



Why Investing in This Streamer Makes Perfect Sense

Description

Precious metal investments are unique. There is no other investment type in the market that captures the hopes and dreams of investors. Part of that allure is because we've been conditioned over the years to see gold as the ultimate measure of wealth, and we hoard it when there is a sentiment of fear in other investment areas.

Unfortunately, many investors shy away from [investing in traditional miners](#) because of the risk involved, which not only includes setting up and operating a mine (which ultimately may not prove to be as productive as the miner expects) and the risk associated with the fluctuating price of gold and silver.

To illustrate that volatility, gold currently trades for US\$1,230 per ounce, but over the past decade, that figure has gone as high as US\$1,900 per ounce and into the sub-US\$1,100-per-ounce level.

One way that investors can minimize those risks and make significant gains is by investing in a streamer such as **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)).

Streamers are an excellent alternative to traditional miners

Unlike traditional miners, streamers like Wheaton provide upfront financing to the traditional miner, who will then use those funds to begin mining operations. In exchange for that upfront investment, streamers are able to purchase metals extracted from the mine at a very discounted rate, which the streamer can then re-sell into the open market.

Those discounted rates can be as low as US\$400 per ounce for gold and US\$4.50 per ounce for silver.

Another key point that investors often dismiss is that because streamers are providing that upfront investment but not managing operations, the company can collectively move on to another mine and enter other streaming agreements.

It's a lucrative process that not only provides a layer of diversification but ensures a steady stream (pun intended) of revenue for the company.

Wheaton is the largest of precious metal streamers in the world, currently handling 22 different streaming agreements with 15 different miners around the world.

Three reasons Wheaton is a great pick for investors

While the allure of adding a precious metals investment to your portfolio sounds promising, there are three reasons why Wheaton is a great investment at this juncture.

First, Wheaton is becoming increasingly diversified in new mines and beginning to stream additional metals. Over the past two months, Wheaton announced two very significant deals.

The first was the deal announced last month for Wheaton to begin streaming cobalt. Cobalt prices have more than doubled in recent years owing to supply and pricing concerns in the Democratic Republic of Congo, where more than half of the world's cobalt is mined. Wheaton's cobalt deal is for a mine in Newfoundland; in exchange for the company's upfront capital injection, Wheaton will receive 42.4% of output until production hits 31 million pounds, after which Wheaton's share will be reduced to 21.2% of output.

Management views the Cobalt deal as adding approximately US\$75 million to the company's operating cash flow annually over a decade.

The second deal announced this month will add yet another metal to Wheaton's portfolio — palladium. Under that deal, Wheaton will invest US\$500 million in a U.S.-based mine that will provide Wheaton with 100% of the gold and 4.5% of Palladium extracted from the mine. Palladium levels will drop over time based on certain thresholds.

One final reason that investors should seriously consider Wheaton is the company's dividend. Wheaton currently offers a quarterly distribution with a payout yield of 1.57%, which is based on 30% of the average cash of operations from the trailing four quarters. While the yield may not be the [highest in the market](#), it far exceeds any of Wheaton's peers in the metal sector.

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