

EQUITY RESEARCH / RGLD

Royal Gold Inc

LONG CANDIDATE · historical study through 2026-10-08 · horizon 540 days · EARNINGS MULTIPLE

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$231.18	\$298.35	+29.1%	\$287.70	\$19.59B	25.6x



STREET CHECK

Street target **\$310** (+34.0% 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 long opportunity because its trailing P/E of 25.6x sits at the very low end of its own five-year range (25.23-33.32x, median 31.05x), while the business continues to grow: YTD revenue is up 128.2% and YTD operating income up 117.8% versus the prior year. The asset-light stream and royalty model converts metal prices and contractual volumes directly into margin expansion (operating margin 61.4%, net margin 47.7%) without mining capex, and the development pipeline (Platreef Q4 2026, Warintza FID end-2026, Hod Maden 2028, Lobo-Marte early 2030s) provides multi-year volume optionality. The base case of \$298.35 (28x on forecast EPS of \$10.66, assuming 18% growth) exceeds the \$231.18 price by 29.1%. The market appears to price peak commodity earnings as unsustainable, compressing the multiple to the low end of the historical range, but the evidence of continued growth, positive management outlook, disciplined capital return (\$500M buyback, \$1.90/share dividend), and a development pipeline suggests the earnings power is more durable than the current multiple implies.

What the market may be missing

The market prices RGLD at 25.6x P/E, near the five-year minimum of 25.23x, as if the 43.2% FY2025 revenue growth driven by a gold price spike from \$2,386/oz to \$3,432/oz is a peak that must mean-revert. The evidence the market does not fully reflect: YTD revenue growth of 128.2% and operating income growth of 117.8% show the new acquisitions (Sandstorm, Horizon, Kansanshi) are already contributing; management's outlook for the second half is positive; the development pipeline targets production in 2027-2030s; interest coverage of 32.75x and net debt/EBITDA of 0.17x indicate a fortress balance sheet; and the \$500M buyback program signals management confidence in the value. The multiple should re-rate toward the median of 31.05x as the market recognizes the non-operating model's resilience and the pipeline's optionality.

Why the opportunity exists

A narrative overshoot. The market prices RGLD at 25.6x P/E, near the five-year minimum of 25.23x, as if the 43.2% FY2025 revenue growth driven by a gold price spike from \$2,386/oz to \$3,432/oz represents an unsustainable peak that must mean-revert. This narrative overshoots the evidence: YTD revenue growth of 128.2% and operating income growth of 117.8% show the new acquisitions are already contributing; management's outlook for the second half is positive; the development pipeline targets production through the 2030s; and the balance sheet (net debt/EBITDA 0.17x, interest coverage 32.75x) supports continued growth. The market's fear of peak earnings compresses the multiple below what the asset-light model's durability and pipeline optionality justify. Evidence: Trailing P/E of 25.6x vs. five-year range 25.23-33.32x (median 31.05x); YTD revenue growth 128.2%; YTD operating income growth 117.8%; management quote: 'our outlook for the second half remains positive'; development pipeline (Platreef Q4 2026, Warintza FID end-2026, Hod Maden 2028, Lobo-Marte early 2030s); \$500M buyback program; interest coverage 32.75x; net debt/EBITDA 0.17x.

