

Wheaton Precious Metals

Putting WPM onto GMT

Q423 sales and
production update

Metals and mining

11 March 2024

Price **C\$60.34**

Market cap **C\$27,334m**

C\$1.3504/US\$, US\$1.2692/£

Cash (US\$m) at end-September 833.9
(excluding US\$6.2m in lease liabilities)

Shares in issue 453.0m

Free float 100.0%

Code WPM

Primary exchange TSX

Secondary exchanges LSE, NYSE

Share price performance



% 1m 3m 12m

Abs (2.3) (6.1) 13.0

Rel (local) (6.0) (12.2) 5.8

52-week high/low 69.7 52.9

Business description

Wheaton Precious Metals is the world's pre-eminent ostensibly precious metals streaming company, with over 30 high-quality precious metals streams and early deposit agreements over mines in Mexico, Canada, Brazil, Chile, the US, Argentina, Peru, Sweden, Greece, Portugal and Colombia.

Next events

Q423/FY23 results 14 March 2024

Q124 results 9 May 2024

Q224 results 8 August 2024

Q324 results 7 November 2024

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[Edison profile page](#)

**Wheaton Precious Metals is a
research client of Edison
Investment Research Limited**

On 20 February, Wheaton Precious Metals (WPM) announced that it had produced 14,615oz (15.2%) and sold 18,618oz (19.3%) more gold than our prior expectations for Q423, and produced 326koz (7.8%) and sold 530koz (20.0%) more silver. As a result, ahead of Q423/FY23 results scheduled for 14 March, we have increased our EPS forecast for Q423 by 25.3%, to close to the top of the range of market expectations for both the quarter and the full year.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/21	1,201.7	592.3	132	57	33.9	1.3
12/22	1,065.1	505.4	112	60	39.9	1.3
12/23e	1,008.9	530.7	117	60	38.2	1.3
12/24e	1,135.9	611.6	113	60	39.5	1.3

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

GMT impact to WPM

Given the likelihood of its legislative applicability, for the purposes of our forecasts and valuation, we have, for the first time, assumed a 15% global minimum tax (GMT) rate of 15% on WPM's non-Canadian earnings from FY24.

FY24 guidance

The midpoint of WPM's production guidance for FY24 is 7.1% below the midpoint of its guidance for FY23 (585koz cf 630koz) and 5.7% below its FY23 outcome. We believe this is distinctly conservative and only realisable in the event of a rapid decline in production from Salobo in Q1 and Q224, which seems at odds with what we expect to have been near-record production of gold and copper in Q423 (since at least Q316 – see Exhibit 4). As a result, our production expectations are towards the top of the guidance range for FY24 at 613.9koz gold equivalent ounces (GEOs) (cf 620.2koz produced in FY23). However, notwithstanding the lower FY24 guidance – and the imposition of GMT from Q224 – we still expect EPS to be approximately flat in FY24 compared with FY23. Moreover, we still expect production to be within 20koz of 900koz GEOs by FY29.

Valuation: Reduced, but only pro rata with GMT

Assuming the imposition of GMT from Q224 and using a capital asset pricing model (CAPM) type method, whereby we discount cash flows at a nominal 9% per year, our 'terminal' valuation of WPM in FY26 has declined by a predictable 14.2% to US\$52.72 (C\$71.19) per share, assuming zero subsequent long-term growth in real cash flows (which we think is unlikely). Alternatively, assuming no purchases of additional streams, we calculate a value per share for WPM of US\$48.77 or C\$65.86 or £38.43 in FY26, based on a 30.4x historical multiple of contemporary earnings. As such, we believe that the market already appears to have effectively discounted the imposition of GMT by the Canadian tax authorities. However, we do not believe that it has yet discounted the company's expectations of increasing its production from c 550–620koz GEO in FY24 to more than 850koz GEO by FY29 (all other things being equal).

Q423 production and sales

On 20 February, WPM announced that it had produced and sold 374,585oz and 327,336oz gold and 17,220koz and 14,326koz silver, respectively (among others), in FY23, implying a notably strong fourth quarter performance in all of its business areas with the single exception of palladium sales, which anyway accounted for only 1.2% of the total (Edison estimate). A full summary of WPM's production and sales results for all metals for the year, relative to both prior guidance and Edison's prior expectations, is as follows:

Exhibit 1: Wheaton Precious Metals' FY23 production and sales by metal cf prior forecast

Metal (units)	Wheaton (actual)			Implied Q4		Edison prior estimate				Variance*	
	Production guidance	Actual FY23 production	Actual FY23 sales	Production	Sales	Q4 prod'n	Q4 sales	FY23 prod'n	FY23 sales	Prod'n (units)	Sales (units)
Gold (koz)	320–350,000	374,585	327,336	111,029	115,011	96,414	96,393	359,970	308,718	+14,615	+18,618
Silver (Moz)	20–22,000	17,220	14,326	4,513	3,175	4,187	2,645	16,894	13,796	+326	+530
Other (k GEO)	22–25,000										
Palladium (koz)		15,800	13,919	4,209	3,339	3,871	3,856	15,462	14,436	+338	-517
Cobalt (klb)		673	1,074	214	288	204	204	663	990	+10	+84
GEO (k GEO)	600–660,000	620,177	537,608					600,893	511,765	+19,284	+25,843

Source: Wheaton Precious Metals, Edison Investment Research. Note: GEO, gold equivalent ounce, based on US\$1,850/oz Au, US\$24.00/oz Ag, US\$1,800/oz Pd and US\$18.75/lb Co. *Actual minus forecast.

