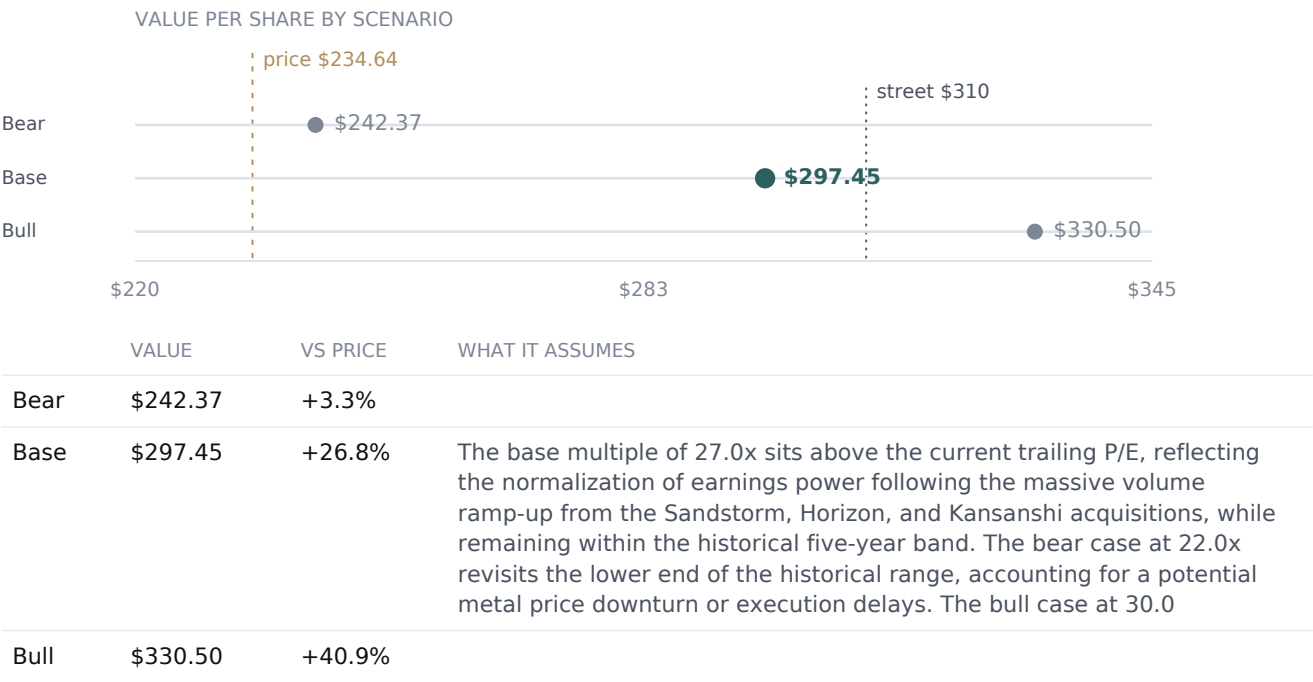


EQUITY RESEARCH / RGLD

Royal Gold Inc

LONG CANDIDATE · historical study through 2026-10-02 · horizon 540 days · EARNINGS MULTIPLE

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$234.64	\$297.45	+26.8%	\$287.54	\$19.88B	26.0x



STREET CHECK

Street target **\$310** (+32.0% vs price) · 9 buy / 2 hold / 1 sell · forward P/E 24.2x · EPS estimates \$10.43 this year, \$12.86 next

Our base case is **0.96x** the Street target: within the Street's range.

Consensus is shown for calibration only. The model never receives it.

