



Osisko Gold Royalties Ltd.

(QR-T)

SECTOR: Mining

STOCK PRICE \$10.10
 RATING BUY
 TARGET PRICE \$19.50

PRIVATE PLACEMENT

Investissement Québec Increases Position in Osisko

OUR TAKE: Despite the 5% dilution at the current modest valuation of Osisko, we think it is prudent to raise additional capital at a market premium of about 9% to the 20d VWAP with a committed long-term shareholder. This financing gives Osisko additional firepower to respond to any opportunities that may emerge in the current market. Osisko Royalties trades at a P/NAV discount to the group and the shares remain undervalued.

KEY HIGHLIGHTS

- ◆ **Osisko Enters into \$85M Private Placement** – This morning Osisko announced a non-brokered financing with Investissement Québec for 7.7 million common shares at a price of \$11.00 per share. The private placement was priced above Friday's close of \$10.10/share as well as the 20-day VWAP of \$10.13/share. The placement increases Investissement Québec's ownership in Osisko from 0.4% to 5.04% proforma. The private placement is expected to close around April 1, 2020 and Osisko intends to use the proceeds for general working capital purposes. At year end Osisko had a cash balance of \$108 million and the private placement increases Osisko's cash balance to around \$200 million, which combined with \$480 million available (undrawn) on their credit facility, puts them in a strong position to respond to any acquisition opportunities that may emerge in the current volatile market.
- ◆ **Operations Previously Suspended due to COVID-19, 2020 Guidance Withdrawn** – On March 23rd, Newmont (NEM-US, Not Rated) put four of its mines on temporary closure to stop the spread of COVID-19, including its Eleonore Mine in Quebec. Osisko holds a 2-3.5% NSR on the Eleonore Mine and in our model, Eleonore accounts for ~10% of Osisko's 2020 royalty revenue. Similarly, that same day, Alamos Gold (AGI-T, Buy Rating, \$10.25 TP) announced they were putting the Island Gold mine on care & maintenance for 14 days. Osisko holds a 1.38-2.55% NSR on the Island Gold mine and in our model accounts for ~3% of our 2020 production estimate. On March 24th, Yamana (YRI-T, Not Rated) and Agnico Eagle (AEM-T, Not Rated) announced they would be ramping down operations at the 50/50 JV Canadian Malartic operation putting the operation on Care & Maintenance. Osisko holds a 5% NSR on the Canadian Malartic mine and it accounts for ~40% of the Company's revenue. Following the announcement that these operations were being shut down, Osisko withdrew its 2020 production guidance of between 82,000 and 88,000 GEO (we currently model 82,000 GEO).

RECOMMENDED ACTION

We recommend accumulating shares at current levels

- ◆ With almost \$200 million in cash and \$480 undrawn on their credit facility, Osisko Royalties is prepared to act on any opportunities that may arise in the current market environment.
- ◆ A key catalyst this year will be additional clarity on plans for Barkerville.
- ◆ We maintain our Buy rating and Target Price of \$19.50 which is derived using a blend of 1.5x our Corporate NAV (60%) and 20.0x EV/2020 CF.

CATALYSTS

1. **Q2/20** – Steady state production at Eagle mine (5% NSR)
2. **Late 2020** – Feasibility study for Windfall Lake project (2-3% NSR)
3. **Q3/20** – Resource update for Barkerville (4% NSR)
4. **2H/20** - Exploration results from \$10m program at Barkerville

PROJECTED RETURN **93%**

RISK FACTOR **High**

SCENARIO ANALYSIS

| Downside Scenario | Current Price | Price Target |
|-------------------|---------------|--------------|
| \$8.00 | \$10.10 | \$19.50 |
| ↓ 21% | | ↑ 93% |

KEY STATISTICS AND METRICS

| | |
|---------------------------|----------------------------|
| 52-Week High/Low | \$17.47/\$6.35 |
| YTD Performance | (16%) |
| Dividend Yield | 1.98% |
| Shares O/S | 165M (basic) 176M (F/D) |
| Market Capitalization | \$1,670M |
| Cash | \$193M |
| Long-term Debt | \$349M |
| Enterprise Value | \$1,906M |
| Daily Volume (3 mon avg.) | 671,190 |
| Currency | C\$ unless noted |

HAYWOOD ESTIMATES (USD)

| | 2019A | 2020E | 2021E |
|---------------------|-------|-------|-------|
| Revenue (\$M) | 393 | 209 | 214 |
| Op. Cash Flow (\$M) | 96 | 123 | 126 |
| CFPS (\$) | 0.64 | 0.74 | 0.71 |
| FCF (\$M) | 104 | 93 | 94 |
| Capex (\$M) | 8 | (30) | (30) |

VALUATION

Osisko Royalties trades at a P/NAV discount to the group and the shares remain undervalued.

It is trading at 0.8x NAV and 14.7x 2020 EV/CF, which compares with royalty peers trading at 1.5x NAV and 18.8x 2020 EV/CF.

