

Osisko Gold Royalties

OR-TSX

Rating
Market Perform

Price: Mar-15
\$14.83

Target
\$15.00

Total Rtn
2%

Q4/16 Beat, Benefitting From Tax Credits

Bottom Line: OR reported a low quality earnings beat relative to BMO Research and consensus due to adjustments for stock-based compensation as well as exploration expenses, which benefited from a \$2.2M recovery of tax credits. OR's 2017 guidance of 43.3-46.1k GEOs was slightly ahead of our estimate for 42.8k primarily as a result of 2-3k of 'Other' GEOs.

Key Points

Osisko Gold Royalties reported Q4/16 financial and operational results.

- OR reported headline EPS of \$0.08. After adjusting for unrealized gains on investments, loss of associates, and stock-based compensation, adjusted EPS was \$0.10, above BMO Research and consensus of \$0.05 and \$0.06, respectively. The low quality beat was due to adjustments for stock-based compensation as well as exploration expenses, which benefited from a \$2.2M recovery of tax credits.
- For 2016 OR pre-released that it recorded 38.3k gold equivalent ounces delivered from its portfolio, including 9.0k GEOs in Q4/16.
- Operating cash flow of \$14.8M was slightly above our estimate of \$12.5M, driven by a \$2.9M lift from working capital, while free cash flow of \$(4.8M) was below our estimate for \$12.5M due to the acquisition of \$17.9M of investments in the quarter. OR finished the year with \$499M in cash and cash equivalents and has up to \$200M on its revolving credit facility.
- OR provided 2017 guidance of 43.3-46.1k GEOs, ahead of our estimate for 42.8k primarily as a result of 2-3k of 'Other' GEOs.
- OR previously announced that it will be acquiring its first silver stream on the Gibraltar copper mine for US\$33M. We estimated an IRR on the transaction of 7.8% at spot metal prices. On March 15, OR received the first deliveries of silver from Gibraltar of 21.6koz, representing January and a portion of February.
- Conference call tomorrow at 11:00 a.m. ET; toll-free 1-877-223-4471.

Key Changes				
	Estimates	Q1/17E	2017E	2018E
Revenue		\$19	\$80	\$87
Previous		\$18	\$76	\$87
EBITDA		\$14	\$56	
Previous		\$13	\$52	
EPS		\$0.07	\$0.31	
Previous		\$0.07	\$0.29	

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules. For disclosure statements, including the Analyst Certification, please refer to page(s) 5 to 7.

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Company Data				in C\$
Dividend	\$0.16	Shares O/S (mm)	106.6	
Yield	1.1%	Market Cap (mm)	\$1,581	
NAV	\$5.53	P/NAV	2.0x	

BMO Estimates				in C\$
(FY-Dec.)	2016A	2017E	2018E	
Revenue	\$71	\$80↑	\$87↑	
EBITDA	\$63	\$56↑	\$61	
EPS	\$0.26	\$0.31↑	\$0.33	
CFPS	\$0.51	\$0.71↑	\$0.78↑	
Gold Eq. (koz)	38	40	44	

Consensus Estimates			
	2016A	2017E	2018E
EPS		\$0.31	\$0.26

Valuation			
	2016A	2017E	2018E
P/E	NA	47.3	44.6
P/CFPS	29.1x	21.0x	19.1x
EV/EBITDA	17.8x	23.9x	21.1x

QTR. EPS	Q1	Q2	Q3	Q4
2016A	\$0.09	\$0.03	\$0.08	\$0.07
2017E	\$0.07	\$0.08	\$0.08	\$0.08
2018E	\$0.08	\$0.08	\$0.08	\$0.08

Our Thesis

OR offers the purest exposure to gold among the peer group; however, lower diversification makes the company susceptible to operational stumbles, in our view. While we like OR's royalty incubator approach, this is a long-dated strategy that is unlikely to derive opportunities in the near term.

