



2 Streaming Companies for Your Portfolio

Description

Streamers have a unique yet lucrative business model. Streamers provide funding to traditional mining companies that is used to set up the infrastructure and operations of the mine.

In return for that investment, gold producers provide a significant portion of the mined metal to the streamer at a heavily discounted price. The streamer can then sell that precious metal on the open market at the non-discounted rates.

The streaming price per ounce of gold is often in the US\$400 range, and for silver that cost is around US\$4 per ounce. When you factor in the current market price of gold and silver, which is US\$1,200 and US\$17 per ounce, respectively, the lucrative potential of the streaming model is evident.

Here are a few streamers to consider adding to your portfolio,

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) is one of the world's largest streamers, which is an impressive feat considering that the company has only been around for a little over a decade. Despite the name, the company streams a variety of precious metals—not just silver.

Silver Wheaton currently trades at \$23.74, close to the 52-week high of \$26.46. Year-to-date, the stock is up by an impressive 38%, largely attributed to the increase in precious metal prices over the same time period. The company pays out a quarterly dividend of \$0.06 per share, which—given the current stock price—amounts to a yield of just 1.09%. Clearly, Silver Wheaton is a growth stock rather than a dividend stock.

Silver Wheaton's stock price has been weighed down by an ongoing dispute with the Canada Revenue Agency (CRA). If the CRA wins against Silver Wheaton, it could result in the company having a tax bill of several hundred million.

In the most recent quarter, Silver Wheaton missed on earnings expectations, posting a 17% year-over-year decline in earnings. Earnings per share came in at US\$0.10 per share when analysts expected US\$0.12.

Royal Gold Inc. (TSX:RGL)([NASDAQ:RGLD](#)) is another option for investors looking for a streamer. The company has posted positive results for the past decade, which is an impressive feat considering the drop in precious metals prices of the past few years.

Royal Gold currently trades at \$71.77, which is near the 52-week high of \$81.52. Year-to-date the stock is up by nearly 43%, and extending this out over a long five-year period shows an increase in the stock price by 20%. The company has a steady stream of business with four new streaming agreements signed in the past year.

One of my favourite parts about Royal Gold is the dividend. While the current yield of 1.67% is hardly the best on the market, the company has consistently raised the dividend for the past 15 years.

In the most recent quarter, Royal posted US\$93.48 million in revenue, an increase over the US\$74 million posted for the same quarter last year. Despite this increase, the company had higher costs and expenses, leading to it posting a loss for the quarter of US\$67 million.

Both Royal Gold and Silver Wheaton represent, in my opinion, a unique opportunity for investors, as the rising price of precious metals can only increase revenues and profits over the longer term.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NASDAQ:RGLD (Royal Gold, Inc.)
2. TSX:WPM (Wheaton Precious Metals Corp.)

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