



Why Now Is the Time to Invest in Streamers for Growth

Description

Wheaton Precious Metals ([TSX:WPM](#))([NYSE:WPM](#)) is one of the most well-known precious metals streamers. It has recently become an attractive opportunity for investors looking at diversifying into the precious metals segment.

How streamers differ from miners

Unlike traditional miners that own and operate the mines, streamers don't own any mines. Streamers provide upfront financing to the traditional miners, who in turn use that capital to set up the necessary operations to begin mining.

In exchange for that initial investment, streamers are given a very steep discount on a portion of the metals that are extracted from the mine. Streamers can then sell those metals at the market rate.

To put that discounted price into perspective, the current market rate for gold and silver are at US\$1,300 and US\$17 per ounce, and the discounted price that Wheaton can purchase the metals for can be as low as US\$400 per ounce for gold and US\$4 per ounce for silver.

Is Wheaton a good investment?

Wheaton is one of the most well-known precious metal streamers on the market, with 21 active operations and a further eight in various stages of development. This provides Wheaton with a well-diversified portfolio of operations.

In terms of production, in the most recent quarter, Wheaton produced 78,100 ounces of gold and 7.2 million ounces of silver. When compared to the same quarter last year, the amount of gold produced surged up from 71,000 ounces, and the amount of silver produced dropped from 7.6 million ounces.

While the drop in silver production may seem concerning for some, there are two important points to consider. First, the potential revenue from the increase in gold production more than accounts for the drop attributed to lower silver prices.

Another point to consider is that this shift in production is part of a larger initiative by the company to reduce the emphasis on silver production in lieu of gold production. Recall that Wheaton even changed its name earlier this year, opting to drop the word *Silver*.

In terms of pricing, in the most recent quarter, Wheaton paid an average of US\$393 per ounce for gold and US\$4.51 per ounce for silver and then sold the metal on for US\$1,263 and US\$17.09, respectively.

Investors considering Wheaton should also consider that Wheaton provides a respectable, but not earth-shattering, dividend that provides a yield of 1.98%. Wheaton recently hiked that dividend by an impressive 43% in the last quarter, but keep in mind that Wheaton's dividend is not fixed; rather, it's tied to the performance of the preceding four quarters.

The decision to invest in Wheaton may come down to whether or not you believe that gold prices will continue to appreciate. Increased demand for gold in several Asian markets, such as China and India, have fueled talks that gold could still hit US\$1,400 per ounce over the next few months.

If gold prices continue to increase, as many pundits expect that they will, Wheaton's margins will improve, and the dividend will also see a healthy bump in future quarters. Additionally, the stock is down over 13% over the past six months, which could pose an opportunity to pick up shares of Wheaton at a discount.

In my opinion, Wheaton remains a great investment opportunity for those investors looking to diversify with a precious metals investment.

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Date

2025/08/25

Date Created

2017/10/16

Author
dafxentiou

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