INVESTMENT THESIS

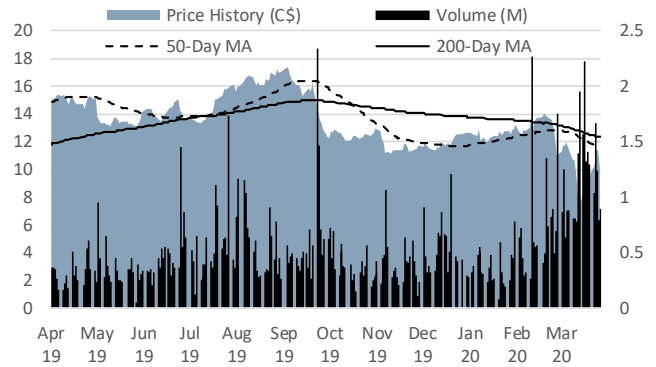
Osisko Gold Royalties has a portfolio of more than 130 royalties, streams, and precious metals offtakes, including a 5% net smelter return (NSR) on the Malartic mine and a 2.0% to 3.5% NSR on the Éléonore mine, both in Quebec, a 2% to 3% NSR on the Island Gold mine owned by Alamos Gold (AGI-T, Buy, \$10.25 Target), a 9.6% diamond stream on Stornoway's Renard Diamond mine in Quebec, and a 5% NSR on Victoria Gold's Eagle Project located in the Yukon.

Osisko has three key attributes:

- 1) **Quality Assets** – Osisko's core royalties, Canadian Malartic and Éléonore, are two of Canada's biggest operating mines, offering long-life production profiles.
- 2) **A Hybrid Approach** – Osisko also holds a portfolio of equity investments and exploration properties in addition to its royalty streams, including a 16.6% equity interest in Osisko Mining (OSK-T, Buy; \$4.50 TP), a 19.9% interest in Falco Resources (FPC-V, Hold; \$0.40 TP), and a 18.0% interest in Osisko Metals (OM-T; Buy, \$0.90 TP).
- 3) **Team in the Know** – The Osisko team stuck together after the \$4 billion sale of Canadian Malartic to the Agnico Eagle/Yamana Gold joint venture. The team has spent more than a decade focused on assets in the Abitibi region and has a strong technical backing for reviewing and evaluating potential investments.

SCENARIO ANALYSIS

Osisko Gold Royalties Ltd. (OR-T)



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our \$19.50 target price continues to be based on a blend of 1.5x our Corporate net asset value (NAV) of \$17.10 per share (60%) and 20.0x enterprise value (EV)/2020 cash flow (40%).

DOWNSIDE CASE

Our downside case utilizes a gold price of US\$1,240/oz, a 20% discount to our base-case assumption of US\$1550/oz in 2020. At a US\$1,240/oz gold price and using the same metrics to derive our target price, our target price drops to \$8.00 per share.

Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.

KEY RISKS

- **Execution** – Victoria Gold's Eagle mine will be Osisko's second largest royalty, delivering ~10,000 ounces annually and is in the process of ramping up to full scale production.
- **Political** – Amulsar is nearly completed, but the blockade since June 2018 has put this project on hold.
- **Reliance on Malartic** – Malartic is by far Osisko's largest royalty, accounting for about 41% of the reported GEO's in 2020.

Osisko Gold Royalties is a Quebec-based royalty company listed on the Toronto Stock Exchange. The Company was formed in H2/14 following the \$4 billion acquisition of Osisko Mining Corporation. Osisko is growing its royalty profile through a combination of royalty acquisitions, equity investment, and exploration success with a focus on assets in Canada, particularly Ontario and Quebec.

Website

www.osiskogr.com

Key Management

CEO – Sean Roosen

President – Sandeep Singh



Osisko Gold Royalties Ltd. (OR-T)



Osisko Gold Royalties Ltd (OR-T, OR-NYSE, \$10.10)

Rating: Buy
Risk: High
Metric: 60% 1.50x NAV + 40% 20.0x 2020 EV/CFPS

Target Price (C\$)
Return (%)
52 Week High/Low (C\$)
Daily Volume (3-month avg)

\$19.50
93%
\$17.47/\$6.35
671,190

Shares O/S, millions: 165.3
Shares F/D, millions: 175.7
Mkt. Cap, CSM: 1,670
CEO: Sean Roosen
Company Website: www.osiskogr.com

| Balance Sheet and Capitalization | US\$M | US\$/O/S Share | CSM | C\$/O/S Share |
|----------------------------------|---------|----------------|---------|---------------|
| Market Capitalization | \$1,284 | \$7.77 | \$1,670 | \$10.10 |
| Current Cash | \$149 | \$0.90 | \$193 | \$1.17 |
| F/D Cash Adds | \$16 | \$0.09 | \$20 | \$0.12 |
| Working Capital | \$87 | \$0.52 | \$112 | \$0.68 |
| Long-Term Debt | \$268 | \$1.62 | \$349 | \$2.11 |
| Book Value | \$1,149 | \$6.95 | \$1,493 | \$9.03 |
| Enterprise Value (EV) | \$1,466 | \$8.87 | \$1,906 | \$11.53 |