Osisko Gold Royalties - Block Summary Model

Income Statement	2016A	2017E	2018E
Revenue	71	80	87
Operating Costs	0	(1)	(1)
G&A	16.86	16.00	16.00
Depreciation	11	16	19
EBITDA	63	56	61
Tax	10	12	13
Adjusted Net Earnings	27	33	36
EPS	\$0.26	\$0.31	\$0.33
Cash Flow Statement	2016A	2017E	2018E
CFO	53	75	83
CFI	(15)	(81)	0
CFF	208	(17)	(17)
Free Cash Flow	(84)	(6)	83
FCF/Share	\$(0.80)	\$(0.05)	\$0.78
Balance Sheet	2016A	2017E	2018E
Cash & Equivalents	499	476	542
Long-Term Debt	46	45	45
Total Assets	1,416	1,459	1,506
Total Liabilities	202	228	257
Total Shareholders' Equity	1,214	1,231	1,249
Gold Summary	2016A	2017E	2018E
Malartic Royalty (koz)	30	30	31
Eleonore Royalty (koz)	6	7	9
Island Gold Royalty (koz)	2	3	3
Total Gold Eq. Production (koz)	38	40	44
Price Assumptions	2016A	2017E	2018E
Gold Price (US\$/oz)	1,250	1,175	1,250
Silver Price (US\$/oz)	17.12	17.00	18.00
USD:CAD	0.756	0.725	0.750

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

OR trades at 2.0x the NPV estimate at 5% and BMO metal price assumptions, vs. the royalty/streaming average of 1.9x. Our target reflects 2.1x the 5% nominal NPV estimate and 17x 2017E CFPS at BMO metal price assumptions.

Upside Scenario **\$20.00**

Our upside scenario is based on weighting of 3.0x 5% NPV/sh and 22x 2017E CFPS at BMO metal price assumptions.

Downside Scenario **\$10.00**

Our downside scenario is based on weighting of 1.5x 5% NPV/sh and 12x 2017E CFPS at BMO metal price assumptions.



Company Description

Osisko Gold Royalties is a gold-focused royalty company whose cornerstone assets include a 5% NSR on the Canadian Malartic mine, and a 2.0-3.5% sliding scale royalty on the Eleonore mine.



OR-TSX
Research



Industry
Research



Company
Models

Exhibit 1: OR Block Model (BMO Metal Price Forecasts)

OSISKO GOLD ROYALTIES			OR
Recommendation	Mkt	Analyst AK	
As at	15-Mar-17	BMO Capital Markets	
Year End	December		
Share Price	\$14.83 C\$/share	\$11.02 US\$/share	
Target Price	\$15.00 C\$/share	\$11.15 US\$/share	
Net Present Value	5% \$7.44 C\$/share	\$5.53 US\$/share	
	0% \$7.86 C\$/share	\$5.84 US\$/share	
Market Cap	1,572.1 C\$M	1,168.7 US\$M	
Ordinary Shares	106.0 M		
Options & Warrants	11.8 M		

PRICE ASSUMPTIONS - BMO PRICES						
(December Year End)		2014A	2015A	2016A	2017E	2018E
Exchange Rate	CAD:USD	0.91	0.78	0.76	0.72	0.75
Gold	US\$/oz	1,267	1,160	1,250	1,175	1,250
Silver	US\$/oz	19.10	15.70	17.12	17.00	18.00
Copper	US\$/lb	97.03	55.84	62.30	63.67	45.00
Iron Ore	US\$/t					
Oil	US\$/bbl	93.60	52.12	44.85	53.00	61.00

FINANCIAL SUMMARY						
(December Year End)		2014A	2015A	2016A	2017E	2018E
Earnings (Adj.) (C\$M)		6.7	40.5	27.0	33.5	35.7
EPS (C\$/share)		0.13	0.46	0.26	0.31	0.33
P/E (x)		na	32.2x	na	47.3x	44.6x
EBITDA (C\$M)		3.1	33.9	63.0	56.2	60.6
EBITDA/share (C\$/share)		0.09	0.39	0.60	0.53	0.57
EV/EBITDA (x)		192.3x	34.1x	17.8x	23.9x	21.1x
Cash Flow (C\$M)		7.5	29.1	53.4	75.5	83.2
Cash Flow/share (C\$/share)		0.21	0.33	0.51	0.71	0.78
P/Cash Flow (x)		na	44.7x	29.1x	21.0x	19.1x
Free Cash Flow (C\$M)		-24.3	-180.9	-84.3	-5.7	83.2
FCF/share (C\$/share)		-0.7	-2.1	-0.8	-0.1	0.8
FCF Yield (%)		-4.6%	-13.9%	-5.4%	-0.4%	5.2%
Dividend (C\$/share)		0.03	0.13	0.16	0.16	0.16
Ordinary Shares (M)		35.8	87.8	105.0	106.8	107.2

