



How Streamers Offer Profits and Opportunity Over Conventional Miners

Description

Precious metal miners operate under a very risky business model. They acquire land, build the requisite infrastructure necessary to begin mining operations, and then need to staff the mine with miners.

Once the mine has been set up and operations begin, there's no guarantee that the mine will yield a significant amount of metals to justify that initial cost and production estimates.

Further to this, the volatile pricing of precious metals adds a degree of uncertainty beyond the mining phase. The epic drop in gold prices witnessed in the multi-year slump that started in 2011 taught the entire precious metals sector the importance of both sustainable and [efficient operations](#).

So, how can investors benefit from a mining investment? Consider investing in a streamer such as **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)). Wheaton is the largest gold and silver streaming company in the world.

The streaming model — simplified

Streamers cut much of the risk and uncertainty out of the mining business model, resulting in a simplified and potentially lucrative investment opportunity.

Streamers provide upfront financing that miners use to set up that requisite infrastructure and begin mining operations. In exchange for that upfront investment, streamers are allocated a specific amount of the precious metals extracted from the mine at heavily discounted rates.

That discount can be significant. For gold, the price can be as low as US\$400 per ounce, and for silver, the price falls to just US\$4.50 per ounce. Once purchased, streamers can then sell those metals to the market at the market rate, which currently stands at near US\$1,300 per ounce for gold and US\$17 per ounce for silver.

Wheaton changed its name earlier this year, striking the former reference to silver, reflecting the shift from a predominately silver streaming company to one with increasing exposure to gold. That shift is

becoming more prevalent in production figures with each passing quarter.

In the most recent quarter, Wheaton produced 7.6 million ounces of silver and 93,000 ounces of gold. Wheaton also sold on 5.8 million ounces of silver and 83,000 ounces of gold, which are both in line with the company's full-year production guidance.

Wheaton is often overlooked as a dividend investment. Wheaton pays a yield of 1.69%, which is not the highest yield, but it's based off 30% of the average cash generated from operations from the preceding four quarters. That, in turn, translates into the highest yield among streamers.

While production figures and revenue in the most recent were lower than the prior quarter, they are in line with Wheaton's full-year guidance. Looking ahead to the next quarter, Wheaton continues to pursue advancing several development projects, such as the B.C.-based Kutcho Project.

Is Wheaton a good investment?

Despite weaker results in the most recent quarter, Wheaton remains, in my opinion, a great [investment opportunity](#) for investors looking to diversify their portfolios with a precious metals company. While the metals sector remains as volatile as ever, Wheaton produces more metal, generates more cash flow, and has the highest-paying yield across all streamers.

CATEGORY

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2. Metals and Mining Stocks

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