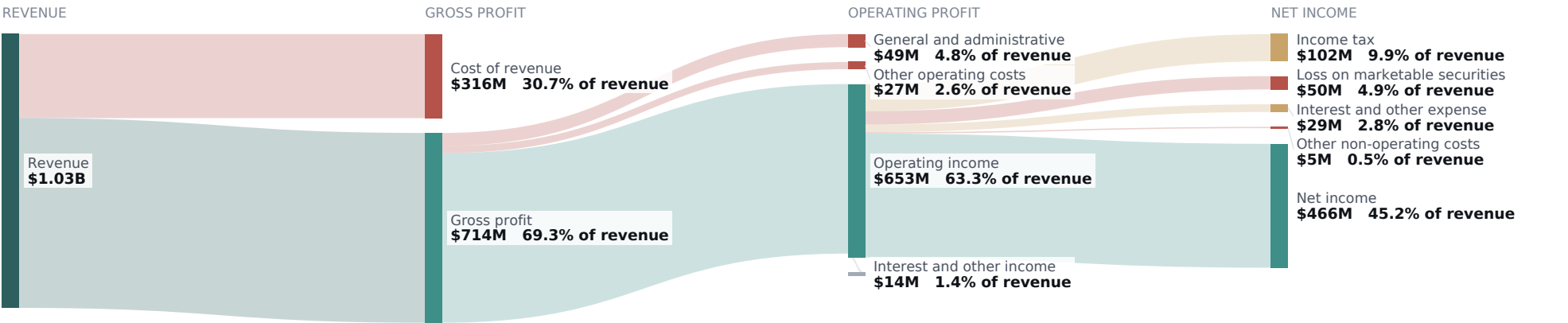
Since our last note

Thesis intact against our note of 2026-10-04 (investigate long). The shares have moved -1.5% since. No guidance-versus-delivery record is available in SINCE THEN. The prior memo noted management's positive outlook for the second half and the 2026 guidance ranges. The current filing confirms the outlook remains positive, the dividend was increased to \$1.90/share, and the \$500M buyback was approved. No guidance was missed or revised. Management's language is consistent with the prior memo's assessment of disciplined capital deployment. There is no evidence of guidance-versus-delivery divergence to grade.

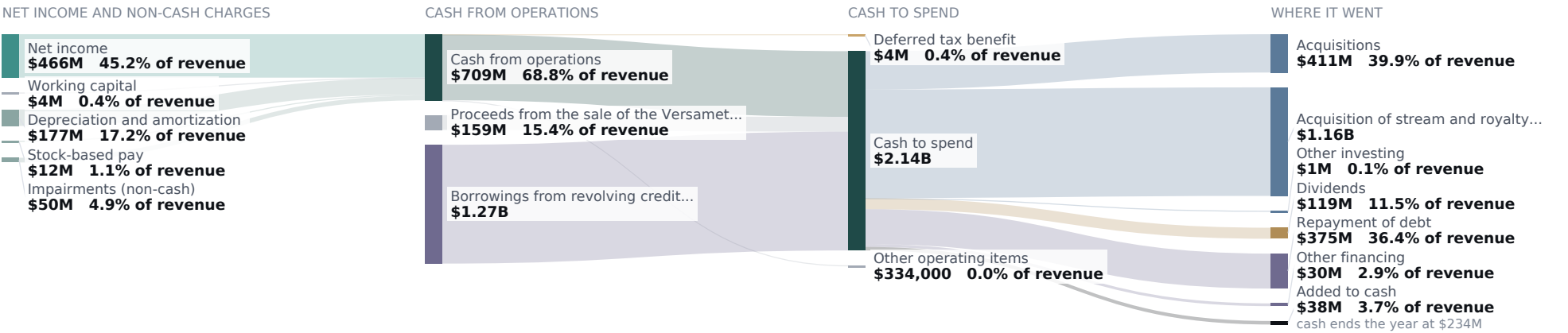
Follow the money: fiscal 2025

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 acquires and manages precious metal streams, royalties, and similar interests in mining properties operated by third parties, generating revenue from metal sales at fixed or formula-based prices without conducting mining operations itself.

What it sells

Royal Gold sells metal purchased under stream agreements (right to buy all or a portion of metals produced from a mine at a fixed price or stated percentage of market price for the life of the transaction) and royalty interests (NSR, GSR, NPI, NVR) that entitle it to a defined percentage of gross revenue or profits from resource extraction operations. Revenue for FY2025 was approximately 90% from precious metals (78% gold, 12% silver), 7% from copper, and 3% from other minerals. The company does not conduct mining operations and is generally not required to contribute to capital costs, environmental costs, or other operating costs on the properties. Royal Gold sells two types of interests: (1) Metal streams - purchase agreements providing the right to buy all or a portion of metals produced from a mine at a fixed contractual price for the life of the transaction, in exchange for an upfront deposit payment. As of December 31, 2025, Royal Gold owned stream interests relating to 18 production stage properties and 5 development stage properties. (2) Royalties - non-operating interests in mining projects providing the right to revenue or metals produced after deducting specified costs. As of December 31, 2025, Royal Gold owned royalty interests relating to 63 production stage properties, 24 development stage properties, and 254 exploration stage properties (76 of which are evaluation stage). Stream interests accounted for 67% of total revenue and royalty interests 33% for both 2025 and 2024. Royal Gold does not conduct mining operations and generally is not required to contribute to capital, exploration, environmental, or other operating costs (except for the joint venture interest in Hod Maden). Royal Gold sells metal deliveries purchased under stream agreements (right to buy all or a portion of metals at fixed contractual prices for the life of the transaction) and royalty revenues from mining projects. As of June 30, 2026, stream interests cover 18 production-stage and 4 development-stage properties; royalty interests cover 64 production-stage, 25 development-stage, and 257 exploration-stage properties (82 evaluation stage). Revenue by commodity for Q2 2026: gold 76%, silver 12%, copper 8%, other 4%. For six months ended June 30, 2026: gold 74%, silver 14%, copper 9%, other 3%. Royal Gold does not own, develop, or mine properties (except the Hod Maden joint venture).