Thesis

Royal Gold is a high-conviction long opportunity driven by a step-change in production scale following the integration of the Sandstorm, Horizon, and Kansanshi acquisitions. The company's asset-light stream and royalty model converts higher metal prices and new volume directly into margin expansion, evidenced by a 43.2% year-over-year revenue growth rate and a trailing twelve-month revenue of \$1,547.1 million. The current market price of \$234.64 implies a 25.98x P/E, which compresses the multiple below its five-year historical median of 31.05x despite an interest coverage ratio of 32.8x. The base-case valuation of \$297.45 (27x multiple on \$11.02 forecast EPS) indicates the market is over-discounting execution risk while undervaluing the company's accelerating earnings power and disciplined capital return framework.

What the market may be missing

The \$234.64 price reflects transient apprehension over balance sheet leverage and acquisition integration, rather than fundamental earnings capacity. TTM operating cash flow of \$1,044.4 million and FY2025 operating income growth of 48.45% demonstrate that the newly acquired assets are already contributing meaningfully to profitability. Management's 2026 guidance targets 290,000-320,000 oz of gold sales, which represents a material volume ramp, while the company maintains the capacity to fund the \$139.8 million TTM dividend and a \$500 million share repurchase program through cash flow.

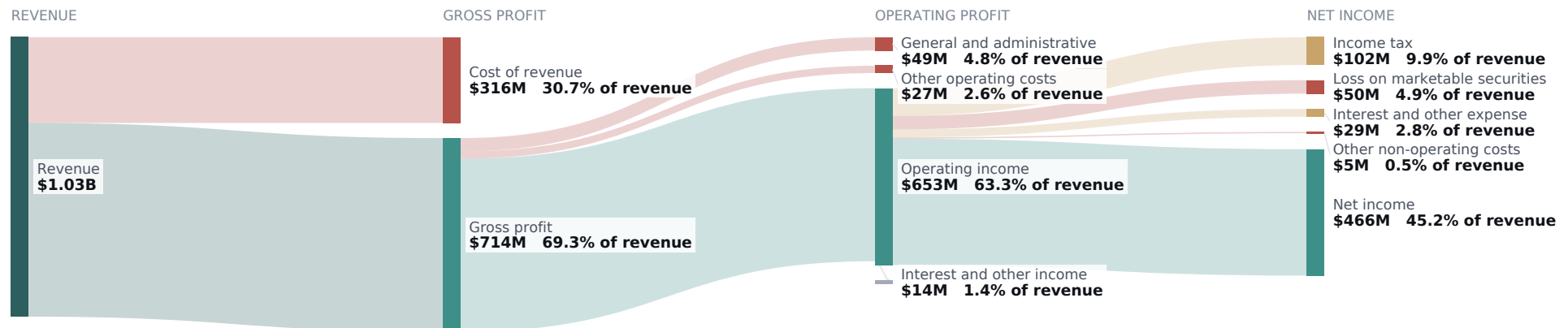
Why the opportunity exists

A transient setback. The market is pricing in near-term integration risk and balance sheet leverage from recent large acquisitions, temporarily compressing the P/E multiple below its historical median of 31.05x. The fundamental earnings trajectory, however, reflects a step-change in production scale that the price has not fully reflected. Evidence: Business read notes integration risks from Sandstorm/Horizon acquisition and \$1.0B+ in recent acquisition advances; fact sheet shows historical P/E median of 31.05x vs current 25.98x and interest coverage of 32.8x.

