



WHEATON PRECIOUS METALS (WPM.TO) (WPM)

Business Model

Wheaton Precious Metals Corp is a pure, unhedged paper proxy on silver prices with a unique business model. The company purchases silver for sale through long-term purchase contracts from counterparties. The company has long-term silver purchase contracts with over a dozen mines. The firm purchased and sold roughly 28 million silver-equivalent ounces in 2012 through its purchase sales contracts.

The Company in a Nutshell

- In addition to its active mines, WPM has several projects under development.
- 71% of its mines are among the first quarter for lower cost productions.
- The company also uses a growth-by-acquisition strategy.

Investment Thesis

If you think gold and silver could work as a protection for your portfolio, you might want to consider investing in a precious metal streaming company. WPM enjoys one of the lowest-cost mining portfolios in North America. This gives the company a unique competitive advantage and protection during challenging periods. Unfortunately, this is not enough to keep WPM's dividend doing well and growing. WPM's dividend graph looks more like a cardiogram (as it is paid in USD) than a dividend aristocrat's picture. Its low yield doesn't help provide a decent valuation either. Unfortunately, this company doesn't meet DSR investing rules and shows more volatility than a potential protection against market downturns. Sorry, but we will pass.

VALUATION*

Dividend Growth Rate Years 1-10: 2.00%

Terminal Dividend Growth Rate: 2.00%

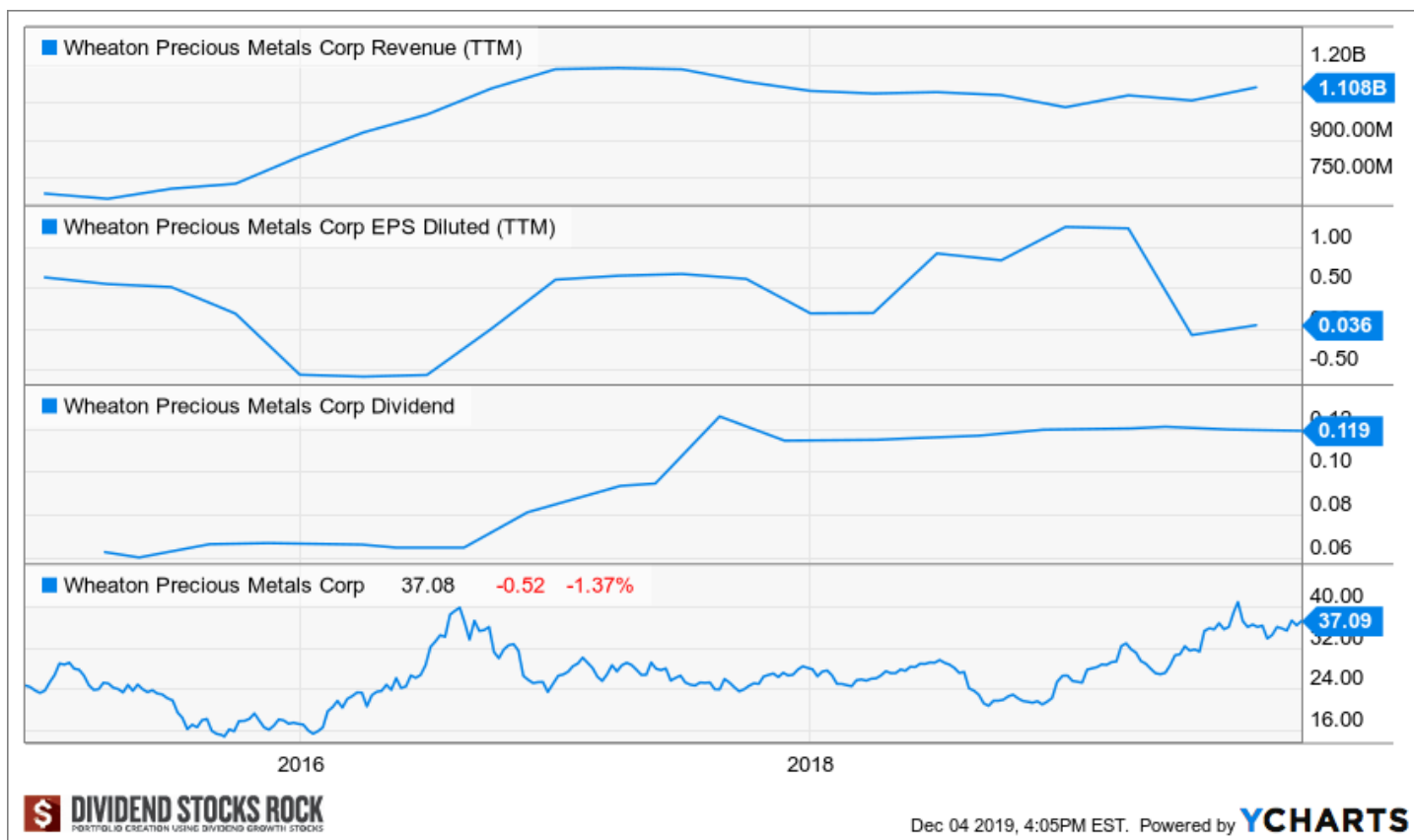
	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$7.87	\$6.88	\$6.12
10% Premium	\$7.21	\$6.31	\$5.61
Intrinsic Value	\$6.56	\$5.74	\$5.10
10% Discount	\$5.90	\$5.16	\$4.59
20% Discount	\$5.25	\$4.59	\$4.08

*Conversion rate of 1.25 to 1 has been used on the USD dividend payment



DSR STOCK CARD

12/04/2019



Potential Risks

We are usually not too optimistic regarding basic materials and energy stocks. Both industries suffer greatly when commodities prices are down. This is exactly the case with Wheaton. Even though the company shows a strong competitive advantage with its low-cost mines, it's not enough to create value for shareholders. The stock was dead money over the entire bull market following the 2008 crisis. What will happen during the next recession?

Dividend Growth Perspective

Even though the dividend payment went through several variations year after year, keep in mind that WPM paid \$0.09 USD per share in 2011. This is exactly what it pays today. The yield is very low and will likely remain that way. Do you need this kind of company in your portfolio? We know we don't need it at DSR.