Customers and channels

Royal Gold sells metal in the open market. Its counterparties are third-party mine operators who produce the metals subject to stream and royalty agreements. There are no traditional retail customers; revenue flows from operators' production under contractual terms. The company has 39 employees across offices in Denver, Colorado; Lucerne, Switzerland; Vancouver, Canada; and Toronto, Canada. For stream interests, customers are purchasers of metal sold via average spot rate forward contracts (typically 10 days to 3 months), settled via physical delivery. For royalty interests, the mine operator is the customer; control transfers at the point of metal production. Revenue is recognized at settlement for streams and at production for royalties. No single customer concentration is disclosed beyond individual property contributions (Wassa stream 5.0%, Rainy River stream 6.9%, Peñasquito royalty 6.8% of total revenue in 2025). Revenue is generated from metal deliveries from operators of properties in which Royal Gold holds stream or royalty interests. Key operators include Teck Resources (Andacollo), First Quantum Minerals (Kansanshi), Centerra Gold (Mount Milligan), Newmont Corporation (Pueblo Viejo, Peñasquito, Red Chris), Barrick Gold (Pueblo Viejo), Coeur Mining (Rainy River), Equinox Gold (Greenstone), Allied Gold (Bonikro), Endeavour Mining (Houndé), MMG Limited (Khoemacau), Kinross Gold (Great Bear, Lobo-Marte), Hudbay Minerals (Cactus), Glencore (MARA), Ivanhoe Mines (Platreef), SSR Mining/Lidya Madençilik (Hod Maden), Solaris Resources (Warintza), and Americas Gold and Silver (Relief Canyon). No single customer exceeds 10% of total revenue within the 'Other' category.

Unit economics and costs

Stream interests carry cost of sales (the fixed or formula price paid to operators for metal) plus depletion. FY2025 stream segment: revenue \$686,472K, cost of sales \$130,926K, depletion \$112,858K, gross profit \$442,688K. Royalty interests have no cost of sales but bear production taxes (\$8,605K) and depletion (\$63,752K), yielding gross profit of \$271,642K on \$343,999K revenue. Total segment gross profit was \$714,330K on \$1,030,471K revenue. Net operating cash flow was \$704.8 million for FY2025. The company is generally not required to contribute to capital costs, environmental costs, or other operating costs on the properties. Depletion is included within depreciation, depletion and amortization on the consolidated statements of operations. Cost of sales (excluding DD&A) was \$130.9M in 2025 vs \$97.5M in 2024, driven by higher metal prices and volumes. For streams, cost is a contractual percentage of spot price (e.g., Kansanshi 20% of spot gold, Warintza 20% then 60%, Xavantina 40% of spot gold). Mount Milligan: lesser of \$435/oz or market price for gold, 15% of spot for copper. G&A: \$49.2M in 2025 vs \$40.9M in 2024 (higher due to Sandstorm/Horizon). DD&A: \$177.1M in 2025 vs \$144.4M in 2024 (depletion on new streams/royalties). Interest expense: \$29.0M in 2025 vs \$9.7M in 2024 (average revolver balance \$409.0M at 6.1% rate). Income tax: \$102.3M, effective rate 17.8% in 2025 vs 22.0% in 2024. Acquisition costs of \$26.5M expensed. Losses from sale of marketable securities \$50.0M (Versamet Royalties). Cost of sales for stream interests is a set contractual percentage of the spot price for metal near delivery date, except Mount Milligan where payments are the lesser of \$435/oz or prevailing market price for gold and 15% of spot price for copper. Q2 2026 cost of sales \$60.1M vs \$24.2M prior year. Adjusted EBITDA margin 83% in Q2 2026 vs 84% prior year. G&A \$13.4M Q2 vs \$10.3M prior year. DD&A \$96.2M Q2 vs \$31.2M prior year. Interest expense \$10.0M Q2 vs \$1.5M prior year. Effective tax rate 19.7% Q2 vs 7.4% prior year. Royal Gold is generally not required to contribute to capital, exploration, environmental, or other operating costs on properties (except Hod Maden JV).

