

Is Wheaton Precious Metals Corp. a Good Investment?

Description

It has been a rough start to 2018 for **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)); it's given up over 10% of its market cap. Current investors might be struggling with the loss and questioning if they should sell. My philosophy tends to not follow the trend, so before determining if you should sell, it helps to reanalyze the investment thesis.

If I were to recommend a precious metals company, it would be Wheaton, because [its business model](#) minimizes the risk associated with finding silver and gold. Most silver and gold are found as by-products of other types of mines. In other words, most mines are not launched to find these rare metals.

Instead, most mines are launched to find more utilitarian commodities, like copper and zinc. But getting funding for a copper mine can be difficult, so miners will go to Wheaton for financing. In exchange for incredibly cheap silver and gold, Wheaton helps fund the launch of the mine.

It's a great relationship that helps all parties. The copper miner gets to launch its mine, and, so long as gold and silver are found, Wheaton gets to benefit from the cheap resource.

How cheap are we talking?

During the third quarter, Wheaton paid an average \$4.84 per ounce of silver it found. It sold each ounce for \$16.89, so we're talking a little over a 71% margin. Gold was similar; the company paid \$396 per ounce of gold found and sold each ounce for \$1,283. Clearly, the relationship is working out quite nicely for Wheaton.

Wheaton used to be known as Silver Wheaton, but as its gold portfolio grew, it opted to change its name. I still believe that silver is going to remain an integral part of the business because of how gold and silver are valued.

Other than jewelry and some dental work, gold's primary utility is fear. If investors are scared the dollar is losing value, they rush to gold. Silver has numerous electronic applications. For example, [growth in solar power](#) will require more silver, thus increasing demand and, ultimately, the price.

The average laptop needs about 1.25 grams of silver, and cell phones use 200-300 milligrams. But a single solar panel uses about 20 grams of silver (two-thirds an ounce). Therefore, if solar power continues to increase in demand, more solar panels will be made, and that should help companies like Wheaton.

But back to the general question of whether or not Wheaton is a good investment; that all depends on if you believe gold and silver prices will go up. Over the long term, I see value in silver, but the company is increasingly becoming a gold company. So, if you believe gold prices are going to move up, Wheaton is likely to benefit.

Personally, I'm not a gold bug, and Wheaton is the closest I'll get to the commodity. But if you want

exposure to gold, I think a position in Wheaton is the right play.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:WPM (Wheaton Precious Metals Corp.)
2. TSX:WPM (Wheaton Precious Metals Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/09/13

Date Created

2018/02/26

Author

jaycodon

default watermark

default watermark