



Positive Reward/Risk Seen in Best of Breed Gold Play Franco Nevada

Ticker/Price: FNV (\$75.70)

Analysis:

Franco Nevada (FNV) with 2,450 Jan. 2020 \$75/\$70 bull risk reversals opening at \$4.27 debits, continuing a bullish positioning theme in Gold Miners and this being the only real notable open interest now in FNV. The \$13.9 royalty gold miner trades 64.9X Earnings with a 1.29% dividend. FNV will next report results on 3-20 and presents at the BMO Metals & Mining Conference on 2-24. FNV's business model has long outperformed that of GLD/GDX as a high margin and low leverage play. It keeps an 80%+ precious metals mix while also some exposure to Oil & Gas, Base Metals, Bulks, and Battery Metals. It currently has \$1.2B in available capital to deploy, and Cobre Panama is set to begin production in 2019 as the largest new copper-gold development in the world. FNV has 11 consecutive years of dividend increases. Analysts have an average target of \$75.70 on shares and short interest low at 1.8% of the float. Barclays started coverage in October at Overweight with a \$70 target. Hedge Fund ownership jumped 14% in recent filings, Elephas with a new concentrated stake. On the chart shares broke out of a large weekly bull wedge early in 2019 and recently re-tested and held key volume support while nearing a break above the weekly cloud and strong RSI.

Hawk Vision:



Trading Strategy: FNV is the name to own in the gold group, though not the best for swing trading opportunities where AEM/NEM are more suitable.

Confidence Ranking: \$\$