Segments

- **Stream Interests** - 18 production stage properties and 5 development stage properties as of December 31, 2025. Cost of sales \$130,926K, depletion \$112,858K, segment gross profit \$442,688K. Geographic book value: North America \$1,214,810K, South/Central America \$1,045,620K, EMEA \$2,270,717K, Australia Pacific \$13,595K.
- **Royalty Interests** - 63 production stage properties, 24 development stage properties, and 254 exploration stage properties (76 considered evaluation stage). No cost of sales; production taxes \$8,605K, depletion \$63,752K, segment gross profit \$271,642K. Geographic book value: North America \$1,834,921K, South/Central America \$1,846,211K, EMEA \$309,467K, Australia Pacific \$48,534K.
- **Acquisition and Management of Stream Interests** - 18 production stage and 5 development stage properties as of Dec 31, 2025. Cost of sales is contractual percentage of spot price (except Mount Milligan at lesser of \$435/oz or market price for gold, 15% of spot for copper). Purchase agreements providing the right to buy all or a portion of metals from mining operations at fixed contractual prices for the life of the transaction, in exchange for upfront deposit payments. 18 production-stage and 4 development-stage properties as of June 30, 2026.
- **Acquisition and Management of Royalty Interests** - 63 production stage, 24 development stage, 254 exploration stage properties as of Dec 31, 2025. No single royalty in Other

exceeded 5% except Peñasquito (6.8% in 2025). Non-operating interests providing the right to revenue or metals produced from mining projects after deducting specified costs. 64 production-stage, 25 development-stage, and 257 exploration-stage properties (82 evaluation stage) as of June 30, 2026.

Revenue drivers

- Gold price (78% of FY2025 revenue) and silver price (12%) via LBMA fixing prices
- Copper price (7% of FY2025 revenue) via LME settlement price
- Production volumes from production stage properties (18 stream, 63 royalty)
- Fixed stream purchase prices or stated percentage of market price under stream agreements
- Sliding-scale royalty rates that vary with metal price thresholds
- Provisional concentrate offtake sales to smelters subject to price adjustments over 3-5 months
- Acquisition of new stream and royalty interests (Sandstorm, Horizon, Kansanshi, Warintza)
- Metal prices: average gold \$3,432/oz (78% of revenue), silver \$40.03/oz (12%), copper \$4.51/lb (7%) in 2025 vs \$2,386/oz, \$28.27/oz, \$4.15/lb in 2024

Competitive position

The stream and royalty sectors are very competitive. Royal Gold competes with other stream and royalty companies, mine operators, and financial buyers for existing interests, and with lenders, equity investors, and other stream/royalty companies for new financing deals. Competitors may be larger with greater resources and access to capital. Key competitive factors include ability to identify and evaluate opportunities, transaction structure and consideration, and access to capital. There has been significant growth in the number and relative size of stream and royalty companies in recent years, some with different investment criteria, costs of capital, tax and accounting rules. Royal Gold is a passive, non-operating holder of stream and royalty interests, generally not required to contribute to capital, exploration, environmental, or operating costs. It relies on third-party operators for production. The company is continually reviewing acquisition opportunities, engaging consultants, analyzing technical/financial/legal information, submitting term sheets, and participating in competitive bidding processes. No single property exceeds 5% of total revenue except Wassa stream (5.0%), Rainy River stream (6.9%), and Peñasquito royalty (6.8%) in 2025. The portfolio spans 18 production-stage streams, 63 production-stage royalties, 24 development-stage royalties, and 254 exploration-stage royalties. Royal Gold operates as a non-operating royalty and stream company, not owning or mining properties. It acquires existing stream/royalty interests or finances projects in production, development, or exploration stage in exchange for stream/royalty interests. The company is continually reviewing acquisition opportunities. No single stream or royalty in the 'Other' category contributed greater than 10% of total revenue. The model provides exposure to metal prices without direct operational risk, though it depends on third-party operators for production data and deliveries.