In addition to adjusting our Q423 and FY23 forecasts to reflect actual compared to expected production and sales levels, we have also adjusted them to reflect actual metals prices prevailing during the fourth quarter compared with those expected at the time of our [last note](#), published on 20 November 2023. These are similarly summarised below:

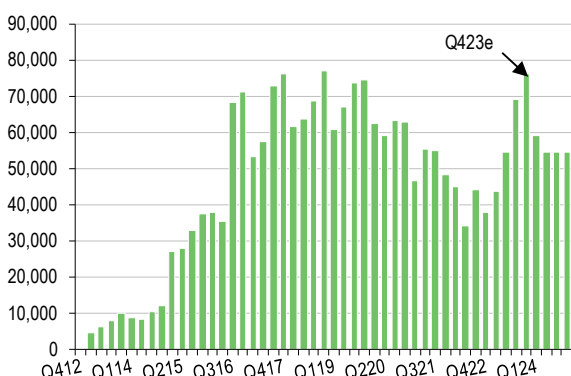
Exhibit 2: Metals prices, actual compared to forecast, Q423 and current*

Metal	Prior forecast	Actual	Change (%)	*Current
Silver (US\$/oz)	22.34	23.24	+4.0	22.59
Gold (US\$/oz)	1,936	1,953	+0.9	2,032
Palladium (US\$/oz)	1,034	1,093	+5.7	962
Cobalt (US\$/lb)	15.16	14.77	-2.6	12.95
Simple average			+2.0	

Source: Edison Investment Research, Bloomberg. Note: *At the time of writing.

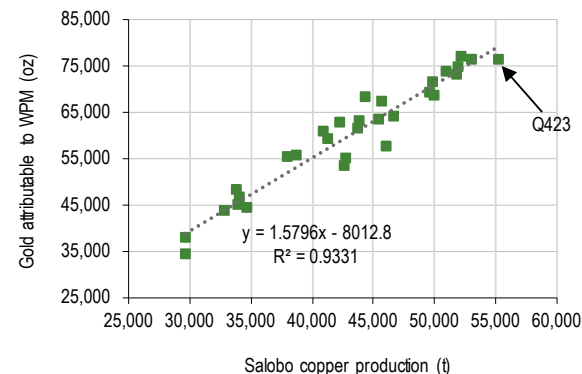
Given its copper production (reported to the market by Vale on 29 January 2024) of 55.2kt in Q423, we suspect that almost all (if not all) of WPM's gold production outperformance will have been attributable to Salobo, where we believe that gold production for WPM's account will have been close to record levels (see Exhibits 3 and 4, below).

Exhibit 3: Gold production attributable to WPM from Salobo, Q316–Q424e



Source: Wheaton Precious Metals, Edison Investment Research

Exhibit 4: Salobo copper production versus gold production attributable to WPM, Q316–Q423e



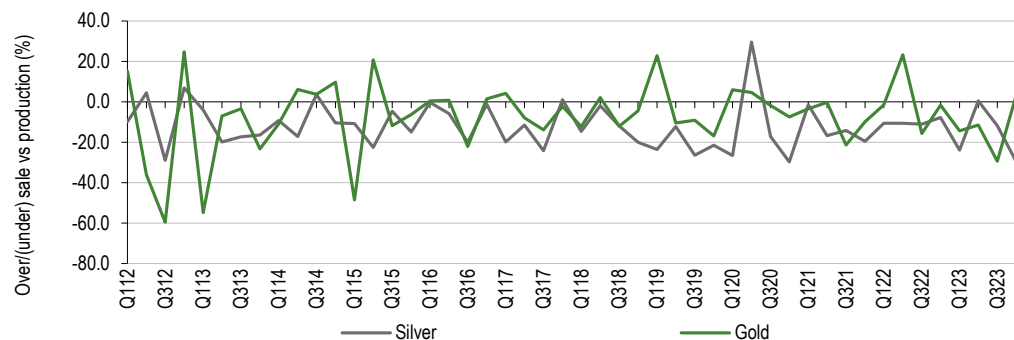
Source: Wheaton Precious Metals, Vale, Edison Investment Research

Also shown in Exhibit 3 is our forecast quarterly production of gold attributable to WPM from Salobo in FY24 in the light of the company's guidance. In the meantime, we suspect that most of the outperformance in silver sales in Q4 will have been attributable to Peñasquito, where Newmont reported production and sales of 4Moz and 5Moz, respectively, during Q4 (of which 25% is attributable to WPM), compared with our prior forecasts of 1.3Moz in production and zero ounces in sales attributable to WPM during the quarter.

Ounces produced but not yet delivered

Notwithstanding the unanticipated sales at Peñasquito, we calculate that aggregate sales of silver were still 1.3Moz, or 29.7%, below production for the fourth quarter, which is close to the bottom end of the range for the period Q112–Q423e (see Exhibit 5). By contrast, we calculate that gold production and sales were closely in line (probably mostly attributable to Salobo, where we suspect there will have been a modest over-sale of material in Q4 after a material shortfall in Q3 when sales lagged the ramp-up of Salobo III):

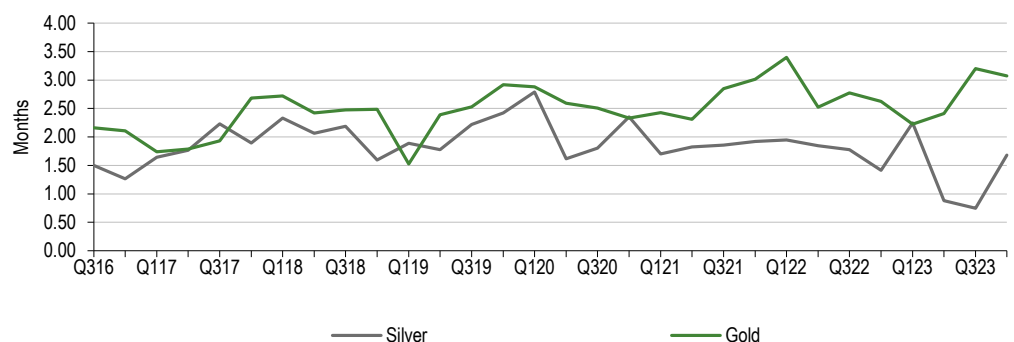
Exhibit 5: Over/(under) sale of silver and gold as a percentage of production, Q112–Q423e



Source: Edison Investment Research, Wheaton Precious Metals. Note: As reported.