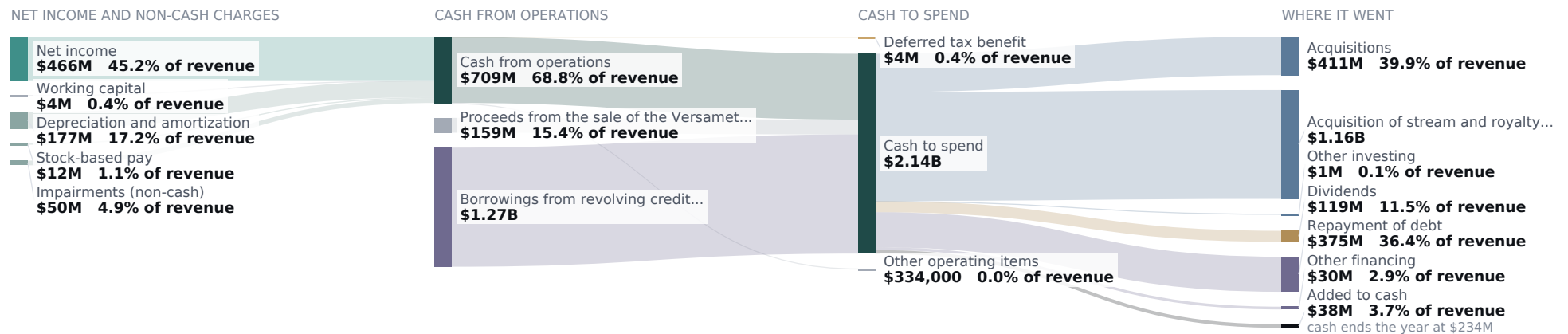
Follow the money: fiscal 2025

Of every \$100 of revenue, \$31 went to cost of revenue, \$7.4 to operating costs and \$9.9 to interest and tax, and \$45 became net income. Operations turned that into \$68 of cash; \$12 back to shareholders.

1 WHERE EVERY DOLLAR OF REVENUE WENT



2 HOW PROFIT BECAME CASH, AND WHERE THE CASH WENT



From the 10-K for the fiscal year ended 2025-12-31, XBRL accession 0000085535-26-000008. Every band ties to a reported figure; where the tagged lines do not add up, the difference appears as an explicit other or working-capital band. Lines outside the standard set are placed by the filing's own calculation links, under the company's labels; borrowing and investment flows are netted by instrument.

The business

Royal Gold Inc. acquires and manages precious metal streams and royalties on third-party mining properties globally, deriving the majority of its revenue from gold, silver, and copper production.

What it sells

The company acquires and manages precious metal streams and royalties. A metal stream provides the right to purchase all or a portion of one or more metals produced from a mine at a fixed price or a stated percentage of market price in exchange for an upfront deposit. Royalties provide the right to a percentage of revenue or metals produced from a project after deducting specified costs. The company does not conduct mining operations and is generally not required to contribute to capital, environmental, or operating costs on the underlying properties. Approximately 78% of revenue comes from gold, 12% from silver, and 7% from copper. The company acquires and manages precious metal streams and royalties. A metal stream provides the right to purchase a portion of metals from a mine at a contractually determined price. Royalties are non-operating interests providing the right to revenue or metals after specified costs. The company does not conduct mining operations and generally does not fund capital, exploration, or operating costs. Precious metal streams and royalty interests. Stream interests provide the right and obligation to purchase all or a portion of metals from mining operations at a fixed or formula price determined by the purchase agreement. Royalty interests provide a non-operating right to revenue or metals produced after deducting specified costs. The company does not own, develop, or mine the properties, nor does it contribute to capital, exploration, or operating costs.

Customers and channels

The company sells metal streams and royalties on the open market. Under stream agreements, it purchases metal at a fixed price or stated percentage of market price and sells it in the open market. The company relies on third-party mining operators to extract and produce the metals, which are then subject to the stream or royalty terms. The company has no decision-making authority over mining operations or the marketing of products. For stream interests, revenue is recognized at the point of physical delivery to purchasers via average spot rate forward contracts. For royalty interests, the mine operator acts as the customer, paying the company based on a contractually specified commodity price for metal production. Sells delivered metals (gold, silver, copper, zinc, etc.) on the spot market. Relies on third-party mining operators to supply production data, deliver metals, and fund exploration/development. No single customer concentration is disclosed.