PROFIT AND LOSS STATEMENT - C\$M						
(December Year End)		2014A	2015A	2016A	2017E	2018E
Sales Revenue		17.2	45.4	62.7	73.4	77.9
Other Revenue		1.6	9.9	8.2	6.9	9.1
Operating Costs		(0.0)	0.0	0.0	0.8	0.7
Depreciation		0.0	(0.6)	(11.3)	(15.5)	(19.0)
Interest		0.0	(0.6)	(3.4)	(1.8)	(1.8)
Exploration		(4.1)	(4.6)	(7.0)	(2.0)	(2.0)
Corporate		(6.9)	(21.6)	(16.9)	(16.0)	(16.0)
Other Costs		1.3	10.2	0.9	0.0	0.0
Operating Profit Before Tax		9.0	38.1	33.1	45.8	48.8
Income Tax		(3.3)	(8.2)	(9.7)	(12.3)	(13.1)
Operating Profit After Tax		5.7	29.9	23.4	33.5	35.7
Minorities		0.0	0.2	0.3	0.0	0.0
Net Profit After Tax		4.4	31.5	26.8	33.5	35.7
Abnormals		(4.3)	(1.4)	18.5	0.0	0.0
Reported Profit		1.4	28.7	42.1	33.5	35.7
QUARTERLY SUMMARY		Q1/17	Q2/17	Q3/17	Q4/17	
ADJUSTED EPS (C\$/sh)		0.08	0.08	0.08	0.08	
CFPS (C\$/sh)		0.17	0.17	0.18	0.18	
FCFPS (C\$/sh)		-0.60	0.17	0.18	0.18	

FINANCIAL METRICS						
ROE (%)		1.7%	3.4%	2.2%	2.7%	2.9%
ROIC (%)		12.3%	8.7%	3.7%	4.7%	5.2%
Net Debt to Equity (%)		-66.5%	-27.6%	-37.3%	-35.0%	-39.8%
Net Debt/ EBITDA (x)		0.6x	0.1x	0.9x	1.0x	0.9x
Coverage Ratio (x)		na	16.7x	0.2x	0.0x	0.0x

CASH FLOW ANALYSIS - C\$M						
(December Year End)		2014A	2015A	2016A	2017E	2018E
Cash Flows From Operating Activities						
Net Income		1.4	28.5	41.9	33.5	35.7
Non-Cash Items		3.9	3.7	12.4	42.0	47.5
Re-invested in Working Capital		2.1	(3.0)	(0.8)	0.0	0.0
Cash Flows From Investing Activities						
Property and Business Activities		0.1	0.0	132.8	0.0	0.0
Acq. of Property, Plant and Equip.		(1.1)	(44.2)	(55.4)	(45.3)	0.0
Other		(32.3)	(96.7)	(92.5)	(35.9)	0.0
Cash Flows From Financing Activities						
Proceeds From Borrowings		0.0	0.0	50.0	0.0	0.0
Repayment of Borrowings		0.0	0.0	0.0	0.0	0.0
Other		197.4	184.0	158.2	(17.1)	(17.2)
Net Free Cash Flow		(24.3)	(180.9)	(84.3)	(5.7)	83.2
Net Increase in Cash Held		173.1	94.4	234.9	(22.8)	66.0
Cash At Beginning of Year		0.0	175.2	258.5	499.2	476.4
Cash At End of Year		175.2	258.5	499.2	476.4	542.4

BALANCE SHEET ANALYSIS - C\$M						
(December Year End)		2014A	2015A	2016A	2017E	2018E
Current Assets						
Cash and Cash Equivalents		175.2	258.5	499.2	476.4	542.4
Other		0.9	7.0	11.5	11.5	11.5
Non-Current Assets						
Investments		65.7	105.5	108.4	144.3	144.3
Fixed Assets		0.9	546.5	595.1	624.8	605.8
Other		203.3	429.5	712.8	690.0	756.0
Current Liabilities						
Borrowings		0.0	0.0	0.0	0.0	0.0
Creditors		3.0	11.5	7.4	7.4	7.4
Other		1.9	5.0	8.4	8.4	8.4
Non-Current Liabilities						
Borrowings		0.0	0.0	45.8	45.3	45.3
Other		6.7	144.2	156.2	183.1	211.6
Shareholders Equity		263.2	937.2	1,214.3	1,230.7	1,249.2
Net Debt		(175.2)	(258.5)	(453.5)	(431.1)	(497.1)