As a result, we calculate that gold ounces produced but not yet delivered to WPM will have decreased from 99,293oz at the end of Q3 to c 95,941oz at the end of Q4 (or 3.07 months of production), while silver ounces produced but not yet delivered will have increased from a historically low level of 1.1Moz at the end of Q3 to a more normal level of c 2.4Moz (1.68 months of production) at the end of Q4. Note that these compare with WPM's target levels of two to three months for gold and palladium production and two months for silver production:

Exhibit 6: WPM ounces produced but not yet delivered, Q316–23e (months of production)



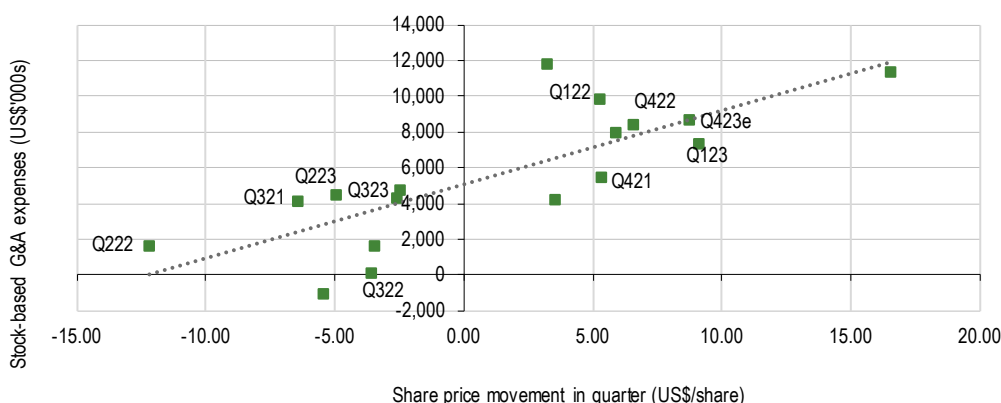
Source: Edison Investment Research, Wheaton Precious Metals. Note: As reported.

General and administrative expenses

At the time of its Q422 results, WPM provided guidance for non-stock general and administrative (G&A) expenses of US\$47–50m, or US\$11.75–12.50m per quarter, for FY23 (cf US\$47–49m in FY22, US\$42–44m in FY21 and US\$40–43m in FY20), including all employee-related expenses, charitable contributions, etc, but excluding performance share units (PSU) and equity settled stock-based compensation.

As at the end of Q323, the analysis of stock-based G&A expenses relative to the change in WPM's share price (also in US dollars) over the previous 16 quarters continued to exhibit a close Pearson product moment (correlation) coefficient between the two of 0.78, which can be said to be statistically significant at the 5% level for a directional hypothesis (ie there is less than a 5% probability that this relationship occurred by random chance). Given the strong performance of WPM's shares during Q4, we therefore anticipate that stock-based G&A expenses during the quarter will have been in the order of US\$8.7m (\pm US\$2.5m), as shown by the point on the best-fit line in Exhibit 7, below:

Exhibit 7: Graph of historical share price change (US\$/share) versus stock-based G&A expenses (US\$000s), quarterly, Q419–Q423e



Source: Edison Investment Research (underlying data: Bloomberg and Wheaton Precious Metals)

Consequently, we forecast that the total G&A charge for WPM in Q423 will have been US\$21.2m, of which 59% will have been attributable to non-stock-based G&A expenses and 41% to stock-based expenses.

Exhibit 8: WPM general and administrative expenses, Q421–Q424e (US\$000s)

Item	Q421	FY21	Q122	Q222	Q322	Q422	FY22	Q123	Q223	Q323	Q423e
G&A salaries excluding PSU and equity settled stock-based compensation	4,618	18,244	5,345	5,061	4,629	4,187	19,222	5,021	4,749	4,591	
Other (inc. depreciation, donations and professional fees)	6,818	23,475	4,871	5,784	5,137	7,112	22,905	6,456	7,407	5,751	
Non-stock based G&A	11,436	41,719	10,216	10,845	9,766	11,299	42,127	11,477	12,156	10,342	12,500
Guidance	11,717–13,717	42,000–44,000	11,750–12,250	11,750–12,250	11,750–12,250	11,750–12,250	47,000–49,000	11,750–12,500	11,750–12,500	11,750–12,500	
PSU accrual	4,203	14,004	8,560	110	(1,491)	7,035	14,214	5,855	2,625	2,604	
Equity settled stock-based compensation	1,315	5,262	1,342	1,498	1,568	1,439	5,846	1,542	1,859	1,732	
Stock-based G&A	5,518	19,266	9,902	1,608	77	8,474	20,060	7,397	4,484	4,336	8,665
Total general & administrative	16,954	60,985	20,118	12,453	9,843	19,773	62,187	18,874	16,640	14,678	21,165
Non-stock as pct of total G&A (%)	67.5	68.4	50.8	87.1	99.2	57.1	67.7	60.8	73.1	70.5	59.1

Source: Wheaton Precious Metals, Edison Investment Research. Note: Totals may not add up owing to rounding.

