



Is This Unique Gold & Silver Mining Company Just Getting Started?

Description

Gold prices are beginning to [enter zones](#) that have seen significant resistance for a few years now. Naturally, gold bugs are optimistic that *this* time, the price will push through and start climbing up to US\$1,400 and beyond.

One unique stock that will give you exposure to both gold and silver is **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)). For those that don't know, Wheaton is the [new name](#) for Silver Wheaton, which recognized that it was generating an increasing amount of its revenue from gold and thus changed its name.

What about Wheaton is so unique?

Unlike most other mining companies, Wheaton doesn't actually dig any holes. Instead, it recognized that 70% silver production is a by-product from base metal and gold mines. In other words, when someone digs a mine for copper or some other metal, there is usually silver found.

Wheaton agrees to make an up-front payment to a miner in exchange for the by-product silver and/or gold that it finds. Assume that someone wants to launch a copper mine. They might need the cash to do it, so they call up Wheaton and agree to give it the silver and gold that is found in exchange for an investment pre-dig.

This helps Wheaton because it only has to pay at the beginning. When the silver and gold starts being found, it doesn't have to pay again, which makes the business very predictable. And that's key for investor returns.

What excites me is that Wheaton is just getting started. It currently has 20 operating mines all around the world with a variety of well-known partners. It has an additional nine projects in development. When those come online, Wheaton will get more silver and gold.

The business is doing rather well. In the full year 2017, it produced 28,646 ounces of silver with an average cost of US\$4.49 per ounce. It sold 26,644 ounces at an average realized price of US\$17.01 per ounce. In the full year 2017, it produced 355,104 ounces of gold at an average cost of US\$395. It

sold 337,205 ounces at an average realized price of US\$1,257.

These strong results allow Wheaton to pay a lucrative dividend. Most companies pay a static yield, which limits their upside. Wheaton, however, pays a variable dividend that is 30% of the average of the previous four quarters' operating cash flows.

This is an interesting model because it offers direct precious metals price exposure. If gold bugs are right, and the price of gold pushes up to US\$1,400 and beyond, then the realized price per ounce of gold sold should be higher, boosting cash flow, which will boost the dividend.

In 2017, the company paid \$0.24 in dividends with \$0.10 coming in the third quarter alone. So, for investors that are looking for exposure to precious metals and want to benefit on the ups and downs of the price, this is the right stock to buy.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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