



## Why Is This \$15 Billion Precious Metals Stock Up 60%?

### Description

**Wheaton Precious Metals Corp** ([TSX:WPM](#)) shares have been on a tear. Since November, the company's stock has been on a consistent incline, climbing from roughly \$20 per share to more than \$33.

This impressive streak comes at a time when other resource stocks are stuck near all-time lows. Why is Wheaton Precious Metals stock breaking out?

### Wheaton has a clever business model

As a metals streaming company, Wheaton Precious Metals is one of the [safest](#) ways to bet on commodities like gold, silver, and platinum. Without needing to own or operate mining projects, Wheaton can benefit directly from their success without needing to take the associated financial risks.

For example, if a mining company wants to expand production, it'll require additional resources and infrastructure. How will it pay for these assets?

If they're profitable, mining companies can always pay using incoming cash flow. If they're still losing money—which is the case for a great number of mining companies—they can take on debt.

Financing projects through debt can be tricky. If the expansion project doesn't pay off as well as expected, these mining companies could be on the hook to pay back debt on an initiative that went bust. Metals streaming companies, on the other hand, offer much greater flexibility.

For example, Wheaton has a streaming deal with **Vale SA** for its copper project in Brazil. This project is the largest copper deposit ever discovered in Brazil. Developing the mine was going to take billions of dollars.

Instead of betting on the project's success on its own, Vale partnered with Wheaton. Wheaton provided around \$3 billion in cash in exchange for 75% of gold production, which should average 180,000 ounces per year for 30 years.

Wheaton is essential pre-purchasing future gold production at a steep discount. In return, Vale has the financing necessary to develop the project in full. If production targets are met, both companies benefit greatly. If results are poorer than expected, Vale isn't on the hook for outsized interest payments.

## All gain no pain

While Wheaton hopes that every deal will be executed as planned, its downside risk is much lower than traditional miners. Let's say that the Brazilian copper project experiences cost overruns of \$300 million. According to streaming deals, it's almost always the operator (Vale) that must pay these costs, not the lender (Wheaton).

A few years ago I spoke with **Sandstorm Gold Ltd** CEO Nolan Watson, who [highlighted](#) this downside protection.

"To want to own a miner instead of a royalty company you have to assume that the miner can deliver what they say, within the timeframe that they outline, and that they won't have any technical problems or metallurgical problems," he said. "On a spreadsheet, mining companies can look cheaper, but in reality, almost none of the underlying assumptions when building and operating a mine go as planned, which is why the royalty companies are better investments."

## Can shares move even higher?

The recent share price increase seems to stem from one of Wheaton's existing streaming deals.

Previously, it paid US\$230 million for a streaming agreement with **Hudbay Minerals Inc.** This year, the associated mine received [clearance](#) from the U.S. Forest Service, meaning that it's a giant step closer to producing its target of 112,000 tons of copper concentrate per year .

Whenever a deal gains clarity, investors should expect Wheaton shares to pop. Ultimately, however, the company is still reliant on commodity prices. If precious metals like gold and silver do well, Wheaton stock looks like a limited-downside way to capitalize.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### POST TAG

1. wheaton

### TICKERS GLOBAL

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

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## **Category**

1. Investing
2. Metals and Mining Stocks

## **Tags**

1. wheaton

## **Date**

2025/09/30

## **Date Created**

2019/03/28

## **Author**

rvanzo

default watermark

default watermark