Unit economics and costs

Streams involve an upfront deposit payment in exchange for the right to purchase metal at a fixed price or a stated percentage of market price. Royalties provide a defined percentage of gross revenue (less specified costs like transportation, smelting, refining) or a percentage of net profits. The company generally does not contribute to capital, environmental, or operating costs. Primary costs include production taxes, depletion expense on the carrying value of the long-lived interests, and cost of sales representing the purchase price of metals acquired under stream agreements. Cost of sales (excl. DDA) rose to \$130.9M in 2025 from \$97.5M in 2024, driven by higher metal prices and new streams. Stream costs are typically a set percentage of spot price, except Mount Milligan (lesser of \$435/oz or market for gold, 15% spot for copper). G&A was \$49.2M, DDA was \$177.1M, and interest expense was \$29.0M. Effective tax rate was 17.8%. Stream cost of sales is a set contractual percentage of the spot price near delivery.; Mount Milligan gold cost is the lesser of \$435/oz or market price; copper cost is 15% of spot price.; Mount Milligan includes a Cost Support Agreement for additional payments if metal prices fall below thresholds or upon delivery of certain ounces.; G&A increased due to non-cash stock compensation and employee/office costs.; Interest expense rose due to higher revolving credit facility draws (\$476.6M avg at 4.9% in Q2).; DD&A increased due to depletion from recent acquisitions (Kansanshi, Sandstorm/Horizon) and Relief Canyon settlement.

Segments

- **Acquisition and Management of Stream Interests** - A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement. As of December 31, 2025, the company owned stream interests relating to 18 production stage properties and 5 development stage properties. Purchase agreements providing the right to purchase all or a portion of one or more metals produced from a mine at an agreed price. Purchase agreements providing the right/obligation to purchase metals from production or development stage mining operations at agreed prices.
- **Acquisition and Management of Royalty Interests** - Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. As of December 31, 2025, the company owned royalty interests relating to 63 production stage properties, 24 development stage properties, and 254 exploration stage properties. Non-operating interests providing the right to revenue or metals produced from a project after deducting specified costs. Non-operating interests providing rights to revenue or metals produced from projects after specified costs are deducted.

Revenue drivers

- Metal prices (gold, silver, copper)
- Production volumes from production stage stream and royalty interests
- New acquisitions and exploration stage properties converting to production
- Sliding-scale royalty agreements triggered by price thresholds
- Higher average gold, silver, and copper prices in 2025
- Initial revenue from the Kansanshi stream and Sandstorm/Horizon assets acquired in Q4 2025

- Higher gold and silver sales from Pueblo Viejo
- Higher gold sales from Andacollo

Competitive position

The mining industry and stream/royalty sectors are highly competitive. The company competes with other stream and royalty companies, mine operators, financial buyers, lenders, and equity investors. Key competitive factors include the ability to identify and evaluate opportunities, transaction structure, and access to capital. Competitors may be larger and have greater resources, access to capital, different investment criteria, or operate under more favorable tax, accounting, or regulatory regimes. Maintains a large, diversified portfolio across multiple jurisdictions, metals, and mine life stages.; Actively acquires and restructures interests to optimize exposure, reduce risk, and improve capital efficiency.; Recent acquisitions (Sandstorm, Horizon) and joint venture restructurings (Hod Maden, Bear Creek, Relief Canyon) demonstrate execution capability in a competitive capital allocation environment.; Retains strategic rights of first refusal and purchase options on partner royalties.

Industry direction

There has been significant growth in the number and relative size of stream and royalty companies in recent years. Changes to tax rules, accounting policies, or the treatment of stream interests by debt rating agencies could impact the attractiveness of these instruments to operators. Operators face increasing environmental, mine safety, land use, and regulatory compliance requirements across jurisdictions. The company expects metal price volatility to continue, noting that marketability and prices are influenced by factors beyond its control. Significant price changes can materially affect revenue. Metal prices experienced wide fluctuations but saw significant increases in 2026.; Mining operators are advancing production, refining PFS studies, and securing permits amid higher commodity prices.; Sector participants are focusing on portfolio optimization, strategic restructurings, and active capital deployment.; Mine life extensions and exploration discovery pipelines are being accelerated by operators.