As a result of WPM's disclosures, therefore, we have increased our earnings forecasts for Q423 by 25.2% and for the full year by 6.5%:

Exhibit 9: WPM updated Q423 and FY23 estimates*

US\$000s (unless otherwise stated)	Q422	Q123	Q223	Q323	Q423e (prior)	Q423e (current)	Change (%)	FY23e (current)	FY23e (prior)	Change (%)
Silver production (koz)	5,352	4,927	4,417	3,363	4,187	4,513	7.8	17,220	16,894	1.9
Gold production (oz)	70,099	73,037	85,083	105,436	96,414	111,029	15.2	374,585	359,970	4.1
Palladium production (oz)	3,869	3,705	3,880	4,006	3,871	4,209	8.7	15,800	15,462	2.2
Cobalt production (klb)	128	124	152	183	204	214	4.9	673	663	1.5
Silver sales (koz)	4,935	3,749	4,437	2,965	2,645	3,175	20.0	14,326	13,796	3.8
Gold sales (oz)	68,996	62,605	75,294	74,426	96,393	115,011	19.3	327,336	308,718	6.0
Palladium sales (oz)	3,396	2,946	3,392	4,242	3,856	3,339	-13.4	13,919	14,436	-3.6
Cobalt sales (klb)	187	323	265	198	204	288	41.2	1,074	990	8.5
Average realised Ag price (US\$/oz)	21.52	22.85	24.13	23.73	22.34	23.24	4.0	23.52	23.36	0.7
Average realised Au price (US\$/oz)	1,725	1,904	1,986	1,944	1,936	1,953	0.9	1,949	1,944	0.3
Average realised Pd price (US\$/oz)	1,939	1,607	1,438	1,251	1,034	1,093	5.7	1,334	1,310	1.8
Average realised Co price (US\$/lb)	22.62	15.04	13.23	13.87	15.16	14.77	-2.6	14.30	14.34	-0.3
Average Ag cash cost (US\$/oz)	5.00	5.07	5.01	5.10	5.16	5.09	-1.4	5.06	5.07	-0.2
Average Au cash cost (US\$/oz)	475	496	461	444	440	437	-0.7	455	457	-0.4
Average Pd cash cost (US\$/oz)	357	294	261	223	186	197	5.9	241	237	1.7
Average Co cash cost (US\$/lb)	16.52***	3.30***	3.20	2.66	2.73	2.66	-2.6	3.17	3.23	-1.9
Sales	236,051	214,465	264,972	223,137	252,746	306,299	21.2	1,008,873	955,320	5.6
Cost of sales										
Cost of sales, excluding depletion	61,730	51,964	58,642	49,808	57,321	67,818	18.3	228,231	217,735	4.8
Depletion	53,140	45,000	54,474	46,435	54,723	63,877	16.7	209,786	200,632	4.6
Total cost of sales	114,870	96,964	113,116	96,243	112,044	131,694	17.5	438,017	418,367	4.7
Earnings from operations	121,181	117,501	151,856	126,894	140,702	174,605	24.1	570,855	536,953	6.3
Expenses and other income										
– General and administrative**	19,773	18,874	16,640	14,678	19,780	21,165	7.0	71,357	69,972	2.0
– Foreign exchange (gain)/loss								0	0	
– Interest paid/(received)	1,377	1,378	1,352	1,407	1,454	1,454	0.0	5,591	5,591	0.0
– Other (income)/expense	(3,935)	(7,387)	(8,811)	(10,688)	(9,901)	(9,901)	0.0	(36,787)	(36,787)	0.0
Total expenses and other income	17,215	12,865	9,182	5,397	11,333	12,718	12.2	40,161	38,776	3.6
Earnings before income taxes	103,966	104,636	142,675	121,497	129,369	161,887	25.1	530,694	498,177	6.5
Income tax expense/(recovery)	222	205	91	30	250	250	0.0	576	576	0.0
Marginal tax rate (%)	0.2	0.2	0.1	0.0	0.2	0.2	0.0	0.1	0.1	0.0
Net earnings	103,744	104,431	142,584	121,467	129,119	161,637	25.2	530,118	497,601	6.5
Average no. shares in issue (000s)	452,070	452,370	452,892	452,975	452,996	452,996	0.0	452,808	497,601	-9.0
Basic EPS (US\$)	0.229	0.231	0.315	0.268	0.285	0.357	25.3	1.17	1.10	6.4
Diluted EPS (US\$)	0.229	0.230	0.314	0.268	0.284	0.356	25.4	1.17	1.09	7.3
DPS (US\$)	0.15	0.15	0.15	0.15	0.15	0.15	0.0	0.60	0.60	0.0

Source: Wheaton Precious Metals, Edison Investment Research. Note: *Excluding impairments, impairment reversals and exceptional items (unless otherwise indicated). **Forecasts include stock-based compensation costs. ***Cobalt inventory is held on WPM's balance sheet at the lower of cost and net realisable value; cash costs per pound of cobalt sold are therefore affected by changes in the valuation of inventory quarterly. Totals may not add up owing to rounding. Prior Q423e estimates were those implied in our 20 November 2023 note.

Moreover, our forecasts for WPM's adjusted EPS for both Q423 and FY23 are towards the top end of the market range:

Exhibit 10: WPM Q423 and FY23 EPS forecasts cf Edison and consensus (US\$/share)

	Q123	Q223	Q323	Q423e	Sum Q1–Q423e	FY23e
Edison forecasts	0.231	0.315	0.268	0.357	1.171	1.17
Mean consensus	0.231	0.315	0.268	0.330	1.094	1.14
High consensus	0.231	0.315	0.268	0.380	1.164	1.20
Low consensus	0.231	0.315	0.268	0.290	1.044	1.10

Source: Refinitiv, Edison Investment Research. Note: As at 11 March 2024.

FY24 and future guidance

At the same time as updating the market for its actual sales and production in FY23, WPM also took the opportunity to provide detailed production guidance for FY24 and beyond. Whereas in the past, this had entailed providing numbers for the current year and then five- and 10-year averages

looking forward, in this case the company provided detailed guidance for FY24, a production target for FY28 and then an average for the five years from FY29 to FY33. A comparison between these two formats and our current forecasts over the equivalent periods is as follows:

Exhibit 11: WPM precious metals production – Edison forecasts cf guidance						
	FY23e	FY24e	Previous FY23–27 average*	Current FY28e (target)*	Previous FY23–32 (average)*	Current FY29–33 (average)*
Current Edison forecast						
Silver production (Moz)	17.2	20.0				
Gold production (koz)	374.6	370.0				
Cobalt production (klb)	673	856				
Palladium production (koz)	15.8	16.8				
Gold equivalent (koz)	620.2	613.9	725	800	778	832
WPM guidance						
Silver production (Moz)	20.0–22.0	18.5–20.5				
Gold production (koz)	320–350	325–370				
Cobalt & palladium production (koz AuE)	22–25	12–15				
Gold equivalent (koz)	600–660	550–620	810	>800	850	>850
Source: Wheaton Precious Metals, Edison Investment Research forecasts. Note: *Edison forecasts include Rosemont/Copper World from FY27 and Antamina extension from FY28.						