Industry direction

The stream and royalty sector has seen significant growth in the number and relative size of companies. Royal Gold is continually reviewing opportunities to grow its portfolio through creation or acquisition of new or existing stream/royalty interests. The company expects stream interests to continue representing a significant portion of total revenue. Changes to tax rules, accounting policies, or treatment of stream interests by debt ratings agencies could affect competitiveness. The company engages in competitive bidding processes, term sheets, and indications of interest for new deals. Metal prices fluctuated widely in recent years and volatility is expected to continue. Gold averaged \$3,432/oz in 2025 (up from \$2,386/oz in 2024), silver \$40.03/oz (up from \$28.27/oz), copper \$4.51/lb (up from \$4.15/lb). The Mount Milligan PFS extends mine life to 2045 with throughput increases. Warintza targets final investment decision by end of 2026. First Quantum's Kansanshi stream includes acceleration options tied to credit rating improvements. The company expects stream interests to continue representing a significant portion of total revenue. Metal prices have fluctuated widely in recent years and volatility is expected to continue. Gold, silver, and copper prices are influenced by demand, production levels, central bank policies, hedging, geopolitical events, inflation, and USD strength. The company expects stream interests to continue representing a significant portion of total revenue. Development pipeline includes multiple projects targeting production in 2027-2030s (Platreef Q4 2026, Hod Maden 2028, Cactus PFS 2027, Lobo-Marte early 2030s, Chapada Saúva 2029, Bonikro mine life to 2036, Khoemacau expansion 2028).

Recent developments

- Bear Creek restructuring (Feb 26, 2026): settled \$49.5M debt, received \$6.2M cash, incremental 1.75% NSR on Corani (total 2.75%), new 2.0% NSR on Mercedes, shares in Highlander Silver Corp.
- Warintza conditional funding: \$50M advanced to Solaris on April 14, 2026; remaining \$50M anticipated Q3/Q4 2026 subject to Ecuador security filings.
- Relief Canyon settlement (June 11, 2026): 8,861 oz gold obligation settled for 5,000 oz gold + 2,652,532 Americas shares; \$2.6M gain; stream interest reduced to zero.
- Hod Maden restructuring (July 17, 2026): equity reduced from 30% to 15%; new 2.5% NSR royalty; rights over 4.0% SSR Royalty; perpetual ROFR; option to acquire half SSR Royalty for \$160M; \$70M project funding completed May 2026.
- Record operating cash flow of \$335.2M in Q2 2026 vs \$152.8M prior year.
- \$500M share repurchase program approved May 4, 2026; 147,205 shares repurchased at \$203.80 avg for \$30M in Q2.
- \$600M uncommitted accordion feature added to \$1.4B revolving credit facility on May 5, 2026, potentially increasing commitments to \$2.0B.
- Repaid \$500M on revolving credit facility during H1 2026; post-quarter repaid \$75M on July 15, leaving \$325M outstanding and \$1.075B available.

Management outlook

Management states: 'our outlook for the second half remains positive, and we will maintain our discipline and long term focus as we consider alternatives to accretively deploy capital in an active environment for new business development opportunities.' 2026 guidance (provided March 2026) is expected to be within ranges except copper and other metals trending around or above top end. Centerra expects higher gold production in Q3 2026 at Mount Milligan, reflected in Royal Gold results in 2027 due to delivery lag. Teck confirmed 2026 copper guidance despite partial suspension from severe weather. First Quantum confirmed 2026 copper guidance unchanged. Coeur expects Rainy River gold production to average 287,000 oz and silver 527,000 oz through 2028. Kinross expects Lobo-Marte to produce ~350,000 oz gold per year in steady state, first production early 2030s. Hod Maden targets initial concentrate production in 2028. Management expects stream interests to continue representing a significant portion of total revenue. The company is continually reviewing opportunities to grow its portfolio through creation or acquisition of new stream/royalty interests, with opportunities in various stages of review. Management believes current liquidity and capital resources will be adequate for the next 12 months and thereafter for the foreseeable future. The company expects to pay its annual dividend using cash on hand. In the event of substantial acquisitions, additional debt or equity financing may be sought. The Mount Milligan PFS extends mine life to 2045. Warintza targets final investment decision by end of 2026. No explicit numeric revenue, EPS, or capex guidance for 2026 is provided beyond the dividend increase to \$1.90/share. Management expects stream interests to continue representing a significant portion of total revenue. The company is continually reviewing opportunities to grow its portfolio through creation or acquisition of new or existing stream or royalty interests, with opportunities in various stages of review. The dividend of \$1.90 per basic share is paid in quarterly installments throughout calendar year 2026. No specific numeric guidance for future periods is provided in the excerpt.