EV = Market Capitalization + Working Capital + Long-Term Debt
Spot CS/US FX Rate: 1.3

| Dividend | Shares |
|------------------------------|--------|
| Quarterly at C\$0.05 / share | 165.3 |

| Capital Structure | Shares |
|----------------------|--------|
| Shares Outstanding | 165.3 |
| Warrants | 5.5 |
| Options | 4.9 |
| Fully Diluted Shares | 175.7 |

| Share Ownership | Shares O/S (miln) | % O/S |
|-----------------|-------------------|-------|
| Caisse | 19.6 | 11.9% |
| Via Eck | 10.5 | 6.4% |
| Edgepoint | 8.9 | 5.4% |
| FTQ | 1.2 | 0.7% |
| Management | 1.2 | 0.7% |

| Financial Summary (C\$miln) | 2019A | 2020E | 2021E | 2022E | 2023E |
|-----------------------------|-------|-------|-------|-------|-------|
| Year-end Dec 31 | | | | | |
| Shares Outstanding, miln | 158.7 | 166.9 | 167.6 | 167.7 | 168.0 |
| F/D Shares, miln | 174.7 | 174.8 | 175.0 | 169.7 | 169.8 |
| EPS | 0.28 | 0.27 | 0.26 | 0.27 | 0.33 |
| Cash Flow Per Share | 0.64 | 0.74 | 0.71 | 0.74 | 0.85 |
| P/CF | 15.9x | 13.7x | 14.2x | 13.7x | 11.9x |

| Income Statement (\$miln) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------|--------|--------|--------|--------|--------|
| Revenue | 393 | 209 | 214 | 219 | 592 |
| Operating Expenses | (263) | (44) | (44) | (46) | (402) |
| Depreciation | (47.0) | (57.4) | (65.0) | (68.8) | (74.2) |
| General & Admin | (15.1) | (15.0) | (15.0) | (15.0) | (15.0) |
| General Exploration | (0.2) | (0.0) | (0.0) | (0.0) | (0.0) |
| Net Income | 41.9 | 44.6 | 44.1 | 45.0 | 54.7 |

| Balance Sheet (\$miln) | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------|-------|-------|-------|------|-------|
| Cash & Equivalents | 108.2 | 200.0 | 267.4 | 32.8 | 147.2 |
| Debt | 349.0 | 300.0 | 300.0 | 0.0 | 0.0 |

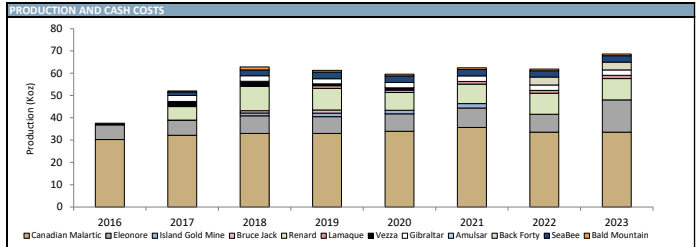
| Cash Flow (\$miln) | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|---------|--------|--------|---------|--------|
| Op. CF (before W/C) | 96.4 | 123.3 | 123.8 | 128.8 | 147.1 |
| Financing CF | (161.9) | (10.6) | (26.4) | (333.4) | (32.7) |
| Investing CF | 7.6 | (30.0) | (30.0) | (30.0) | - |
| Change in Cash | (66.0) | 82.7 | 67.4 | (234.6) | 114.4 |
| Dividends Paid (\$M) | (27.5) | (33.1) | (33.1) | (33.4) | (33.5) |
| Div/Share | 0.18 | 0.20 | 0.20 | 0.20 | 0.20 |
| Dividend Yield | 1.8% | 2.0% | 2.0% | 2.0% | 2.0% |

| Production Estimates | 2019A | 2020E | 2021E | 2022E | 2023E |
|-------------------------------|---------|---------|---------|---------|---------|
| Gold Price, US\$/oz | \$1,393 | \$1,550 | \$1,500 | \$1,475 | \$1,475 |
| Silver Price, US\$/oz | \$16.21 | \$19.00 | \$18.50 | \$18.00 | \$18.00 |
| USD/CAD | 1.33 | 1.30 | 1.28 | 1.28 | 1.28 |
| Gold Equip. Production, 000oz | 78 | 82 | 93 | 98 | 106 |
| Silver Production, 000oz | 1,116 | 1,121 | 1,523 | 2,011 | 2,061 |
| Margin, % | 25% | 79% | 79% | 79% | 32% |