In 2024, WPM forecasts GEO production to be consistent with levels achieved in 2023, as expected stronger attributable production from Peñasquito and Voisey's Bay is forecast to be offset by lower production from Salobo, the suspension of operations at Minto and the temporary halting of production at Aljustrel. Attributable production is forecast to increase at Peñasquito as a result of uninterrupted operations and at Voisey's Bay owing to the ongoing transition from the Ovoid pit to the underground mines. Attributable production is forecast to decrease slightly at Salobo owing to lower grades, which are expected to be partially offset by increasing throughput as the Salobo III expansion project continues towards completion. However, we note that – if we are correct in our assumptions about Salobo in Q423 (see Exhibit 4) – then quarterly production at Salobo will have to fall sharply into Q124 and Q224 (see Exhibit 3) for WPM to not exceed its gold production guidance at least. In addition, WPM anticipates that production from the Blackwater and Platreef projects will commence in Q424. As such, we consider the 'risks' to WPM's FY24 guidance to be very much skewed to the upside.

WPM's updated guidance for FY24 and beyond is based on standardised pricing assumptions of US\$2,000/oz gold (cf US\$1,850/oz in FY23), US\$23.00/oz silver (cf US\$24.00/oz), US\$1,000/oz palladium (cf US\$1,800/oz), US\$1,000/oz platinum (cf US\$1,100/oz) and US\$13.00/lb cobalt (cf US\$18.75/lb). Of note is the implied gold/silver ratio of 87.0x, which compares with an equivalent figure of 83.0x in FY23, the current ratio of 90.0x and a long-term average of 60.1x (since gold was demonetised in August 1971). At the updated standardised prices indicated, our production forecast of 613.9koz gold equivalent (GEO or AuE) for FY24 is towards the top end of WPM's guidance range of 550–620koz AuE, although our gold equivalent sales forecast of 558.2koz is towards the bottom end of the same range (see Exhibit 12). This compares with our prior GEO forecast for production in FY24 of 770.9koz (at the prior standardised prices) or 714.8koz (at the updated standardised prices). Stated alternatively, were it not for the change in standardised prices, our FY24 forecast for GEOs produced would have been 40.5koz (or 6.6%) higher at 654.4koz.

Otherwise, readers will note that our longer-term production forecasts are within 2.2% of WPM's guidance for the period FY29–33. However, at the moment, these exclude any contribution from either Kutcho, Fenix or Toroparu or WPM's royalty interests. Note that both our and WPM's estimates necessarily exclude potential future stream acquisitions (of which we expect there to be a number in the time horizon considered).

Global minimum tax (GMT)

In August 2023, the Canadian Department of Finance released draft legislation for a Global Minimum Tax Act, which will introduce a GMT in Canada. In summary, this will entail:

- a 15% domestic minimum top-up tax on the income of Canada-located entities and the permanent establishments of multinationals; and
- a 15% top-up tax on the income of foreign-located entities and permanent establishments of multinationals with Canadian ultimate or intermediate parent entities.

The tax will apply to members of multinational groups that have annual consolidated revenues in excess of €750m, with a business presence in Canada and at least one foreign jurisdiction. As proposed, the Canadian GMT is expected to apply to the fiscal years of those multinationals from 31 December 2023 and, we expect, will be applied to WPM's non-Canadian – or more specifically, its Cayman Islands – earnings (which we estimate at 95% of the total) in FY24.

Currently, the Cayman Islands does not levy corporate tax. As a result, prior to FY24, WPM only paid tax on its domestic Canadian earnings – for these purposes, on its precious metals purchase agreements (PMPAs) at Sudbury and Voisey's Bay. However, owing to the PMPA capital values, – including carried forward losses – we do not expect either of these Canadian assets to be in a taxable position for some time. In due course, these streams will also be joined by those from Blackwater, Marathon, Goose, Kutcho and Kudzu Ze Kayah (and potentially other Canadian mines). In similar fashion, however, these will also not be in a cash taxable position until their capital values have reached zero. As a consequence, we estimate that WPM will not pay tax on its Canadian assets until FY30 and that it will not reflect tax expense at or near its full (effective) rate of 27% until FY34.

By contrast, in FY24, we expect that WPM will become liable for GMT at close to the full rate of 15% on its Cayman Islands earnings (minus the proportion of G&A costs that are recharged from its Vancouver HQ to its Cayman Islands subsidiary). Under IFRS, there is no requirement to account for deferred taxes related to GMT. At the current time, we think that it is highly unlikely that the required Canadian legislation will be in place before the end of March – in which case, WPM's income statement in Q124 will not show any GMT liability. However, we think that it is quite possible that it will be in place by the end of June, in which case the Q224 GMT liability will effectively be a 'double dose' also including the retrospective liability for Q124 back to 1 January 2024. In the first year of operation, the tax will be payable 18 months after the year in which it is incurred (ie mid-2026 for FY24) and, thereafter, every 15 months after the year in which it is incurred – although we recognise that this might move to an instalments-based payments profile in due course. As a result, whereas we had previously forecast a negligible effective rate of tax for WPM into the future, we are now forecasting a rate that will range in scope from 12.9% to 16.3% for the period FY24–35 (all other things being equal).

