



Invest in Wheaton Precious Metals Corp.

Description

The price of precious metals has fluctuated greatly over the past few years, bringing into question the long-held view that precious metals are safe stores of wealth over the long term.

The volatility in metal prices can be attributed to a host of unprecedented events, which include the multi-year drop in prices following the 2011 collapse, the emergence of crypto-currencies such as Bitcoin, the unexpected Brexit vote result, and the even more unexpected election of Donald Trump as president of the U.S.

Fortunately for precious metals investors, one alternative to traditional miners that can offer plenty of upside is to invest in a streaming company.

The streaming model

Precious metals streamers have a simple business model: they provide upfront financing to traditional miners, who use those funds to set up operations and begin mining. In exchange for that capital injection, streamers are permitted to purchase a certain amount of the metals that are extracted from the mine at a significantly discounted rate. The streamer can then sell that metal for the market rate.

In terms of how big that discount can get, streamers can pay as low as US\$450 per ounce of gold and an equally attractive US\$4.50 per ounce for silver.

This results in a less-risky business model for the streamer and allows the day-to-day operations of the mine to be left to the traditional miner, while the streamer can move onto the next streaming deal.

Wheaton Precious Metals Corp.: a streamer with plenty of potential

Among the growing number of streaming companies, **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)) is one that stands out from the competition.

Wheaton used to be known as Silver Wheaton, but the company voted on a name change last month after realizing that silver was no longer the majority of the metal being streamed.

In the most recent quarter, Wheaton produced 6.5 million ounces of silver and 84,900 ounces of gold. This represents an increase of 37% in the amount of gold and a decrease of 14% in the amount of silver over the same period last year.

Wheaton realized silver streaming prices averaged out to US\$4.54 per ounce in the quarter with an average selling price on the market of US\$17.45. Gold was streamed for an average of US\$391 in the quarter with an average selling price of US\$1,208.

Revenue in the most recent quarter came in at US\$198 million, representing an increase over the US\$188 million in the same quarter last year. The breakdown of that revenue can be attributed to 46% silver and 54% gold.

Net earnings for the quarter came in at US\$61 million, or US\$0.14 per share, compared with earnings of US\$41 million, or US\$0.10 per share, in the same quarter last year.

Wheaton also offers investors quarterly dividend of \$0.09 per share, which provides a respectable yield of 1.49% at the current stock price of just over \$25. That yield may not be the primary reason to invest in Wheaton, but when reinvested, that dividend could provide additional growth.

In my opinion, Wheaton remains a great investment option for investors looking to diversify their portfolios with a precious metals streamer.

CATEGORY

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2. Metals and Mining Stocks

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