This Gold-Streaming Stock Just Gained Access to the Electric Car Boom

Description

Wheaton Precious Metals Corp. (TSX:WPM)(NYSE:WPM) has seen its share price climb steadily (or perhaps not so steadily, if you've been watching it like a hawk) since February. A silver and gold streamer doing business in Canada and across the world, Wheaton Precious Metals is now trading for $29.51, which is somewhat overvalued.

default watermark

However, Wheaton Precious Metals has caught the eye of a number of analysts and is getting a strong buy signal. Is it a buy? And if so, what makes it so special? One thing comes to mind…

This famous gold stock just became a cobalt streamer

A positive breakout stock giving investors access to a rising gold price, plus dividends to boot, Wheaton Precious Metals sidesteps production and exploration overheads and makes its money through streaming.

What is particularly pertinent to investors right now, though, is Wheaton Precious Metals's new (as of June 11) arrangement to stream cobalt agreements. This positions Wheaton Precious Metals perfectly for the electric car market and gives investors a low-risk option for exposure to a new commodity and a huge growth market.

Bear in mind that the new agreement, which will see Wheaton Precious Metals receiving over 42.4% of the Voisey's Bay mine cobalt production, will not come into effect until 2021. However, stock prices are likely to rise as a result, meaning that investors should jump in now while they have the chance.

Electric cars versus current value? Electric cars win

At $29.51, Wheaton Precious Metals is somewhat overvalued. Looking at its calculated future cash flow value, we can see that it is trading at more than triple what it should be. Its multiples are far from tasty, with the best news in that department being that it's going for twice book.

But you may want to throw all that out of the window, because Wheaton Precious Metals is on course to seriously clean up. Not only does adding cobalt to its commodities make Wheaton Precious Metals more diversified, and therefore a more attractive stock, it also means that it gains access to a huge growth sector via electric vehicles.

Wheaton Precious Metals's expected annual growth in earnings was set at about 11.6%, but that will no doubt have to be recalculated to account for improved prospects. In short, this stock, which once had a fairly predictable future, just got a whole lot more interesting.

The bottom line

The electric car market is growing fast, and without the kinds of tech stocks that might service such an industry in other stock markets, investors looking for options on the TSX might find themselves limited to commodities as proxies. What a stock like Wheaton Precious Metals represents, then, is a low-risk exposure to a huge growth market.

While it may be technically overvalued, Wheaton Precious Metals is a buy, since it has the potential to surge exponentially in the near future. It should also be said that this is a very healthy stock with low debt, and its dividend yield of 1.56% also goes towards making this one to buy and hold for years to come.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Tech Stocks

default watermark

POST TAG

1. Editor's Choice

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. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Tech Stocks

Tags

1. Editor's Choice

Date
2025/07/03
Date Created
2018/07/04
Author
vhetherington

default watermark

default watermark