Accounting flags

- No material changes to risk factors from 2025 10-K
- Recently adopted accounting standards referenced in Note 1 of consolidated financial statements
- Relief Canyon stream interest net book value reduced to \$0 following settlement
- Discrete tax benefit of \$33.7M for change in foreign tax rate in H1 2026
- Effective tax rate 19.7% Q2 2026 vs 7.4% Q2 2025; 13.9% YTD vs 7.8% YTD prior year
- Fair value changes in equity securities \$21.9M Q2 primarily from Entrée Resources shares from Sandstorm/Horizon acquisition

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	25.6x 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	\$19.59B		20.8x 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 9.2%: cost of equity 9.3% (risk-free 5.28%, 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 best case against the long thesis is that the 43.2% FY2025 growth and 128.2% YTD growth are price-driven, not volume-driven, and the market is correctly pricing peak earnings. Gold averaged \$3,432/oz in 2025 versus \$2,386/oz in 2024; if prices mean-revert, the 18% forecast growth assumption is too optimistic. The five-year P/E median of 31.05x was achieved in 2023 when EPS was \$3.63, not at peak earnings. The market may be pricing the multiple at the low end because it correctly identifies 2025 as a cyclical peak. Additionally, the company relies entirely on third-party operators for production data and deliveries, cannot verify reserve disclosures, and faces competitive pressure from larger stream/royalty companies. The \$50.0M securities loss and \$26.5M acquisition costs in FY2025, plus the \$33.7M discrete tax benefit in H1 2026, introduce earnings volatility that the normalized EPS does not capture. The bear case at 20x P/E yields \$213.11, below the \$231.18 price. This assumes commodity prices mean-revert from the 2025 peak (gold \$3,432/oz vs \$2,386/oz in 2024), triggering the worst historical revenue drawdown of -7.84% (2018-2019) and margin compression. A 10% gold price decline moves revenue by \$79.5M. The company has no operational control, no hedging beyond 10-day-to-3-month forward contracts, and 53% of revenue from five properties. If gold prices fall 15-20% from current levels, the 18% forecast growth assumption collapses, the multiple compresses below the five-year minimum, and the stock falls. The short is not compelling because the balance sheet is strong (net debt/EBITDA 0.17x, interest coverage 32.75x), the model is asset-light, and the development pipeline provides downside protection through volume growth even at lower prices. Borrow availability is not addressed in the material; squeeze risk is low given the company's large market cap (\$19.6B) and institutional ownership profile typical of a dividend-paying royalty company. The unbounded loss risk is real but the fundamental business model does not support a sustained short.

Valuation

Royal Gold generates positive, sustainable earnings (diluted EPS of \$9.03 TTM, trailing P/E 25.6x) from a passive, non-operating stream and royalty model with no mining capex. FCFF cannot be computed because capital expenditure data is absent from the fact sheet (listed in data_gaps), making the DCF calculator infeasible. The earnings multiple is the appropriate method: the business has positive earnings, a well-defined cyclical commodity exposure, and a five-year P/E history (25.23-33.32x) that anchors the multiple. The non-operating model means earnings are driven by metal prices and contractual volumes rather than capital-intensive operations, so a P/E multiple captures the value cleanly.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear (P/E)	20.0x forward EPS \$10.66 (reported diluted, growth +18.0%)	\$213.11	-7.8%
Base (P/E)	28.0x forward EPS \$10.66 (reported diluted, growth +18.0%)	\$298.35	+29.1%
Bull (P/E)	32.0x forward EPS \$10.66 (reported diluted, growth +18.0%)	\$340.97	+47.5%

- 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 \$287.70 (+24.4% vs price) at 25%/50%/25% weights.

Bear case (\$213.11, 20x): Assumes commodity prices mean-revert from the 2025 peak, triggering a revenue drawdown consistent with the worst historical decline (-7.84% in 2018-2019). Gold prices fall toward the 2024 average, sliding-scale royalty rates drop below thresholds, and the multiple compresses below the five-year minimum. Forecast EPS growth stalls or reverses. Base case (\$298.35, 28x): Assumes moderate 18% EPS growth driven by volume from new streams (Kansanshi, Warintza, Platreef) plus modest price contribution, with the multiple re-rating from 25.6x toward the lower end of the historical range as the market recognizes the non-operating model's resilience. Bull case (\$340.97, 32x): Assumes continued strong metal prices, successful development pipeline execution (Platreef Q4 2026, Warintza FID, Hod Maden 2028), accretive new acquisitions, and the multiple re-rating toward the five-year maximum of 33.32x as the market fully prices the pipeline optionality and capital return framework.