FY24 guidance and forecasts

Our preliminary quarterly financial forecasts for WPM for FY24 are based on its production guidance for the year (albeit we believe that the 'risks' relating to its guidance are skewed to the upside), recently prevailing metals prices and the (retrospective) imposition of GMT from Q224. While this, in aggregate, has resulted in a 22.0% reduction in our earnings estimates for the year, it is worth noting that 69% of the decline is attributable solely to the new GMT regime and only 31% to other factors:

Exhibit 12: WPM FY24e forecast, by quarter*

US\$000s (unless otherwise stated)	Q124e	Q224e	Q324e	Q424e	FY24e (current)	FY24e (prior)	Change (%)
Silver production (koz)	4,690	5,097	5,099	5,102	19,990	21,327	-6.3
Gold production (oz)	95,932	91,641	90,386	92,041	370,000	435,878	-15.1
Palladium production (oz)	4,209	4,209	4,209	4,209	16,835	30,333	-44.5
Cobalt production (klb)	214	214	214	214	856	2,814	-69.6
Silver sales (koz)	3,985	4,344	4,346	4,993	17,667	21,327	-17.2
Gold sales (oz)	88,899	84,921	83,759	92,020	349,599	435,773	-19.8
Palladium sales (oz)	3,786	3,786	3,786	4,192	15,551	30,212	-48.5
Cobalt sales (klb)	214	214	214	214	856	2,625	-67.4
Avg realised Ag price (US\$/oz)	22.73	22.59	22.59	22.59	22.62	23	-1.7
Avg realised Au price (US\$/oz)	2,029	2,032	2,032	2,032	2,031	1,896	7.1
Avg realised Pd price (US\$/oz)	961	962	962	962	962	961	0.1
Avg realised Co price (US\$/lb)	13.06	12.95	12.95	12.95	12.98	15.16	-14.4
Avg Ag cash cost (US\$/oz)	4.9	4.86	4.86	4.87	4.87	4.73	3.0
Avg Au cash cost (US\$/oz)	443	444	445	445	444	433	2.5
Avg Pd cash cost (US\$/oz)	173	173	173	173	173	173	0.0
Avg Co cash cost (US\$/lb)	2.35	2.33	2.33	2.33	2.34	2.73	-14.3
Sales	277,448	277,101	274,778	306,576	1,135,903	1,385,785	-18.0
Cost of sales							
Cost of sales, excluding depletion	60,076	59,951	59,548	66,488	246,064	307,256	-19.9
Depletion	57,770	57,939	56,404	63,850	235,964	351,634	-32.9
Total cost of sales	117,847	117,890	115,953	130,338	482,028	658,890	-26.8
Earnings from operations	159,601	159,211	158,825	176,237	653,875	726,896	-10.0
Expenses and other income							
– General and administrative**	16,126	18,051	18,051	18,051	70,280	69,972	0.4
– Foreign exchange (gain)/loss	0	0	0	0	0		N/A
– Net interest paid/(received)	1,398	1,398	1,398	1,398	5,591	-991	-664.2
– Other (income)/expense	(10,038)	(9,211)	(7,766)	(6,576)	(33,592)		N/A
Total expenses and other income	7,486	10,238	11,683	12,873	42,280	68,981	-38.7
Earnings before income taxes	152,115	148,973	147,142	163,364	611,595	657,914	-7.0
Income tax expense/(recovery)	84	48,828	24,099	26,416	99,428	1,000	9,842.8
Marginal tax rate (%)	0	33	16	16	16	0.0	N/A
Net earnings	152,031	100,145	123,043	136,948	512,167	656,914	-22.0
Average no. shares in issue (000s)	452,996	452,996	452,996	452,996	452,996	492,996	-8.1
Basic EPS (US\$)	0.336	0.221	0.272	0.302	1.131	1.45	-22.0
Diluted EPS (US\$)	0.334	0.220	0.271	0.301	1.127	1.44	-21.8
DPS (US\$)	0.15	0.15	0.15	0.15	0.60	0.62	-3.2

Source: Wheaton Precious Metals, Edison Investment Research. Note: *Excluding impairments, impairment reversals and exceptional items (except where indicated). **Forecasts include stock-based compensation costs. Totals may not add up owing to rounding.

While lower than our previous forecast, our updated adjusted basic EPS forecast of US\$1.13 per share for FY24 is nevertheless near to consensus, as shown below:

Exhibit 13: WPM FY24 consensus EPS forecasts (US\$/share), by quarter

	Q124e	Q224e	Q324e	Q424e	Sum Q1–Q424e	FY24e
Edison forecasts	0.336	0.221	0.272	0.302	1.131	1.13
Mean consensus	0.250	0.250	0.270	0.280	1.05	1.15
High consensus	0.300	0.320	0.340	0.350	1.31	1.48
Low consensus	0.210	0.150	0.200	0.230	0.79	0.80

Source: Refinitiv, Edison Investment Research. Note: At 11 March 2024.

Valuation

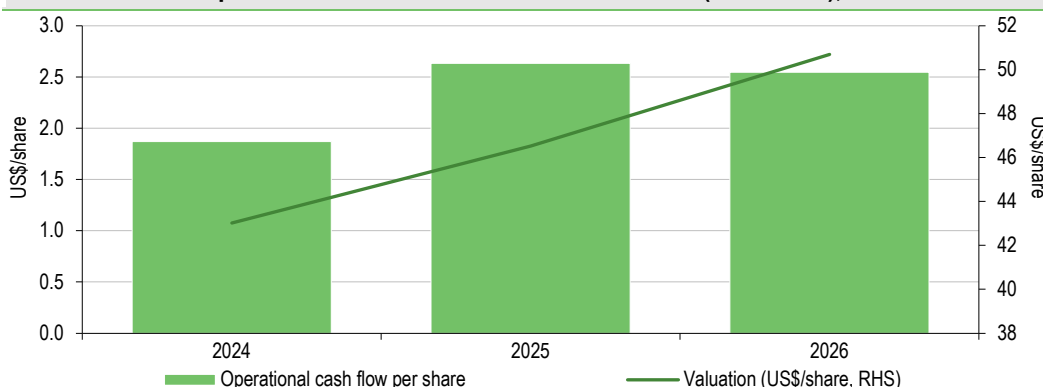
Absolute

WPM is a multi-asset company that has shown a willingness and desire to buy streams in the past to maintain production and maximise shareholder returns. As a result, rather than our customary method of discounting maximum potential dividends over the life of operations back to FY24, in the

case of WPM (as with Newmont and Endeavour), we discount forecast cash flows back over three years to the start of FY24 and then apply an ex-growth terminal multiple to forecast cash flows in that year (ie FY26) based on the appropriate discount rate.