Recent developments

- Closed Bear Creek restructuring: settled \$49.5M debt, received incremental 1.75% NSR on Corani (total 2.75%), 2.0% NSR on Mercedes, \$6.2M cash, and Highlander Silver shares.
- Advanced \$50M conditional funding to Solaris for Warintza project; remaining \$50M pending Ecuador security filings.
- Settled Relief Canyon fixed delivery obligation: exchanged 8,861 oz obligation for 5,000 oz immediate delivery (sold Q2) and 2,652,532 Americas shares. Stream interest reduced to zero.
- Restructured Hod Maden JV: reduced RG equity from 30% to 15%, granted new 2.5% NSR royalty, acquired rights to 4.0% NSR (SSR Royalty) with \$160M option to buy half. Funded \$70M project costs in May.
- Added \$600M uncommitted accordion to \$1.4B revolving credit facility, expanding capacity to \$2.0B.
- Approved \$500M share repurchase program; repurchased 147,205 shares in Q2 at avg \$203.80 for \$30M total.

- Repaid \$200M on credit facility in H1 2026; post-quarter repaid \$75M on July 15.
- First gold stream delivery from Kansanshi received Oct 3, 2025, with production guidance of 175,000-205,000 tonnes copper for 2026.

Management outlook

Outlook for the second half remains positive.; Forecasting 2026 sales volumes, DD&A, and tax rate will be within March guidance ranges, except copper and other metals which are trending at or above the top end.; Maintaining disciplined capital allocation, focusing on debt repayment, share cancellations, and strategic investments (Warintza, Hod Maden).; Actively considering accretive capital deployment opportunities in an active environment.; Long-term capital requirements primarily affected by ongoing acquisition activities.; Believes current liquidity and capital resources will be adequate to cover anticipated operating needs for the next 12 months and beyond. The company expects stream interests to remain a significant revenue portion. It believes current liquidity and resources are adequate for operations and the foreseeable future, and expects to fund the 2026 dividend using cash on hand. The company is continually reviewing opportunities to grow its portfolio through the creation or acquisition of new or existing stream or royalty interests. It expects stream interests to continue representing a significant portion of total revenue. It also expects a relatively small number of operating properties to represent a significant portion of overall revenue going forward. Future success depends largely on the ability to acquire additional interests at appropriate valuations and accurately assess technical, operational, legal, environmental, political, and social risks.

Accounting flags

- Relief Canyon settlement recognized a \$2.6M gain and approximately \$12M additional DD&A expense; net book value of stream interest reduced to \$0.
- Discrete tax items: H1 2026 included \$33.7M benefit from a foreign tax rate change. Q2 2025 included \$9.3M withholding tax refund and \$4.3M valuation allowance release.
- Effective tax rate shifted to 19.7% (Q2) and 13.9% (H1) from 7.4%/7.8% due to normalization and discrete benefits.
- Fair value changes in equity securities generated \$21.9M (Q2) and \$27.8M (H1) gain, primarily from Entrée shares acquired via Sandstorm/Horizon.
- Gain on sale of marketable securities of \$14.6M in H1 2026 related to Highlander shares sold on March 27.
- Streaming cost structure is variable and directly tied to spot metal prices, creating direct cost-of-sales volatility.

Key figures

KEY FIGURES	TTM TO 2026-06-30	FY2025	
Revenue	\$1.55B	\$1.03B	+43.2% y/y
Gross margin	66.8%		
Operating income	\$950.2M	\$638.2M	61.4% margin
Net income	\$738.0M	\$466.3M	
Diluted EPS	\$9.03	\$6.69	26.0x trailing P/E
Operating cash flow	\$1.04B	\$704.8M	+33.1% y/y
Cash and short-term investments	\$182.5M	\$233.7M	
Net debt	\$213.4M		0.2x EBITDA
Market capitalisation	\$19.88B		21.1x EV/EBIT