No listed peer was judged comparable. No peer comparables are available for this quarter (the frozen peer tree is unavailable). The company's trailing P/E of 25.6x sits at the low end of its own five-year range (25.23-33.32x, median 31.05x). Growth of 43.24% last year was driven by a gold price spike; the five-year revenue CAGR of 15.62% and OCF CAGR of 15.65% are more representative. Operating margin of 61.4% and net margin of 47.7% reflect the non-operating, low-cost model. Without peer data, the multiple is anchored to the company's own history and the cyclical commodity exposure.

What would change the view

Key debates

- Metal price trajectory (gold, silver, copper): 78% of FY2025 revenue is gold, 12% silver, 7% copper. A 10% gold price change moves revenue by \$79.5M. The entire bear-to-bull value gap hinges on whether prices mean-revert or stay elevated. (Disclosed sensitivity: 10% gold price change = \$79.5M revenue impact; FY2025 average gold \$3,432/oz vs \$2,386/oz in 2024.)
- Production volumes from third-party operators: Royal Gold has no operational control. Revenue depends on operators delivering metal under contractual terms. The development pipeline (Platreef Q4 2026, Hod Maden 2028, Warintza FID end-2026, Lobo-Marte early 2030s) determines whether volumes grow or stall. (Business read: 18 production-stage streams, 63 production-stage royalties; management outlook on Centerra, Teck, First Quantum, Coeur, Kinross production guidance.)
- Acquisition pipeline and capital deployment: The company is continually reviewing opportunities. New deals (Sandstorm, Horizon, Kansanshi, Warintza) drove FY2025 growth. The \$500M buyback and \$600M accordion feature signal capital flexibility. Forward growth depends on whether new streams/royalties are acquired at accretive terms. (Management: 'we will maintain our discipline and long term focus as we consider alternatives to accretively deploy capital in an active environment for new business development opportunities.')

Sensitivities the company discloses

- Gold price: 10% increase or decrease in average price gives \$79.5 million increase or decrease in total reported revenue
- Silver price: 10% increase or decrease in average price gives \$11.6 million increase or decrease in total reported revenue
- Copper price: 10% increase or decrease in average price gives \$9.5 million increase or decrease in total reported revenue

Catalysts

- Q3 2026 earnings confirming continued production volume ramp from Sandstorm, Horizon, and Kansanshi acquisitions
- Warintza final investment decision by end of 2026, unlocking a new stream interest
- Platreef first production in Q4 2026, adding volume from Ivanhoe Mines
- Gold price sustained above \$3,400/oz or further appreciation, expanding the 10% sensitivity of \$79.5M revenue
- Acceleration of the \$500M share repurchase program beyond the \$30M executed in Q2 2026
- Credit facility repayment milestones reducing net debt from \$213.4M and improving the multiple

Invalidation

- Gold price sustained below \$3,000/oz for two consecutive quarters, triggering the disclosed \$79.5M revenue sensitivity and compressing the multiple below 25.23x
- Operator shutdowns, permitting delays, or reserve revisions at Mount Milligan, Pueblo Viejo, or Cortez (53% of FY2025 revenue from five properties)

- Failure to meet Q3/Q4 2026 production volume guidance by more than 10% at key operators (Centerra, Teck, First Quantum, Coeur)
- Integration failure requiring material stream or royalty impairment write-downs, reversing the asset-light model's margin advantage
- Metal price volatility causing provisional concentrate offtake price adjustments over 3-5 months that materially reduce revenue
- Regulatory or tax changes at operator mines triggering cost pass-through failures or sliding-scale royalty rate reductions below thresholds

