



## FEATURED OPTIONS RADAR REPORT



### Bull Spread Sees Limited Downside for Precious Metals Play

**Ticker/Price:** FNV (\$146.50)

**Franco Nevada (FNV)** with 1000 January 2023 \$145/\$105 bull put spreads open for \$14, shares back right at the top of monthly value this week. FNV has seen sellers in the April \$125 puts recently while the January \$140, \$135, and \$130 puts all with large opening sales in open interest still from mid-Summer. Shares have climbed off the October lows and riding a nice trend above its 8- and 21-EMA with room above \$150 out to September VPOC at \$154. Longer-term, shares forming a series of higher lows since March 2021 and setting up for a move above \$166 that measures out to \$185-\$190.

The \$35.3B company trades 127X earnings, 22X sales, and 37.5X FCF with a small yield and mid-single digit growth. FNV is a leading gold-focused royalty and stream company with exposure to silver, platinum and other precious metals as well. The company sees themselves as advantageous to traditional miners given their focus on royalties and streams which keeps costs low while focusing primarily on upside from exploration and new investments. They have a diverse portfolio in the US, Canada, South America, Australia and Africa. The company has expanded investments recently into iron ore, natural gas, and other diverse regions which is setting them up well for continued cash flow growth and plenty of optionality into 2022 with \$1.6B in available capital to deploy. Analysts have an average target for shares of \$156 with a Street High \$205. Canaccord upgrading to Buy on 10/21 citing higher GEO sales and forecasts attributable GEOs for full-year 2021. Keybank starting at Overweight on 9/24 as the company has consistently increased its dividend, which is an indication of the stability of and growth potential inherent in its business model. The firm adds that Franco-Nevada's royalty/streaming model has high margins, leverage to commodity prices and no direct inflation risk. Hedge fund ownership rose 3.25% last quarter. Quadrature Capital a buyer of stock. Short interest is 1.8%.

### Hawk Vision:



**Hawk's Perspective:** FNV is not the most exciting play but I like their model and think there's a nice risk/reward for a move back to the 2021 highs

**Confidence Ranking:** \$\$