Figures from the filings' XBRL; definitions in the method section. Flows are trailing twelve months to 2026-06-30 (fiscal year 2025 plus year to date less the same period a year earlier, from the 10-Q filed 2026-08-06). No matching year-to-date fact, so these stay on fiscal-year figures: interest_expense. Balance-sheet items are as of 2026-06-30 from the quarterly report. Interest tax shield uses the 21.0% statutory rate from the filing's rate reconciliation. WACC anchor 9.1%: cost of equity 9.2% (risk-free 5.24%, beta 0.80, ERP 5.0%), after-tax cost of debt 4.6% (synthetic AAA rating from interest coverage), debt 2% of capital.

The counter-case

The valuation model's bear-case target of \$242.37 only provides +3.3% upside versus the current price, indicating the downside scenario may be too mild. If metal prices enter a prolonged downtrend or if key operators underdeliver against the 2026 guidance ranges, near-term earnings could compress faster than the model assumes, leaving the stock fairly valued or expensive at current levels. Revenue concentration risk is elevated, with approximately 53% of 2025 revenue derived from five properties, exposing the company to operator execution, reserve depletion, and permitting delays. The \$2.0 billion revolving credit facility and \$395.9 million in total debt create refinancing risk if interest rates remain elevated or metal prices correct. A sustained downturn in gold or silver prices would contract margins through stream cost-of-sales adjustments and could force curtailment of the \$500 million buyback program.

Valuation

The software flags DCF as infeasible due to missing capital expenditure data to derive FCFF. The company generates positive, highly levered earnings from an asset-light portfolio of precious metal streams and royalties, making an earnings multiple the most appropriate and reliable valuation framework.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear (P/E)	22.0x forward EPS \$11.02 (reported diluted, growth +22.0%)	\$242.37	+3.3%
Base (P/E)	27.0x forward EPS \$11.02 (reported diluted, growth +22.0%)	\$297.45	+26.8%
Bull (P/E)	30.0x forward EPS \$11.02 (reported diluted, growth +22.0%)	\$330.50	+40.9%

- Anchors from the company's own history: base-case growth band +15.6% to +43.2% a year; worst revenue decline -8% (2018-2019); own trailing P/E 25.23-33.32x (median 31.05x) over the last five fiscal year ends.
- Probability-weighted value \$287.54 (+22.5% vs price) at 30%/50%/20% weights.

Base case (\$297.45): Assumes successful integration of Sandstorm/Horizon and Kansanshi assets, steady 2026 gold/silver/copper volumes within management's guidance ranges, stable metal prices, and orderly debt reduction, warranting a 27x forward multiple. Bull case (\$330.50): Metals trade at or above 2025/2026 averages, volume ramps accelerate beyond guidance, and cost synergies expand margins, justifying a 30x multiple. Bear case (\$242.37): A modest commodity price correction or minor operational delays at key mines compress near-term earnings, but the asset base remains highly cash-generative, preventing a multiple contraction beyond 22x.

No listed peer was judged comparable. The software's peer tree is unavailable for this quarter, preventing a direct comparable multiple analysis. Valuation is instead anchored to the company's own five-year trailing P/E range of 25.2x-33.3x.

What would change the view

Key debates

- Metal price trajectory and stream cost structure: Directly dictates revenue and margin expansion given the fixed or formula-based purchase price in stream agreements. (fact sheet disclosed sensitivities gold price sensitivity of \$72.9 million)
- Integration and execution of recent acquisitions: 2026 guidance implies doubled gold volumes from new streams; operational delays or cost overruns would derail the growth thesis. (Business read notes 'Integration risks from Sandstorm/Horizon acquisition' and \$1.0B+ in recent acquisition advances)
- Dividend sustainability and share repurchases: Capital allocation strategy prioritizes dividends and buybacks; cash flow must cover the \$139.8M TTM dividend and \$500M buyback program. (Fact sheet shows TTM dividends of \$139.8M and an approved \$500M repurchase program)

