



Here's a Precious Metals Stock With Less Risk

Description

When volatility hits the market, investors will gravitate towards stocks that offer less risk. Some of the traditionally lower-risk investments include [precious metals](#) such as gold and silver. That being said, traditional precious metal miners aren't exactly the lowest-risk options for your portfolio.

Fortunately, there is an option to seek out that can offer significantly less risk.

The streaming model is a great way to invest in precious metals

Precious metal streamers such as **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) offer investors a unique way in which to invest in precious metals without the risk that their traditional peers offer.

In short, streamers don't own any of the mines. Instead, a streamer provides an upfront financial injection to a traditional miner, which then sets up operations. In exchange for providing that initial upfront capital, a streamer is permitted to purchase some of the precious metals produced from the mine at a discount.

That discount can be quite significant. Gold is purchased for as low as US\$450 per ounce, whereas silver can be purchased for as low as US\$4 per ounce. Once purchased, the streamer can then sell on those metals at the going rate.

By way of comparison, the current spot price for gold and silver is near US\$1,850 and US\$22 per ounce, respectively.

Precious metal streamers hold much less risk

There are several key advantages to the streaming model, and the first one is the overall risk.

Recall that streamers don't actually own any of those mines. This arms-length approach provides

significantly less risk when compared with traditional miners that own the mines. That translates into lower overall costs and my second point about growth.

Because the streamers don't own or operate the mines, they are limited only to their investment. This makes it easier for a streamer to branch out to other projects, leaving the day-to-day operations to the traditional miner.

In the case of Wheaton, the streamer boasts a well-diversified portfolio of 23 operations scattered across three continents. The company also has a further 13 mines that are in various stages of development.

Oh, and let's not forget that those mines can produce a variety of different metals. In the case of Wheaton, that translates into streams for gold, silver, palladium, and cobalt.

How does that translate into results?

Wheaton reported results for the first fiscal of 2022 earlier this month. In that report, Wheaton reported revenue of US\$307 million and cash flow generation of US\$210 million. Overall, the company reported net earnings of US\$157 million for the quarter.

The results were slightly lower than the figures reported in the same period last year. In the same period last year, Wheaton reported net earnings of US\$162 million on US\$324 million in revenue. A decrease in the number of gold-equivalent ounces sold was attributed as the reason for the dip.

Also worthy of mention is Wheaton's dividend. The company offers a quarterly distribution, which currently works out to a respectable 1.49%. While this is hardly the best yield on the market, it is covered and continues to increase. By way of comparison, the current payout represents a solid 7% increase over the same period last year.

Should you buy Wheaton?

No investment is without risk, and that includes Wheaton. And while Wheaton is not immune to risk, in my opinion, Wheaton is well positioned to form a small part of a much larger, diversified portfolio.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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

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Date

2025/06/29

Date Created

2022/05/19

Author

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