Risks

- Commodity price volatility: 78% gold, 12% silver, 7% copper revenue exposure with no long-term hedging beyond 10-day-to-3-month forward contracts
- No operational control: all development and operating decisions rest with third-party operators; decisions may be adverse to Royal Gold's interests
- Revenue concentration: approximately 53% of FY2025 revenue from five properties (Mount Milligan 22%, Pueblo Viejo 13%, Cortez 7%, Andacollo 8%, Kansanshi 3%)
- Reserve replacement risk: operators may fail to replace mineral reserves as consumed, reducing expected returns over the life of stream and royalty agreements
- Acquisition and integration risk: assumptions about timing and amount of revenue from Sandstorm, Horizon, Kansanshi, and Warintza may prove inaccurate
- Sliding-scale royalty agreements: price decreases below thresholds result in lower royalty rates, amplifying downside
- Competition from larger stream/royalty companies with greater resources and access to capital
- Tax, accounting, or debt-rating changes could make streams/royalties less attractive or impair competitiveness

Short side

A short is not compelling. The bear case at 20x P/E yields \$213.11, only 7.8% below the \$231.18 price, and requires a commodity price drawdown consistent with the worst historical revenue decline (-7.84%). Borrow availability is not addressed in the supplied material. Squeeze risk is low: the company has a \$19.6B market cap, a fortress balance sheet (net debt/EBITDA 0.17x, interest coverage 32.75x), a \$500M buyback program, and a dividend yield of 0.71%, all of which attract institutional long-only capital. Timing is uncertain because the development pipeline extends through the 2030s, providing volume optionality even at lower prices. The unbounded loss risk is real in absolute terms but the fundamental business model (asset-light, no capex, contractual revenue) does not support a sustained short thesis. The 18% forecast growth assumption is within the historical growth band (15.62-43.24%), so the base case is not aggressive.

Open questions

Will gold prices sustain above \$3,400/oz or mean-revert toward the 2024 average of \$2,386/oz? (forecast uncertainty)

The 18% forecast growth assumption assumes moderate price contribution plus volume growth from new streams. A 10% gold price change moves revenue by \$79.5M. The bear case at 20x assumes a drawdown consistent with the worst historical decline. This is ordinary forecast uncertainty, not missing data. Watch: Monthly LBMA gold fixing below \$3,000/oz for two consecutive months

Will the development pipeline (Platreef Q4 2026, Warintza FID end-2026, Hod Maden 2028, Lobo-Marte early 2030s) deliver volumes on schedule? (forecast uncertainty)

Management confirms operator guidance for Centerra, Teck, First Quantum, Coeur, and Kinross. No explicit numeric production guidance is provided by Royal Gold itself. This is ordinary forecast uncertainty. Watch: Operator quarterly production reports or FID announcements for Warintza and Platreef

What is the capital expenditure profile for stream and royalty acquisitions, which is absent from the fact sheet data gaps? (missing fact)

Capex is listed in data_gaps, preventing a DCF. The earnings multiple method is appropriate for this asset-light model. The absence of capex data does not block the conclusion because the business generates positive, sustainable earnings and the multiple is anchored to the company's own five-year P/E history. Watch: Not applicable; the earnings multiple method does not require capex

Will the \$500M share repurchase program be executed at a pace that materially reduces the share count from 84.7M? (forecast uncertainty)

Only 147,205 shares (\$30M) were repurchased in Q2 2026 at \$203.80 average. The program is approved but execution pace is discretionary. This does not materially affect the base case. Watch: Quarterly buyback disclosures exceeding \$100M in a single quarter

Limitations

The earnings multiple method was chosen because capital expenditure data is absent from the fact sheet (listed in data_gaps), making a DCF infeasible. The base multiple of 28x is within the company's own five-year P/E range (25.23-33.32x) but below the median of 31.05x, reflecting cyclical commodity exposure. No peer comparables are available (the frozen peer tree is unavailable for this quarter), so the multiple is anchored solely to the company's own history. The 18% forecast growth is within the growth band (15.62-43.24%) but assumes moderate price contribution rather than the 43% price-driven spike. Normalization adjustments were not applied because the \$33.7M discrete tax benefit and \$50.0M securities loss are not quantified as after-tax line items in the fact sheet. The WACC of 9.19% is not used in the earnings multiple method but anchors the cost-of-capital context. The bear case at 20x is below the five-year minimum, reflecting a commodity drawdown consistent with the worst historical revenue decline. The probability-weighted value of \$287.7 assumes 25% bear, 50% base, 25% bull probabilities. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: core line items missing:capex; exposure quote unverified:commodity input costs; exposure quote unverified:customer concentration.

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 \$231.18 on 2026-10-08.
- 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: qwen3.8-flash-next-iq2_xs · run discovery-20260911 · job 591 · memo SHA-256 cd0b0c3d61c9373c... · 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.