Franco-Nevada Corp. (FNV)

Updated March 11th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$146	**5 Year CAGR Estimate:**	6.9%	**Market Cap:**	$28 B
Fair Value Price:	$152	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date[1]:**	03/13/2025
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.8%	**Dividend Payment Date[1]:**	03/27/2025
Dividend Yield:	1.0%	**5 Year Price Target**	$194	**Years Of Dividend Growth:**	18
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Franco-Nevada Corporation (FNV) is a royalty and stream company focused on gold and other precious metals, and oil and gas. The company's cash-flow producing portfolio is actively managed and aims to maintain over 80% of revenue from precious metals. The business model is to grow and build the portfolio of royalties and streams, thus it does not operate mines or conduct exploration. This lean business model allows for the $28 billion market cap company to employ only 38 full-time employees. The corporation is still exposed to commodity price fluctuations in the short-term but utilizes the commodity down cycles to opportunistically make investments. The corporation was founded in 1983 as a mining royalty business. In 2002, it was acquired by Newmont Mining for $2.5 billion. On December 20, 2007, the original FNV team repurchased the royalty portfolio for $1.2 billion by launching an IPO with the newly incorporated Franco-Nevada. The corporation is headquartered in Toronto and trades on both the Toronto and New York Stock Exchanges under the ticker symbol FNV. FNV has raised its dividend for 18 consecutive years.

Franco-Nevada took a $1.2 billion impairment loss on Cobre Panama in 2023 due to the production halt since November 2023 as a result of a mining moratorium. This is significant because Cobre Panama represented 20% of 2023 revenue. A new president of Panama was inaugurated into office on July 1st, 2024. He announced the government will conduct a strict environmental audit of the Cobre Panama mine, and more information is expected in 2025.

On March 10th, 2025, Franco-Nevada reported fourth quarter 2024 results. Gold Equivalent Ounces (GEOs) sold (including Energy) decreased 21% compared to fourth quarter 2023, primarily due to the production half of Cobre Panama. Revenue, however, increased by 6% year-over-year to $321 million. Adjusted net income rose 6% to $183 million, resulting in adjusted net income per share of $0.95.

The company provided 2025 guidance which expects total GEOs sold of 465,000 to 525,000, and revenue to increase by over 25% over 2024.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Adj. NIPS	$0.57	$0.94	$1.08	$1.17	$1.82	$2.71	$3.52	$3.64	$3.56	$3.21	***$3.99***	***$5.09***
DPS	$0.83	$0.87	$0.91	$0.95	$0.99	$1.03	$1.16	$1.28	$1.36	$1.44	***$1.52***	***$2.23***
Shares[2]	158.0	178.5	185.9	186.7	189.4	191.0	191.5	191.9	192.3	192.6	***193.0***	***200.0***

Franco-Nevada measures its growth using adjusted net income per share, which adjusts for impairment charges and reversals, foreign exchange gains and losses and other income and expenses. For a company involved in commodities, net income has remained consistent and stable as Franco-Nevada has limited exposure to many of the risks operating companies may face. Management can focus on growth rather than operational or development issues.

The company has a long runway of growth still ahead of it. Its new metals stream and natural gas royalties have immediately added cash flow. Further portfolio additions would likely do the same, though it is not baked into its immediate growth outlook. GEOs sold are expected to increase over the next five years. The existing portfolio is

[1] Estimate

[2] In millions

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expected to produce roughly 490,000 to 550,000 total GEOs in 2029. This outlook assumes increased attributable sales from Vale's Northern and Southeastern systems, increased output from Guadalupe-Palmarejo and Antamina, production growth from the continued development of the company's U.S. Energy assets, and the commencement of production at Valentine Gold, Stibnite Gold, Eskay Creek, Castle Mountain Phase 2, and the Coroccohuayco project,as well as the expansions at Candelaria and Magino. We expect the company's adjusted net income per share to increase by 5.0% annually through 2030. In the past nine and five years, FNV grew adjusted net income per share at a 21.2% and 12.0% CAGR, respectively.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/ANI	85.1	69.4	67.6	60.2	46.6	50.0	39.1	37.7	38.8	37.3	***36.5***	***38.0***
Avg. Yld.	1.7%	1.3%	1.2%	1.3%	1.1%	0.8%	0.8%	0.9%	1.0%	1.2%	***1.0%***	***1.2%***

Franco-Nevada has traded at a price-to-adjusted-net-income ratio of 53.2 on average in the past ten years, and 40.6 in the past five years. While shares trade at 36.5 times estimated 2025 adjusted net income, we believe fair value can be as high as 38.0 times, which implies a small valuation tailwind. The dividend yield is likely to remain around 1.0% to 1.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