| Equity Holdings - Prices as of Mar 30, 2020 (C\$) | Company | Ticker | Price | Shares Held | % Held | Value | Cost | Gain/Loss |
|---|----------|--------|-------|-------------|---------------|---------------|--------------|-----------|
| Algod Resources | TSXV-ALG | \$0.04 | 14.3M | 6.7% | \$0.6M | \$2.0M | -\$1.4M | |
| Barkerville | TSXV-BRO | \$0.22 | 6.1M | 15.1% | \$1.4M | \$4M | -\$2.7M | |
| Falco Resources | TSXV-FPC | \$0.20 | 41.4M | 19.9% | \$8M | \$21M | -\$13.1M | |
| Inverness Mining | TSXV-IVS | \$0.15 | 6.0M | 4.9% | \$1M | \$0M | \$0.6M | |
| Nighthawk | TSX-NHK | \$1.32 | 4.0M | 9.0% | \$5M | \$2M | \$3.2M | |
| Osisko Mining | TSX-OSK | \$2.42 | 46.0M | 16.6% | \$111M | \$74M | \$37.3M | |
| Osisko Metals | TSXV-OM | \$0.28 | 29.9M | 18.0% | \$8M | \$15M | -\$7.0M | |
| QMX Gold | TSXV-QMX | \$0.09 | 23.3M | 6.1% | \$2M | \$4M | -\$1.9M | |
| Strongbow | TSXV-SBW | \$0.03 | 23.8M | 17.8% | \$1M | \$2M | -\$1.3M | |
| Unigold Inc. | TSXV-UGD | \$0.14 | 6.7M | 8.6% | \$1M | \$2M | -\$0.6M | |
| Other Undisclosed Strategic Interests | | | | | \$96M | \$96M | \$0M | |
| Total | | | | | \$236M | \$224M | \$12M | |

| Reserve/Resource Estimate (100%) | Tonnes | Grade | Contained | Attrib. Gold | Mine Life |
|---------------------------------------|--------------|------------|---------------|--------------|-----------|
| as of December 2018 | (Mt) | (g/t) | (000 oz) | (000 oz) | |
| P&F Reserves | | | | | |
| Canadian Malartic | 203.7 | 1.08 | 7,096 | 555 | 12 |
| Eleonore | 23.4 | 6.07 | 4,570 | 166 | 15 |
| Island Gold | 2.6 | 9.17 | 752 | 36 | 8 |
| Cariboo | 0.0 | 0.00 | 0 | 3 | 17 |
| Amulsar | 96.7 | 0.78 | 2,422 | 118 | 10 |
| Bald Mountain | 110.5 | 0.60 | 2,133 | 14 | 17 |
| Total Reserves | 436.8 | 1.2 | 16,973 | 892 | |
| Resources | | | | | |
| Implied Reserves | 286.2 | 2.3 | 21,074 | 14 | 17 |
| Inferred Resources | 212.5 | 1.7 | 11,770 | - | - |
| Total Reserves & Resources | 935.5 | 1.7 | 49,817 | 892 | |

| Historical Quarterly Results | Q3'18A | Q4'18A | Q1'19A | Q2'19A | Q3'19A | Q4'19A |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Canadian Malartic (100% oz AuEq) | 177,206 | 163,454 | 167,340 | - | - | - |
| Canadian Malartic (OR Attrib) | 8,830 | 8,835 | 8,155 | 8,595 | 7,916 | 8,382 |
| Eleonore (100% oz Au) | 86,000 | 104,000 | - | - | - | - |
| Eleonore (OR Attrib) | 2,003 | 2,103 | 2,151 | 1,865 | 1,568 | 2,115 |
| Island Gold (100% oz Au) | 22,000 | 29,000 | - | - | - | - |
| Island Gold (OR Attrib) | 449 | 301 | 470 | 423 | 545 | 509 |
| Gibraltar Silver (100% oz Ag) | - | - | - | - | - | - |
| Gibraltar Silver (OR Attrib, oz AuEq) | 432 | 527 | 533 | 437 | 452 | 551 |
| Total OR Attrib. (oz AuEq) | 20,006 | 20,095 | 19,753 | 19,651 | 18,123 | 20,479 |
| Realized Gold Price, C\$/oz | \$1,586 | \$1,619 | \$1,733 | \$1,766 | \$1,944 | \$1,945 |
| Realized Gold Price, US\$/oz | \$1,213 | \$1,226 | \$1,304 | \$1,309 | \$1,472 | \$1,481 |
| Cash Flow, \$000 | \$18,618 | \$21,014 | \$22,621 | \$23,463 | \$25,051 | \$25,243 |
| CFPS, \$ | \$0.12 | \$0.13 | \$0.15 | \$0.15 | \$0.17 | \$0.17 |
| Adjusted Earnings, \$000 | \$5,727 | \$13,000 | \$5,800 | \$8,200 | \$17,500 | \$10,300 |
| Adjusted EPS, \$ | \$0.04 | \$0.08 | \$0.04 | \$0.05 | \$0.12 | \$0.07 |
| Investments, \$M | \$116 | \$110 | \$121 | \$50 | \$54 | \$68 |
| Cash, \$M | \$137 | \$174 | \$108 | \$84 | \$124 | \$108 |



