic & Accretive Growth

- 55 Acquisitions in the last 24 months
- Currently has **188 Royalties** with 21 Cash-Flowing Assets
- Expected growth with new deals that are not dilutive

## Mitigating Operational Risk

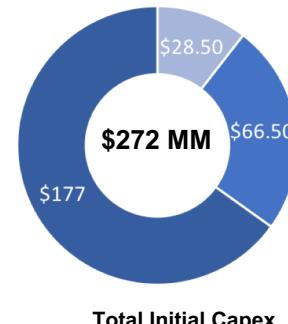
- Project financing estimate with 65% of capex to come from debt financing
- Unlike producers with large amounts of fixed costs and capex that are sensitive to gold price downturns
- Reducing risk from work stoppages, mine disasters and geologic conditions

## Operator Breakdown



## Potential For Increased Spreads & Cash Flows

- As a streamer, Sandstorm get's **access to heavily discounted Gold**. As the price of Gold goes up, so does their spread.
- Gold is trading at it's highest in six years which increases spread with **minimal operational risk**
- Expansionary scenarios where an operator increases production will provide an upside to Sandstorm by increasing their asset claims with no additional capex



■ Sandstorm ■ Operator ■ Debt Financing

# Investment Thesis III: Production Longevity with Exploration Optionality

**Aurizona** Commercial production expected in 2019, 6.5 year mine life

**Cerro Moro** Commercial production started in 2018, new mine plan mid-2019

**Chapada** Plan expansion expected to be completed early 2019

**Producing Mines Here To Stay**

- Sandstorm started to acquire in 2009
- The majority of the operating mines have started commercial production within the last 5 years
- Production will continue for more years

## Successful Future Exploration

- More ounces discovered than produced creates a **significant upside for future investors** to buy now at a discount

### Assets Coming To Life

- Projects such as Hod Maden have mine lives of 11 years
- **Long term predictable cash flows** that are feasible and able to produce for the foreseeable future

Sandstorm Ownership: Hod Maden

**30 % Interest, 2% NSR**

Status

**Development**

Operator

**Lidya  
Madencilik**

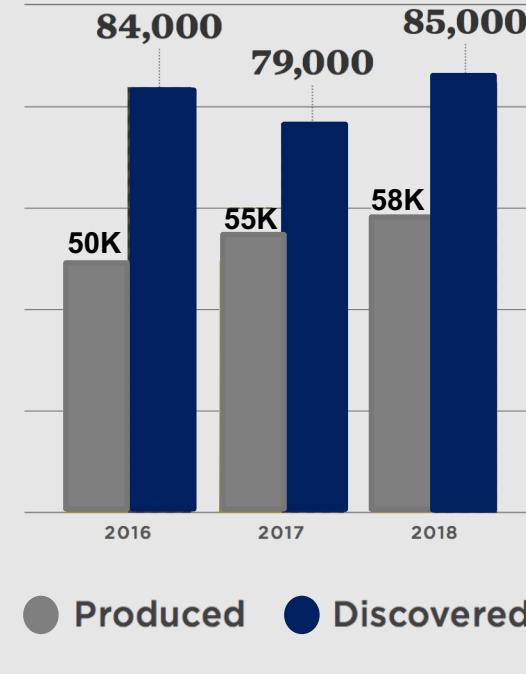
Mine Type

**Underground**

Mine Life

**11 Years**

## Discovered vs Produced



## Risks

### Economy and Trade Tensions

Slowing Chinese Economic Growth and rising trade tensions with the U.S threaten the Mining Industry. Gold is seen as a flight-to-safety commodity, so when the economy is doing better, investors are less likely to invest in gold.

### Hod Maden Project

Any adverse developments with respect to Lidya of the Hod Maden Project in Turkey may adversely affect the Company's 30% net profits interest in the project.

## Summary

### Catalysts Outweigh The Risks

The current projects in the Sandstorm pipeline provide a large growth opportunity for the company, which makes up for the non-systematic risks that the company faces.

## Catalysts

### Fruta Del Norte Royalty

The Company acquired a 0.9% NSR on the precious metals produced from Lundin Gold Inc.'s ("Lundin Gold") Fruta del Norte gold project located in Ecuador.

