



Why Streamers Are Safe Investments

Description

Wheaton Precious Metals ([TSX:WPM](#))([NYSE:WPM](#)) is an intriguing safe investment that is often bypassed by many investors. At first glance, Wheaton may *appear* to be like any other traditional precious metal miner, but the company is a *streamer*.

What's a streamer? Why does it matter?

Streamers differ from traditional miners in that they don't actually own or operate any mines. Streamers provide upfront financing to traditional miners, who will use that injection to get the mine operational.

In exchange for that upfront capital, streamers are entitled to purchase metals extracted from the mine at a discounted rate. That discounted rate can be substantial — as low as US\$4.50 per ounce of silver and US\$450 per ounce of [gold](#).

By way of example, the current market rate for an ounce of silver is US\$15 per ounce, and in the case of gold, it's over US\$1,700 per ounce. Once a streamer has those metals, it can choose to sell them on to the open market at those current rates.

In short, the streaming model followed by Wheaton carries less risk when compared to traditional miners. In terms of potential, this can be just as (if not more) lucrative than its traditional peers.

How does Wheaton differ?

As a streamer, Wheaton benefits from the points I mentioned above. Additionally, in providing that upfront financing to traditional miners, Wheaton can quickly move on to the next investment opportunity. This one factor is instrumental in Wheaton boasting a portfolio of 20 active mines on three continents and nine more in development.

That flexibility also extends to the *types* of metal that are produced by the mine. Unlike some traditional miners that focus on one to two precious metals, Wheaton has adapted in recent years to include

streams for a variety of different metals. Examples of this include cobalt and palladium.

In the most recent quarter, Wheaton saw palladium production surge 8.4% over the same period last year. Over the course of the full fiscal quarter, that production surge comes out to an incredible 49.8%. In that same quarter, Wheaton saw similar gains for gold (5.9% gain year over year) and silver (8.4% over the prior quarter).

Overall, on an adjusted basis, Wheaton earned \$77.9 million, or \$0.17 per share, in the most recent quarter, making it a safe investment option.

Wheaton is a safe investment, but should you buy?

In [times of uncertainty](#), investors have historically moved to “safer” investments. That extends to precious metals and, by extension, streamers like Wheaton. To be clear, I’m not saying that Wheaton is completely immune to the market volatility we’re seeing now. In my opinion, Wheaton should be considered as a safe investment for any well-balanced portfolio.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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Date

2025/08/24

Date Created

2020/04/28

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