KEY ROYALTIES	0%	5%	GOLD EQUIVALENT PRODUCTION (koz)				
	NPV US\$M	NPV US\$M	2014A	2015A	2016A	2017E	2018E
CANADIAN MALARTIC NSR (288.3	227.3	12.5	28.2	31.8	30.2	31.5
ELEONORE NSR (GOLDCOF	204.7	140.1	0.0	5.2	6.0	7.0	9.2
ISLAND GOLD MINE NSR RC	44.1	31.5	0.0	0.4	2.5	2.7	3.2
WINDFALL NSR (OSISKO MI	22.8	14.2	0.0	0.0	0.0	0.0	0.0
GIBALTAR STREAM (TASE	50.0	13.2	0.0	0.0	0.0	2.9	2.9
Total Production			12.5	33.8	40.3	42.8	46.7
Hedge Book	0.0	0.0					
Corporate	(413.4)	(266.5)					
Net Cash	346.9	346.9					
Investments/Bullion	144.9	144.9					
Options & Warrants	0.0	0.0					
Total NPV	688.3	651.6					
Per Share	\$5.84	\$5.53	IRR = -19.3% P/NPV _{5%} 2.0x				

DIVISIONAL EBITDA - US\$M					
	2014A	2015A	2016A	2017E	2018E
CANADIAN MALARTIC NSR	15.4	32.6	39.7	35.5	39.4
ELEONORE NSR	0.0	7.5	7.5	8.2	11.5
ISLAND GOLD MINE NSR	0.0	0.5	3.1	3.2	4.0
WINDFALL NSR	0.0	0.0	0.0	0.0	0.0
GIBALTAR STREAM	0.0	0.0	0.0	2.9	3.1
Total EBITDA	15.4	40.6	50.4	49.7	57.9

Source: BMO Capital Markets

Exhibit 2: OR Block Model (Spot Metal Prices)

OSISKO GOLD ROYALTIES		OR
Recommendation	Mkt	Analyst AK
As at	15-Mar-17	BMO Capital Markets
Year End	December	
Share Price	\$14.83 C\$/share	\$11.02 US\$/share
Target Price	\$15.00 C\$/share	\$11.15 US\$/share
Net Present Value	5% \$7.40 C\$/share	\$5.50 US\$/share
	0% \$7.81 C\$/share	\$5.80 US\$/share
Market Cap	1,572.1 C\$M	1,168.7 US\$M
Ordinary Shares	106.0 M	
Options & Warrants	11.8 M	

PRICE ASSUMPTIONS - SPOT PRICES		2014A	2015A	2016A	2017E	2018E
(December Year End)						
Exchange Rate	CAD:USD	0.91	0.78	0.75	0.74	0.74
Gold	US\$/oz	1,267	1,160	1,245	1,204	1,204
Silver	US\$/oz	19.10	15.70	17.06	16.98	16.98
Copper	US\$/lb	97.03	55.84	62.30	57.95	57.95
Iron Ore	US\$/t					
Oil	US\$/bbl	93.60	52.12	44.56	49.24	49.24

FINANCIAL SUMMARY		2014A	2015A	2016A	2017E	2018E
(December Year End)						
Earnings (Adj.) (C\$M)		6.7	40.5	27.0	33.2	34.1
EPS (C\$/share)		0.13	0.46	0.26	0.31	0.32
P/E (x)		na	32.2x	na	47.7x	46.7x
EBITDA (C\$M)		3.1	33.9	63.0	56.0	58.3
EBITDA/share (C\$/share)		0.09	0.39	0.60	0.52	0.54
EV/EBITDA (x)		192.3x	34.1x	17.8x	24.0x	21.9x
Cash Flow (C\$M)		7.5	29.1	53.4	75.1	80.6
Cash Flow/share (C\$/share)		0.21	0.33	0.51	0.70	0.75
P/Cash Flow (x)		na	44.7x	29.1x	21.1x	19.7x
Free Cash Flow (C\$M)		-24.3	-180.9	-84.3	-5.5	80.6
FCF/share (C\$/share)		-0.7	-2.1	-0.8	-0.1	0.8
FCF Yield (%)		-4.6%	-13.9%	-5.4%	-0.3%	5.1%
Dividend (C\$/share)		0.03	0.13	0.16	0.16	0.16
Ordinary Shares (M)		35.8	87.8	105.0	106.8	107.2

