



## Opportunity: Precious Metals Stocks Are Not As Bad As Perceived!

### Description

Earlier this month, **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) announced earnings for the most recent quarter, which showcased several notable drops when compared to the same quarter last year, leading to a drop in the stock's share price, which is currently trading down 5% this month.

As the world's largest streamer of precious metals, a weaker than expected set of results from Wheaton could be a sign of [underlying weakness](#) in the market, or just a one-off event that investors should ignore and stay their course. To determine the answer to that, and if Wheaton is still a viable investment option, let's start by taking a look at those results.

### Q3 results by the numbers

On an adjusted basis, Wheaton posted net earnings of \$35 million in the quarter, representing a harsh 49% haircut over the \$67 million in net earnings reported in the same quarter last year. Revenue also realized an 8.5% drop over the same period last year.

In terms of production, Wheaton produced 24.9% less silver in the quarter when compared to the same period last year, but saw gold production increase by 6.7% in the quarter, as well as beginning palladium production.

That drop in silver production was attributed to the termination of the San Dimas silver stream, as well as the expiration of several other streaming agreements. The increase in gold production, on the other hand, was attributed to higher production levels as well as new gold streams coming online.

While the results may appear less than ideal, there is an upside to consider.

### Why streamers like Wheaton make great investments

Precious metal stocks make for a very odd investment mix at times. Precious metals are rare, in high demand, and barring very few periods of time, have steadily increased in value. Those factors alone make precious metals such as gold and silver great stores of wealth, which should, in theory, bode well for the miners and streamers charged with extracting the metal and bringing it to market, right?

Fluctuations in the value of precious metals, increasing extracting and processing costs, and even the safety of miners are just some of the concerns that traditional miners need to factor into the overall cost of mining precious metals, which coincidentally, streamers like Wheaton need not worry about.

The streaming model is simple, yet lucrative. A streamer provides upfront capital for the miner to setup the requisite infrastructure and staffing to begin mining operations. In exchange for that upfront investment, the streamer is entitled to a portion of the metal extracted through the mine, which can be purchased at a heavily discounted rate. Once purchased, the streamer can hold the metal or sell it on to the market at the going rate, pocketing the difference.

In addition to that heavy discount, the arms-length nature of the streamer-miner relationship allows the streamer to move on to another miner in another region almost immediately, leaving the day-to-date operation to the miner. In the case of Wheaton, the streamer currently has 19 active mines around the world, with an additional 9 under development.

Finally, apart from the geographic diversification, there's also the metals being mined to consider. Wheaton has been steadily diversifying over the past few years from being primarily as a silver streamer to one that is diversified into many different metals. A prime example of this is how in the most recent quarter Wheaton received its first share of Palladium and also announced an agreement to begin streaming cobalt.

In short, streamers are lower-risk, [more diversified options](#) for precious metals investors to consider.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

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