Sensitivities the company discloses

- Gold price: 10% increase or decrease gives \$72.9 million increase or decrease in total reported revenue
- Silver price: 10% increase or decrease gives \$12.0 million increase or decrease in total reported revenue
- Copper price: 10% increase or decrease gives \$13.2 million increase or decrease in total reported revenue

Catalysts

- Q3 2026 earnings release confirming production volume ramp and cost synergies
- Credit facility repayment milestones and leverage ratio improvement
- 2026 full-year guidance update validating 290,000-320,000 oz gold sales target
- Sustained or higher average gold/silver prices expanding TTM margins
- Acceleration of the \$500 million share repurchase program

Invalidation

- Gold price decline exceeding 15% sustained over multiple quarters
- Operator shutdowns, permitting delays, or reserve revisions at Mount Milligan, Pueblo Viejo, or Cortez
- Failure to meet Q3/Q4 2026 volume guidance by more than 10%
- Interest expense doubling due to credit facility draws exceeding the \$476.6 million historical average
- Integration failure requiring more than \$200 million in stream impairment write-downs
- Regulatory changes at operator mines triggering cost pass-through failures

Risks

- Metal price volatility directly impacts revenue and margin structure given fixed formula purchase prices
- Concentration risk with approximately 53% of 2025 revenue from five properties
- Reliance on third-party operator execution and mineral reserve estimation
- Debt servicing costs and revolving credit facility accessibility
- Potential negative revenue adjustments from concentrate settlement pricing
- Sliding-scale royalty agreements triggering lower rates if prices drop below thresholds
- Integration and operational disruption from Sandstorm and Horizon acquisitions
- Environmental, land use, and public health regulatory compliance at partner mines

Short side

Borrow availability is standard for a large-cap commodity exposure. Squeeze risk is negligible given the stock's low beta (0.80) and broad institutional float. Timing for a short is unfavorable given the clear earnings growth trajectory, positive interest coverage (32.8x), and base-case valuation upside. Unbounded loss risk is mitigated by the company's asset-light model, strong cash flow generation, and contractual stream structures that cap downside exposure.

Open questions

Sustainability of 2026 gold sales guidance (290,000-320,000 oz) given reliance on newly integrated third-party operators and potential short-term production ramp delays. (forecast uncertainty)

Base case assumes guidance is met; upside/bear adjust for $\pm 10\%$ volume variance. Watch: Q3 and Q4 2026 quarterly earnings releases.

Limitations

The software-generated bear-case target of \$242.37 remains +3.3% above the current price, confirming the model's downside scenario is likely too mild for a genuine margin of safety. This reflects the 22x multiple on projected earnings not fully pricing in a broad commodity downturn or higher cost of debt. The base-case EPS of \$11.02 relies on untested 2026 volume ramps and assumes no significant metal price correction. A more severe bear scenario or a compression of the historical P/E band would bring the fair value closer to or below the current entry price. Software checks raised during valuation: the bear case still values the stock +3% above the price; a genuinely adverse scenario normally produces a loss at the entry price. Either explain why every scenario clears the price, or acknowledge in valuation_limitations that the bear case may be too mild. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: bear case not adverse at price; core line items missing:capex; exposure quote unverified:commodity input costs; exposure quote unverified:refinancing; guidance quote unverified:6.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-19 (accession 0000085535-26-000008).

10-Q for the quarter ended 2026-06-30, filed 2026-08-06 (accession 0000085535-26-000041).

8-K for the earnings release dated 2026-08-05, filed 2026-08-05 (accession 0000085535-26-000038).

- Price: historical close of \$234.64 on 2026-10-02.
- 8 cited claims and 13 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: Qwen3.6-35B-A3B-NVFP4 · run discovery-20260911 · job 504 · memo SHA-256 35405e53039ecd3d... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.