| Recent Financings | Amount | Terms |
|------------------------|-----------------------|---|
| October 2017 - CS300M | Bought Deal | Convertible Senior Debentures - 4.0% Interest rate, convertible at C\$22.89/sh maturing Dec. 2022 |
| June 2017 - CS275M | Private Placement | (Caisse & FTQ) 18.9M shares at \$14.56/share |
| February 2016 - CS173M | Bought Deal Financing | 11.43M units at \$15.10 (1 share + 1/2 warrant @ \$19.00/36 months) |
| February 2015 - CS200M | Bought Deal Financing | 10.96M units at \$18.25 (1 share + 1/2 warrant @ \$36.50/84 months) |

| Corporate NAV Summary and Sensitivity | Forecast Gold Price, US\$/oz | CS/US FX Rate | Base Case | \$1,100 | \$1,300 | \$1,500 | Spot |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Canadian Malartic After-Tax Project NAV3%, CSM (6% NSR) | \$705 | \$508 | \$719 | \$829 | \$935 | \$1,041 | \$1,147 |
| Eleonore After-Tax Project NAV3%, CSM (2%-3.5% NSR) | \$234 | \$202 | \$238 | \$275 | \$313 | \$351 | \$389 |
| Island Gold Mine After-Tax Project NAV3%, CSM (1.7%-2.55% NSR) | \$51 | \$44 | \$52 | \$60 | \$66 | \$72 | \$78 |
| Renard After-Tax Project NAV3%, CSM (9.6% Stream) | \$52 | \$52 | \$52 | \$52 | \$52 | \$52 | \$52 |
| Veza After-Tax Project NAV3%, CSM (5% NSR, 40% NPI) | \$9 | \$6 | \$9 | \$12 | \$14 | \$16 | \$18 |
| Gibraltar After-Tax Project NAV3%, CSM (3% NSR) | \$48 | \$42 | \$50 | \$57 | \$63 | \$69 | \$75 |
| Mantos Blancos After-Tax Project NAV3%, CSM (3% NSR) | \$318 | \$275 | \$325 | \$375 | \$425 | \$475 | \$525 |
| Eagle After-Tax Project NAV3%, CSM (3% NSR) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other Streams/NSR After-Tax Project NAV3%, CSM | \$321 | \$278 | \$327 | \$375 | \$423 | \$471 | \$519 |
| Cariboo After-Tax Project NAV3%, CSM | \$510 | \$135 | \$366 | \$597 | \$776 | \$955 | \$1,134 |
| Expl. Properties After-Tax Project NAV3%, CSM | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Add'l Royalty Portfolio Valued at Cost, CSM | \$65 | \$65 | \$65 | \$65 | \$65 | \$65 | \$65 |
| Corporate Adjustments, CS / F/D share | \$69 | \$69 | \$69 | \$69 | \$69 | \$69 | \$69 |
| Investments, CS / F/D share | \$149 | \$149 | \$149 | \$149 | \$149 | \$149 | \$149 |
| Corporate NAV, CSM | \$2,804 | \$1,925 | \$2,419 | \$2,814 | \$3,228 | \$3,642 | \$4,056 |
| Corporate NAV, CS / F/D share | \$17.10 | \$11.65 | \$14.65 | \$17.65 | \$20.65 | \$23.65 | \$26.65 |
| Current Price / Corporate NAV | 0.6x | 0.9x | 0.7x | 0.6x | 0.5x | 0.4x | 0.3x |
| Target Price / Corporate NAV | 1.1x | 1.7x | 1.3x | 1.1x | 1.0x | 0.9x | 0.8x |
| 2020E CFPS, C\$ | \$0.74 | \$0.58 | \$0.69 | \$0.80 | \$0.88 | \$0.96 | \$1.04 |
| 2021E CFPS, C\$ | \$0.74 | \$0.60 | \$0.69 | \$0.79 | \$0.86 | \$0.93 | \$1.00 |
| Implied Target at 15x EV/2020E CFPS, C\$ | \$10.15 | \$7.80 | \$9.40 | \$11.05 | \$12.30 | \$13.55 | \$14.80 |
| Implied Target at 20x EV/2020E CFPS, C\$ | \$13.85 | \$10.70 | \$13.85 | \$16.10 | \$18.10 | \$20.10 | \$22.10 |
| Implied Target at 25x EV/2020E CFPS, C\$ | \$17.55 | \$13.50 | \$17.55 | \$21.10 | \$24.10 | \$27.10 | \$30.10 |
| Implied Target at (60%)(1.5x NAV + 40%) 20x EV/2020E CFPS, C\$ | \$19.50 | \$15.05 | \$18.65 | \$22.20 | \$24.95 | \$27.70 | \$30.45 |