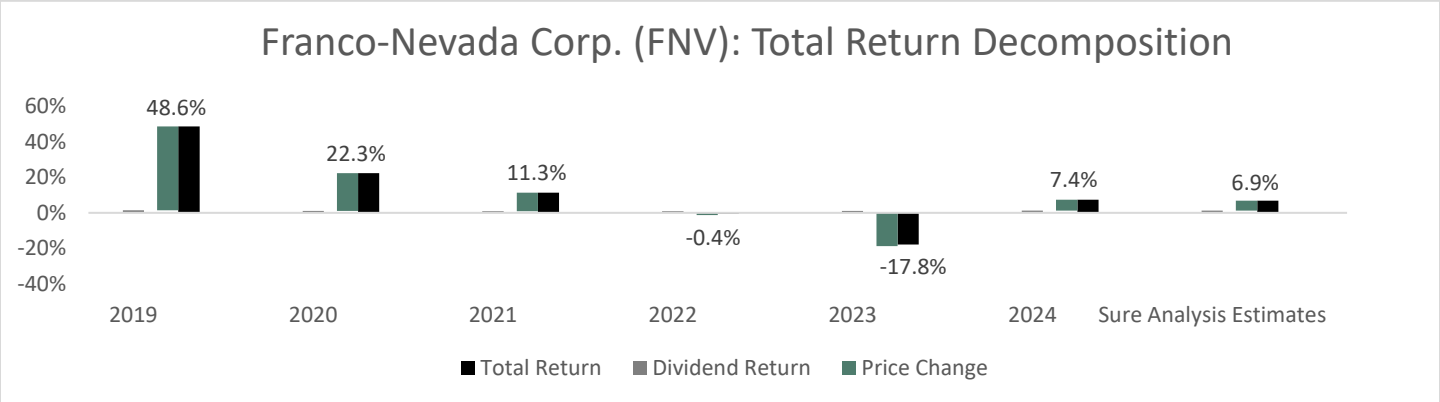
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	146%	93%	84%	81%	54%	38%	33%	35%	38%	45%	***38%***	***44%***

The business model Franco-Nevada has embraced is a competitive advantage, as it has gained upside exposure to commodity markets and the commodity cycle without many of the downsides. In addition, FNV has a strong margin compared to its peers, at 83% for 2023. Even more, the corporation has no debt, and has $2.4 billion in available capital on December 31, 2024. The company is diversified geographically across the entire world, with the bulk of GEOs in Latin America, then Canada and America, and the rest of the world. They are also diversified in metals (gold, silver, PGM) and oil and gas (oil, gas, NGL). Franco-Nevada as we know it was born during the great recession, and adjusted net income fell 60% between 2008-2009, but then returned and surpassed prior levels within one year.

Final Thoughts & Recommendation

Franco-Nevada is a leaner and more risk-averse play on the commodity price upside than directly owning mining or energy companies. This safe approach has led to 18 consecutive dividend raises since the corporation IPOd, and we see this continuing. According to our estimates, the company stock today possesses practically no margin of safety at 96% of our fair value estimate. Given 6.9% in expected annualized total returns, FNV earns a hold rating, and we remark that it is a high-quality business that often trades at a premium.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	444	610	675	653	844	1,020	1,300	1316	1219	1114
Gross Profit	134	231	260	287	436	620	822	853	767	759
Gross Margin	30.3%	37.8%	38.5%	44.0%	51.7%	60.8%	63.2%	64.8%	62.9%	68.1%
SG&A Exp.	15	21	25	23	29	29	31	33	29	35
Operating Profit	116	207	235	265	407	592	791	820	738	725
Operating Margin	26.2%	33.8%	34.8%	40.5%	48.3%	58.0%	60.9%	62.3%	60.5%	65.1%
Net Profit	25	122	195	139	344	326	734	701	-466	552
Net Margin	5.5%	20.0%	28.8%	21.3%	40.8%	32.0%	56.4%	53.2%	-38.2%	49.6%
Free Cash Flow	-706	-276	-13	-515	173	491	195	858	470	422
Income Tax	24	46	41	50	62	13	124	133	102	212

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,674	4,222	4,788	4,932	5,281	5,593		6627	5994	6330
Cash & Equivalents	149	253	511	70	132	534		1197	1422	1451
Accounts Receivable	65	71	66	76	98	93		136	111	152
Inventories	0	3	7	0	4	1		0	1	97
Total Liabilities	511	75	83	300	218	149		209	225	334
Accounts Payable	6	10	6	7	7	4		7	6	29
Long-Term Debt	457	0	0	208	80	0	0	0	0	0
Shareholder's Equity	3,163	4,147	4,706	4,632	5,062	5,444		6418	5769	5997
LTD/E Ratio	0.14	0.00	0.00	0.04	0.02	0.00		0.00	0.00	0.00

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	3.1%	4.3%	2.9%	6.7%	6.0%		10.9%	-7.4%	9.0%
Return on Equity	0.7%	3.3%	4.4%	3.0%	7.1%	6.2%		11.3%	-7.7%	9.4%
ROIC	0.7%	3.1%	4.4%	2.9%	6.9%	6.2%		11.3%	-7.7%	9.4%
Shares Out.	157	176	183	186	188	191	192	191.9	192.3	192.6
Revenue/Share	2.83	3.46	3.68	3.50	4.49	5.35	6.79	6.9	6.3	5.8
FCF/Share	-4.50	-1.57	-0.07	-2.76	0.92	2.58	1.02	4.5	2.4	2.2

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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