PROFIT AND LOSS STATEMENT - C\$M		2014A	2015A	2016A	2017E	2018E
(December Year End)						
Sales Revenue		17.2	45.4	62.7	73.2	75.6
Other Revenue		1.6	9.9	8.2	6.8	9.1
Operating Costs		(0.0)	0.0	0.0	0.7	0.7
Depreciation		0.0	(0.6)	(11.3)	(15.5)	(19.1)
Interest		0.0	(0.6)	(3.4)	(1.8)	(1.8)
Exploration		(4.1)	(4.6)	(7.0)	(2.0)	(2.0)
Corporate		(6.9)	(21.6)	(16.9)	(16.0)	(16.0)
Other Costs		1.3	10.2	0.9	0.0	0.0
Operating Profit Before Tax		9.0	38.1	33.1	45.4	46.6
Income Tax		(3.3)	(8.2)	(9.7)	(12.2)	(12.5)
Operating Profit After Tax		5.7	29.9	23.4	33.2	34.1
Minorities		0.0	0.2	0.3	0.0	0.0
Net Profit After Tax		4.4	31.5	26.8	33.2	34.1
Abnormals		(4.3)	(1.4)	18.5	0.0	0.0
Reported Profit		1.4	28.7	42.1	33.2	34.1
QUARTERLY SUMMARY						
ADJUSTED EPS (C\$/sh)			Q1/17	Q2/17	Q3/17	Q4/17
CFPS (C\$/sh)			0.08	0.08	0.08	0.08
FCFPS (C\$/sh)			0.17	0.17	0.18	0.18
FCFPS (C\$/sh)			-0.59	0.17	0.18	0.18

FINANCIAL METRICS		2014A	2015A	2016A	2017E	2018E
ROE (%)		1.7%	3.4%	2.2%	2.7%	2.7%
ROIC (%)		12.3%	8.7%	3.7%	4.7%	5.0%
Net Debt to Equity (%)		-66.5%	-27.6%	-37.3%	-35.1%	-39.7%
Net Debt/ EBITDA (x)		0.6x	0.1x	0.9x	1.0x	0.9x
Coverage Ratio (x)		na	16.7x	0.2x	0.0x	0.0x

CASH FLOW ANALYSIS - C\$M		2014A	2015A	2016A	2017E	2018E
(December Year End)						
Cash Flows From Operating Activities						
Net Income		1.4	28.5	41.9	33.2	34.1
Non-Cash Items		3.9	3.7	12.4	41.8	46.5
Re-invested in Working Capital		2.1	(3.0)	(0.8)	0.0	0.0
Cash Flows From Investing Activities						
Property and Business Activities		0.1	0.0	132.8	0.0	0.0
Acq. of Property, Plant and Equip.		(1.1)	(44.2)	(55.4)	(44.6)	0.0
Other		(32.3)	(96.7)	(92.5)	(35.9)	0.0
Cash Flows From Financing Activities						
Proceeds From Borrowings		0.0	0.0	50.0	0.0	0.0
Repayment of Borrowings		0.0	0.0	0.0	0.0	0.0
Other		197.4	184.0	158.2	(17.1)	(17.2)
Net Free Cash Flow		(24.3)	(180.9)	(84.3)	(5.5)	80.6
Net Increase in Cash Held		173.1	94.4	234.9	(22.6)	63.4
Cash At Beginning of Year		0.0	175.2	258.5	499.2	476.7
Cash At End of Year		175.2	258.5	499.2	476.7	540.1