Base case gold price assumption of US\$1,550/oz in 2020, US\$1,500 in 2021 and US\$1,475/oz thereafter.
2020E CS/US FX Rate: 1.300
Fully Financed Fully Diluted Shares, millions: 165.3

| Osisko Gold Royalties Consensus Estimate Summary (Reuters data sourced from Capital IQ) | Analysts | Mean EPS | High / Low | vs. Cons. | Mean CFPS | High / Low | vs. Cons. |
|---|----------|----------|-----------------|-----------|-----------|-------------------|-----------|
| 2020 Consensus Estimate | 13 | US\$0.21 | \$0.41 / \$0.15 | 24% | US\$0.53 | \$1.02 / \$0.62 | 39% |
| 2021 Consensus Estimate | 12 | US\$0.28 | \$0.51 / \$0.23 | -4% | US\$0.62 | \$1.18 / \$0.65 | 14% |
| Consensus Valuation | 14 | 10 | 4 | - | 16.62x | \$21.00 / \$12.00 | 17% |

| COMPARABLES | Company | Div. % | Price | EV | P/NAV | P/CFPS | EV/CFPS | |
|---------------------------------|---------|----------|----------|-------------|--------------|--------------|--------------|--------------|
| | | | CS | US\$M | 2020 | 2021 | 2020 | 2021 |
| Francisco Nevada Corporation | 0.9% | \$140.35 | \$18,887 | 2.0x | 25.7x | 25.0x | 25.7x | 24.9x |
| Maverix Metals Inc. | 204.1% | \$4.75 | \$404 | 1.2x | 13.8x | 12.1x | 15.8x | 13.9x |
| Royal Gold, Inc. | 1.4% | \$90.56 | \$5,938 | 1.8x | 17.7x | 16.5x | 17.9x | 16.7x |
| Sandstorm Gold Ltd. | - | \$7.44 | \$926 | 1.1x | 14.5x | 14.2x | 14.9x | 14.6x |
| Wheaton Precious Metals | 0.8% | \$39.42 | \$12,542 | 1.6x | 18.4x | 17.6x | 19.5x | 18.7x |
| Selected Company Average | | | | 1.8x | 18.0x | 17.1x | 18.8x | 17.8x |
| Osisko Gold Royalties Ltd | 2.0% | \$10.10 | \$1,186 | 0.6x | 13.5x | 11.6x | 14.7x | 12.6x |

CFPS and NAV estimates sourced from CapitalIQ

| Asset | Owner | Royalty/Stream | 2019A AuEq | Haywood 2020E | Haywood 2021E | | |
|-------------------|---------------|---------------------|------------|---------------|---------------|--------|-----|
| Canadian Malartic | AEM/YRI | 5% NSR | 33,513 | 33,930 | 41% | 35,680 | 38% |
| Eleonore | Newmont | 2%-3.5% NSR | 7,699 | 7,857 | 10% | 8,706 | 9% |
| Eagle | Victoria Gold | 5% NSR | 646 | 7,064 | 9% | 10,299 | 11% |
| Island Gold Mine | Alamos | 1.7%-2.55% NSR | 1,947 | 2,484 | 3% | 2,310 | 2% |
| Renard | Stornoway | 9.6% Diamond Stream | 9,725 | 9,6 | | | |

Valuation

We have incorporated the shares issued as part of the Investissement Québec private placement into our valuation as well as the cash raised from the deal. Osisko's share count increases from 157.6 million to 165.3 million, (+4.9%), and the Company's cash balance increases from \$108 million at year-end to \$193 million. Our NAVPS for the Company decreases from \$17.35 to \$17.10 per share, and our 2020 CFPS estimate decreases slightly from \$0.77 to \$0.74 per share, however, should the mine shutdowns extend for a longer period of time our CFPS will need to be revised much lower. This financing was only modestly dilutive and does not materially change our valuation. We maintain our \$19.50/share target price which continues to be based on a blend of 1.5x our NAV estimate (60%) and 20.0x EV/2020CF (40%). We maintain our BUY rating.

On consensus numbers, Osisko is trading at 0.8x NAV and 14.7x 2020 EV/CF, which compares with royalty peers trading at 1.5x NAV and 18.8x 2020 EV/CF. The best comparable is Sandstorm (SSL-T, Not Rated), which has a similar enterprise value but trades at a premium to Osisko on both P/NAV and EV/CFPS, at 1.1x and 14.9x respectively.

Changes to Valuation

| | Haywood Previous | | Haywood Current | |
|--|------------------|--------|-----------------|--------|
| | 2020E | 2021E | 2020E | 2021E |
| Attributable Gold Production, 000's oz | 82.0 | 92.9 | 82.0 | 92.9 |
| EBITDA, C\$M | \$143 | \$148 | \$143 | \$148 |
| Cash Flow Before W/C Changes, C\$M | \$123 | \$124 | \$123 | \$124 |
| CFPS, C\$/share | \$0.77 | \$0.75 | \$0.74 | \$0.71 |
| FD Shares Outstanding (million) | 157.6 | | 165.3 | |
| NAV, C\$M | \$2,710 | | \$2,804 | |
| NAVPS, C\$ | \$17.35 | | \$17.10 | |