### Relief Canyon Gold Stream

Sandstorm is entitled to receive 32,022 ounces of gold over a 5.5 year period beginning April 2020. Sandstorm's royalty covers the full property area surrounding the mine site with a large prospective land package that is relatively underexplored.

### Changing Market Perceptions About Gold

The amount of equity capital raised by mining companies on the TSX and TSX.V Exchange declined in 2018 for second straight year. Though this negatively affects the metals and mining industry, it provides investors the ability to find undervalued companies.

# Valuation

Company Name	Ticker Symbol	Market Data			Financial Data				Valuation			
		Price (\$/Share)	Market Cap (\$B)	EV (\$B)	Sales (\$M)	EBITDA (\$M)	EBIT (\$B)	EPS (\$)	EV/EBITDA X	P/CF X	P/BV X	P/E X
Sandstorm Gold Ltd	SSL	5.66	1.01	0.99	74.15	41.01	10.51	0.03	24.11	21.28	1.06	174.24
Osisko Gold Royalties Ltd	OR	10.53	1.63	1.78	382.60	(48.32)	(89.50)	(0.53)	N/A	24.94	1.44	N/A
Royal Gold Inc	RGLD	104.68	6.86	6.95	429.80	61.00	(102.00)	(1.29)	114.01	24.41	2.65	N/A
Franco-Nevada Corp	FNV	85.29	15.97	16.11	662.13	447.44	196.35	0.77	36.02	33.29	2.83	111.05
Wheaton Precious Metals	WPM	23.92	10.66	11.92	804.87	747.60	490.79	0.98	15.95	22.33	1.68	24.49
Average									47.52	25.25	1.93	103.26
Median									24.11	24.41	1.68	24.43

Metric	Multiple		Implied Price		Implied Return	
	Mean	Median	Mean	Median	Mean	Median
	X	X	(\$/Share)	(\$/Share)	(\$/Share)	(\$/Share)
EV/EBITDA	47.52	24.11	10.92	5.66	92.96%	0.00%
P/CF	25.25	24.41	6.57	6.35	15.99%	12.13%
P/BV	1.93	1.68	8.13	7.07	43.71%	24.96%
P/E	24.43	24.43	0.73	0.73	-87.05%	-87.05%
Avg. Implied Share Price			5.77		1.96%	





Business Model
➤ Low cash cost business model
➤ Accretive upside potential through acquisitions and expansionary scenarios
Diversification
➤ Diversified portfolio with multiple mines reducing risk of individual mine failure
➤ Geopolitical diversification and operations
Continued Growth
➤ SSL has been able to be a strong performer throughout the mining cycles giving them more access to capital to fund acquisitions
➤ Companies who need funding will continue to turn to SSL providing a continuous opportunity to grow

Valuation Summary		
Analysis	Price	Weight
Street Consensus	\$6.35	25%
Gordon Growth Method	\$9.95	25%
Multiple Method	\$10.72	25%
Comparable Analysis	\$5.77	25%
Average: \$8.20		
Final Recommendation: BUY		

Breakdown
Current Price \$5.65
Target Price \$8.20
Upside 45%

1. Yahoo Finance
2. Sandstorm Gold Royalties Annual Reports
3. Sandstorm Gold Royalties Asset Handbook
4. The Global Economy: Heightened Tensions, Subdued Growth
5. Commodity Markets Outlook, Food Prices Shocks – World Bank
6. London Bullion Markets Associations (LBMA)
7. Thomson One
8. Paradigm Capital
9. TD Securities
10. The Motley Fool
11. Galileo
12. Jefferson Research
13. Thomson Reuters
14. Cormark Securities Inc
15. Raymond James
16. National Bank of Canada Financial Markets
17. Canaccord Genuity Capital Markets
18. BMO Capital Markets
19. Scotiabank
20. CIBC World Markets



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Portfolio Manager



Jonathan Giordano

Senior Associate



Roberto Rossi

Investment Analyst



Raghav Srinivasan

Investment Analyst



Praveen Ananda

Investment Analyst