Relative to our [previous note](#) published on 20 November 2023, the principal change to our financial model has been the imposition of GMT from Q224. As a consequence of this change, our estimate of WPM's 'terminal' cash flow in FY26 has decreased by 14.2%, from US\$2.96 per share to US\$2.54 per share – with the majority of the decline being attributable to GMT.

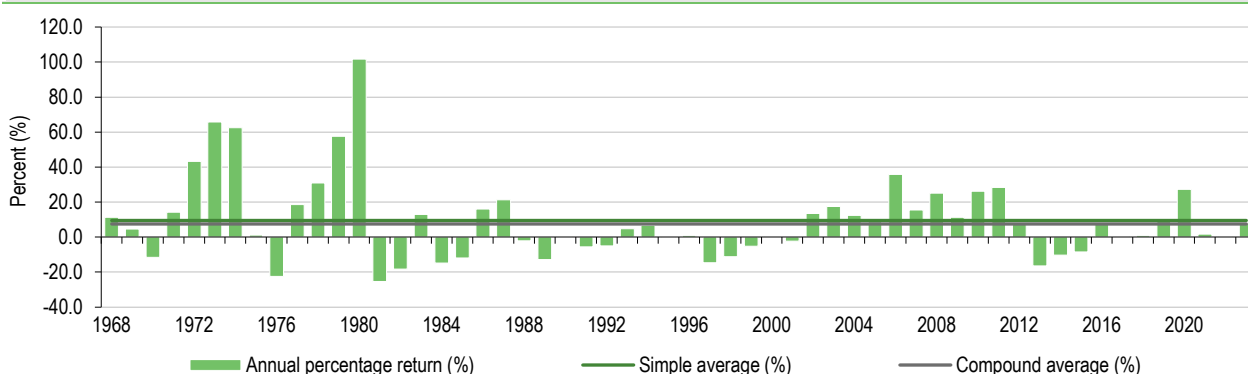
Exhibit 14: WPM operational cash flow and related valuation (US\$/share), FY24–26



Source: Edison Investment Research. Note: Valuation line assumes cash flow per share growth rate of 4% pa post-FY26 in nominal terms, which equals the average US rate of CPI inflation since 1972 (ie 0% pa growth in real terms).

Assuming 4% growth in nominal cash flows beyond FY26 (ie 0% growth in real cash flows) and applying a discount rate of 9% (being the expected long-term required nominal equity return), our 'terminal' valuation of the company at end-FY26 is US\$52.72 per share (cf US\$61.41/share previously), or C\$71.19 per share. However, it should be noted that this valuation is inherently conservative in that it assumes zero growth in (real) cash flows beyond FY26. This is inconsistent with the gold price, which has risen at a compound average annual growth rate of 7.4% per year from 1967 to 2023, a simple average annual growth rate of 9.3% per year (cf a compound average inflation rate over the same period of 4.0%) and a compound average real annual growth rate of 3.0% per year.

Exhibit 15: Gold price annual performance, 1968–2023



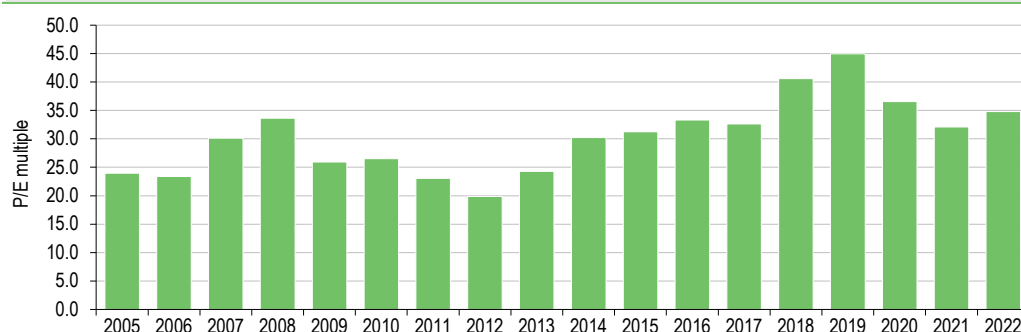
Source: Edison Investment Research (underlying data: US Bureau of Labor Statistics, Bloomberg, South African Chamber of Mines)

It is also inconsistent with WPM's longer-term historical performance, wherein operational cash flows have increased at a compound average annual growth rate of 20.8% pa for the 17 years between FY05 and FY22, while its operational cash flows per share have increased at a compound average annual growth rate of 13.9% pa.

Historical

Excluding FY04 (part-year), WPM's shares have historically traded on an average P/E multiple of 30.4x current year basic underlying EPS, excluding impairments (cf 38.2x Edison and 39.2x Refinitiv consensus FY23e currently – see Exhibit 17).

Exhibit 16: WPM's average historical current year P/E multiples, 2005–22



Source: Average share price data Bloomberg, Edison Investment Research calculations

Applying this 30.4x multiple to our updated EPS forecast of US\$1.60 in FY26 (cf US\$2.01/share previously – again with the majority of the decline attributable to the imposition of GMT) implies a potential value per share for WPM of US\$48.77 (cf US\$61.19 previously) or C\$65.86 in that year.