Source: Haywood Securities

Cash-Flow and Target-Price Sensitivity to Gold Prices

| Forecast Gold Price, US\$/oz | Base Case | \$1,100 | \$1,300 | \$1,500 | \$1,655 |
|--|-----------|---------|---------|---------|---------|
| C\$/US\$ FX Rate | | | | | 1.254 |
| Corporate NAV, C\$ / F/D share | \$17.10 | \$11.65 | \$14.65 | \$17.65 | \$19.95 |
| Current Price / Corporate NAV | 0.6x | 0.9x | 0.7x | 0.6x | 0.5x |
| Target Price / Corporate NAV | 1.1x | 1.7x | 1.3x | 1.1x | 1.0x |
| 2020E CFPS, C\$ | \$0.74 | \$0.58 | \$0.69 | \$0.80 | \$0.88 |
| 2021E CFPS, C\$ | \$0.74 | \$0.60 | \$0.69 | \$0.79 | \$0.86 |
| Implied Target at 15x EV/2020E CFPS, C\$ | \$10.15 | \$7.80 | \$9.40 | \$11.05 | \$12.30 |
| Implied Target at 20x EV/2020E CFPS, C\$ | \$13.85 | \$10.70 | \$12.85 | \$15.00 | \$16.70 |
| Implied Target at 25x EV/2020E CFPS, C\$ | \$17.55 | \$13.65 | \$16.30 | \$19.00 | \$21.10 |
| Implied Target at (60%)1.5x NAV + (40%) 20x EV/2020E CFPS, C\$ | \$19.50 | \$15.05 | \$18.65 | \$22.20 | \$24.95 |

Base case gold price assumption of US\$1,550/oz in 2020, US\$1,500 in 2021 and US\$1,475/oz thereafter.

2020E C\$/US\$ FX Rate: 1.300

Fully Financed Fully Diluted Shares, millions: 165.3

Source: Haywood Securities

Peer-Group Comparables

| Company | Div. % | Price | EV | P/NAV | P/CFPS | | EV/CFPS | |
|---------------------------------|--------|----------|----------|-------------|--------------|--------------|--------------|--------------|
| | | | | | 2020 | 2021 | 2020 | 2021 |
| | | | | | | | | |
| Franco-Nevada Corporation | 0.9% | \$140.35 | \$18,887 | 2.0x | 25.7x | 25.0x | 25.7x | 24.9x |
| Maverix Metals Inc. | 204.1% | \$4.75 | \$404 | 1.2x | 13.8x | 12.1x | 15.8x | 13.9x |
| Royal Gold, Inc. | 1.4% | \$90.56 | \$5,938 | 1.8x | 17.7x | 16.5x | 17.9x | 16.7x |
| Sandstorm Gold Ltd. | - | \$7.44 | \$926 | 1.1x | 14.5x | 14.2x | 14.9x | 14.6x |
| Wheaton Precious Metals | 0.8% | \$39.42 | \$12,542 | 1.6x | 18.4x | 17.6x | 19.5x | 18.7x |
| Selected Company Average | | | | 1.5x | 18.0x | 17.1x | 18.8x | 17.8x |
| Osisko Gold Royalties Ltd | 2.0% | \$10.10 | \$1,186 | 0.8x | 13.5x | 11.6x | 14.7x | 12.6x |

CFPS and NAV estimates sourced from CapitalIQ

Source: Capital IQ



Significant Investment Risks

- ◆ **Forecast Risk** – Our valuation is based on a consideration of operating results, technical reports, and guidance from the operators of the projects on which Osisko holds royalties. Osisko is in frequent dialogue with the technical and operating teams from these projects and completed extensive due diligence prior to the investment. However, the Company remains exposed to the operating risk that comes with a mine that is in production or construction. In general, we view the forecast risk to be Moderate given the quality of Osisko’s asset portfolio and our conservative approach to modelling. Nonetheless, recent challenges at Éléonore highlight the risk that even the royalty owner can face if technical challenges are encountered.
- ◆ **Political Risk** – Osisko’s cash-flowing and development royalties are all held largely on assets located in Canada, with a focus in Ontario and Quebec, and are generally on projects that are in active mining jurisdictions, which enjoy strong local support. Although there is always a risk of changes to corporate or mining taxation legislation in any country, overall, we view the risk of overly onerous changes that could impact Osisko to be low in Canada. From a permitting perspective, the royalties that contribute the largest amount to the valuation are generally not exposed to near-term permitting risks. At Canadian Malartic, the Barnat Expansion was authorized by the Quebec government in April 2017 and is continuing according to plan.
- ◆ **Financial Risk** – Unlike typical mining companies, the royalty model involves limited capital outlay, except for investment in new royalties or streams. Although Osisko’s model is somewhat of a hybrid, with the Company retaining equity interests in Juniors, producing royalties, and a small exploration portfolio, its capital investment remains limited on an annual basis and can be serviced through cash flow from its active royalties.
- ◆ **Valuation Risk** – Our valuation assumptions are based on consideration of the resource estimates, technical reports, data from exploration programs, analysis and review of operating results and guidance from the project operators, and the Haywood commodity price deck. As with any resource company, Osisko is exposed to currency and commodity risk. Our commodity assumptions are in line with consensus assumptions and below current prices. We also highlight the risk for iron ore prices, which are forecasted to remain weak for an extended period and could impact the projected dividends from the Labrador Iron Ore investment. With no operating costs, Osisko’s valuation is sensitive primarily to gold price and the CAD-USD exchange rate.