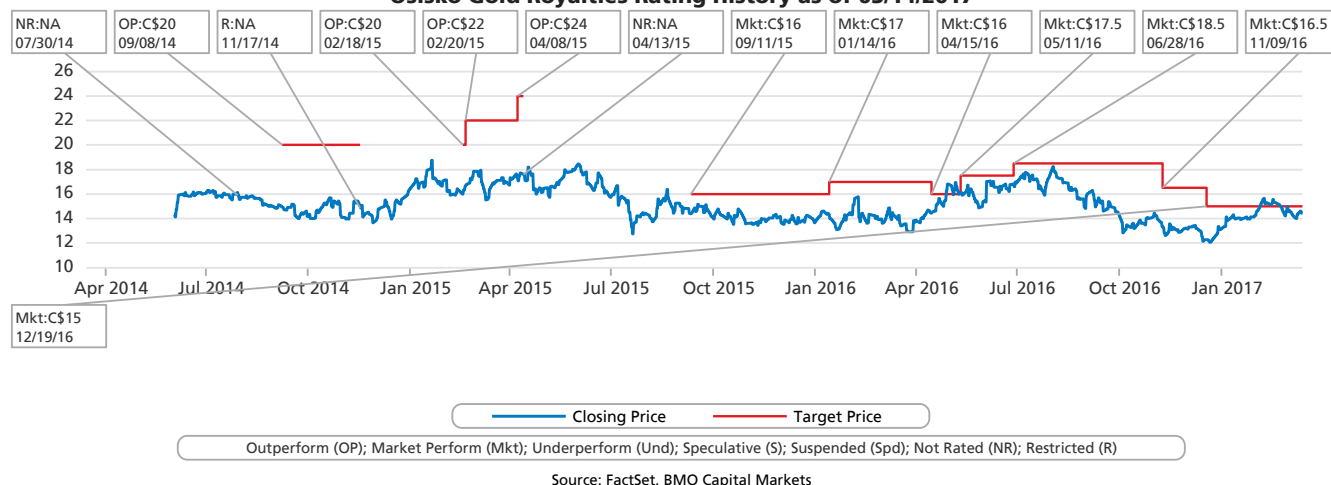
BALANCE SHEET ANALYSIS - C\$M		2014A	2015A	2016A	2017E	2018E
(December Year End)						
Current Assets						
Cash and Cash Equivalents		175.2	258.5	499.2	476.7	540.1
Other		0.9	7.0	11.5	11.5	11.5
Non-Current Assets						
Investments		65.7	105.5	108.4	144.3	144.3
Fixed Assets		0.9	546.5	595.1	624.2	605.2
Other		203.3	429.5	712.8	690.2	753.6
Current Liabilities						
Borrowings		0.0	0.0	0.0	0.0	0.0
Creditors		3.0	11.5	7.4	7.4	7.4
Other		1.9	5.0	8.4	8.4	8.4
Non-Current Liabilities						
Borrowings		0.0	0.0	45.8	45.3	45.3
Other		6.7	144.2	156.2	183.0	210.5
Shareholders Equity		263.2	937.2	1,214.3	1,230.4	1,247.4
Net Debt		(175.2)	(258.5)	(453.5)	(431.3)	(494.7)

KEY ROYALTIES	0%	5%	GOLD EQUIVALENT PRODUCTION (koz)				
	NPV US\$M	NPV US\$M	2014A	2015A	2016A	2017E	2018E
CANADIAN MALARTIC NSR (287.6	226.6	12.5	28.2	31.8	30.2	31.5
ELEONORE NSR (GOLDCOF	202.4	138.6	0.0	5.2	6.0	7.0	9.2
ISLAND GOLD MINE NSR RC	44.0	31.5	0.0	0.4	2.5	2.7	3.2
WINDFALL NSR (OSISKO MI	22.9	14.2	0.0	0.0	0.0	0.0	0.0
GIBALTAR STREAM (TASE	37.8	6.7	0.0	0.0	0.0	2.8	2.8
Total Production			12.5	33.8	40.3	42.7	46.7
Hedge Book	0.0	0.0					
Corporate	(399.2)	(257.6)					
Net Cash	344.4	344.4					
Investments/Bullion	143.8	143.8					
Options & Warrants	0.0	0.0					
Total NPV	683.6	648.1					
Per Share	\$5.80	\$5.50					
			IRR = -17.7%		P/NPV _{5%} 2.0x		

DIVISIONAL EBITDA - US\$M		2014A	2015A	2016A	2017E	2018E
CANADIAN MALARTIC NSR		15.4	32.6	39.6	36.4	37.9
ELEONORE NSR		0.0	7.5	7.5	8.4	11.1
ISLAND GOLD MINE NSR		0.0	0.5	3.1	3.2	3.8
WINDFALL NSR		0.0	0.0	0.0	0.0	0.0
GIBALTAR STREAM		0.0	0.0	0.0	2.8	2.8
Total EBITDA		15.4	40.6	50.2	50.9	55.7

Source: BMO Capital Markets

Osisko Gold Royalties Rating History as of 03/14/2017



IMPORTANT DISCLOSURES

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Distribution of Ratings (March 14, 2017)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe
Buy	Outperform	42.7%	23.1%	57.4%	43.4%	56.5%	52.8%
Hold	Market Perform	53.6%	13.3%	41.6%	53.1%	41.9%	41.6%
Sell	Underperform	3.7%	4.6%	1.0%	3.3%	1.2%	5.5%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Prior BMO Capital Markets Rating System

(April 2013 – October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 – April 2013)

http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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