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Important Disclosures

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| Ticker | Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----------|--|---|---|---|---|---|---|---|---|
| TSX:OR | Osisko Gold Royalties Ltd. | | | X | X | | | | |
| TSX:AGI | Alamos Gold Inc. | | | X | | | | | |
| TSXV:FPC | Falco Resources Ltd. | | | X | | | | | |
| TSX:NHK | Nighthawk Gold Corp. | | | X | X | | | | |
| TSX:OSK | Osisko Mining Corp. | | | X | X | | | | |
| TSX:OM | Osisko Metals | X | | X | X | | | | |
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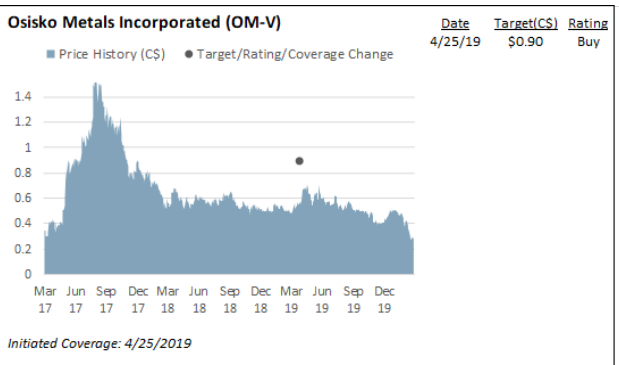
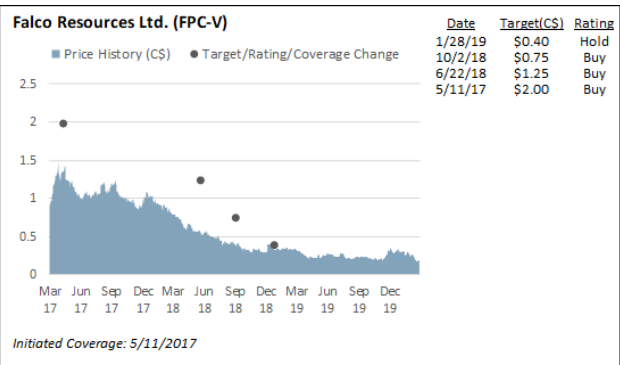
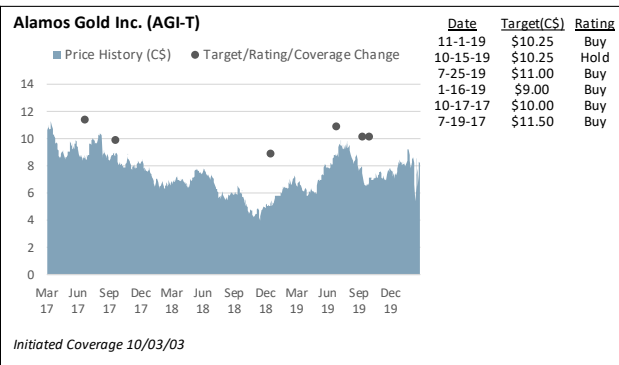
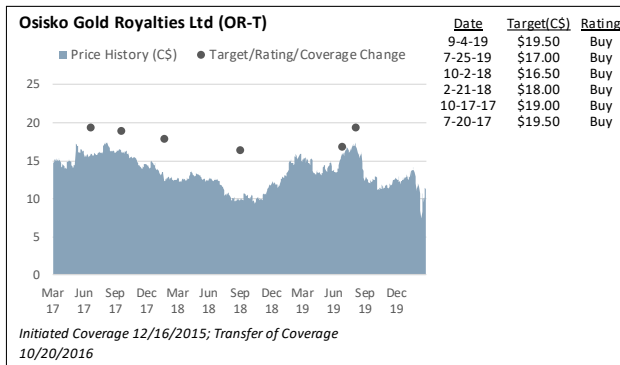
Distribution of Ratings (as of March 30, 2020)

| | % | # | IB Clients (TTM) |
|----------------------|-------|----|------------------|
| Buy | 70.5% | 74 | 89.7% |
| Hold | 16.2% | 17 | 3.4% |
| Sell | 3.8% | 4 | 3.4% |
| Tender | 1.9% | 2 | 3.4% |
| UR (Buy) | 1.0% | 1 | 0.0% |
| UR (Hold) | 0.0% | 0 | 0.0% |
| UR (Sell) | 0.0% | 0 | 0.0% |
| Dropped (TTM) | 6.7% | 7 | 0.0% |



Osisko Gold Royalties Ltd. (OR-T)

Price Chart, Rating and Target Price History (as of March 30, 2020)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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