Relative

From a relative perspective, WPM's valuation compares as follows to its most prominent peers:

Exhibit 17: WPM comparative valuation versus a sample of operating and royalty/streaming companies

	P/E (x)			Yield (%)			P/CF (x)		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Royalty companies									
Franco-Nevada		35.9	30.4		1.3	1.3		25.8	22.0
Royal Gold		27.7	23.6		1.4	1.5		16.1	13.7
Sandstorm Gold		66.6	33.3		1.3	1.3		14.3	12.0
Osisko		39.0	31.6		1.0	1.0		22.1	19.3
Average	N/A	42.3	29.7	N/A	1.3	1.3	N/A	19.6	16.7
WPM (Edison forecasts)	38.2	39.5	29.9	1.3	1.3	1.6	26.8	23.9	17.0
WPM (consensus)	39.2	38.9	34.8	1.4	1.1	1.2	27.9	25.8	23.3

Source: Refinitiv, Edison Investment Research. Note: Peers priced on 11 March 2024.

Of note are the relatively slow pace of earnings and cash flow increases implied by the market's consensus multiples between years two and three (ie FY24 and FY25) when we anticipate that the company will have begun an aggressive upward trajectory in both GEOs produced and EPS and cash flows per share. This could be explained either by the market's anticipating a slower ramp-up in production or that the ramp-up will be partially offset by lower metals prices. Also of note is the market's lower forecast yields for WPM in years two and three compared with year one, which seems to imply that it believes that WPM will cut its dividend – a contingency that we would regard as highly unlikely, except in extenuating circumstances (eg materially lower precious metals prices).

Financials: End-Q3 US\$1.83/share in net cash

As at 30 September, WPM had US\$833.9m in cash on its balance sheet and no debt outstanding under its US\$2bn revolving credit facility. As such (including a modest US\$6.2m in lease liabilities), it had US\$827.7m in net cash overall after generating US\$171.1m in operating cash flow, investing US\$98.9m and paying out US\$67.0m in dividends during the quarter. In Q4, we estimate that WPM

will have generated a near-record c US\$225.5m from operating activities (before working capital changes), but that its net cash position will have declined to US\$592.3m – principally on account of the payment of a US\$370m instalment to Vale in respect of Salobo III's successfully concluded completion test during the quarter.

Exhibit 18: WPM cash, net cash and operating cash flow, by quarter, Q420–Q423e

(US\$m)	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423e
Cash/(debt)	192.7	191.2	235.4	372.5	226.0	376.2	448.6	494.6	696.1	799.7	828.8	833.9	598.5
Net cash/(debt)	6.0	187.7	232.1	369.4	223.2	373.5	446.2	492.5	694.1	797.9	822.3	827.7	592.3
Operating cash flow	208.0	232.2	216.3	201.3	195.3	210.5	206.4	154.5	172.0	135.1	202.4	171.1	225.5

Source: Wheaton Precious Metals

In addition, WPM has long-term investments, in the form of equity share- and warrant-holdings, in listed companies in the sum of US\$200.9m as at 30 September, or the equivalent of US\$0.56/share.

For FY23 as a whole, we estimate that WPM will have generated US\$754.4m from operating activities (after working capital), before consuming US\$584.5m in investing activities (excluding dividends received) and paying out up to US\$271.7m in forecast dividends. However, readers should note that the timing of PMPA payments is uncertain and, inasmuch as investments are advanced or delayed, it is possible that WPM could register either a larger or smaller net cash position on its balance sheet by the year end. Either way, all other things being equal, in the absence of any major new asset acquisitions, we do not expect that WPM will require recourse to its debt facilities at any point in the foreseeable future.

Exhibit 19: Financial summary

	\$000s	2020	2021	2022	2023e	2024e	2025e
Dec		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		1,096,224	1,201,665	1,065,053	1,008,873	1,135,903	1,606,675
Cost of Sales		(266,763)	(287,947)	(267,621)	(228,231)	(246,064)	(345,596)
Gross Profit		829,461	913,718	797,432	780,641	889,839	1,261,079
EBITDA		763,763	852,733	735,245	709,284	819,559	1,190,799
Operating profit (before amort. and excepts.)		519,874	597,940	503,293	499,498	583,595	783,709
Intangible Amortisation		0	0	0	0	0	0
Exceptionals		4,469	162,806	164,214	(13,192)	0	0
Other		387	190	7,680	36,787	33,592	0
Operating Profit		524,730	760,936	675,187	523,094	617,186	783,709
Net Interest		(16,715)	(5,817)	(5,586)	(5,591)	(5,591)	583
Profit Before Tax (norm)		503,546	592,313	505,387	530,694	611,595	784,292
Profit Before Tax (FRS 3)		508,015	755,119	669,601	517,502	611,595	784,292
Tax		(211)	(234)	(475)	(576)	(99,428)	(108,282)
Profit After Tax (norm)		503,335	592,079	504,912	530,118	512,167	676,010
Profit After Tax (FRS 3)		507,804	754,885	669,126	516,926	512,167	676,010
Average Number of Shares Outstanding (m)		448.7	450.1	451.6	452.8	453.0	453.0
EPS - normalised (c)		112	132	112	117	113	149
EPS - normalised and fully diluted (c)		112	131	112	117	113	149
EPS - (IFRS) (c)		113	168	148	114	113	149
Dividend per share (c)		42	57	60	60	60	73
Gross Margin (%)		75.7	76.0	74.9	77.4	78.3	78.5
EBITDA Margin (%)		69.7	71.0	69.0	70.3	72.2	74.1
Operating Margin (before GW and except.) (%)		47.4	49.8	47.3	49.5	51.4	48.8
BALANCE SHEET							
Fixed Assets		5,755,441	6,046,427	6,039,813	6,414,555	7,022,399	7,114,117
Intangible Assets		5,521,632	5,940,538	5,753,111	6,119,742	6,727,586	6,819,304
Tangible Assets		33,931	44,412	30,607	32,377	32,377	32,377
Investments		199,878	61,477	256,095	262,436	262,436	262,436
Current Assets		201,831	249,724	720,093	602,157	334,965	700,450
Stocks		3,265	12,102	13,817	2,374	2,673	3,780
Debtors		5,883	11,577	10,187	5,528	6,224	8,804
Cash		192,683	226,045	696,089	594,255	326,069	687,866
Other		0	0	0	0	0	0
Current Liabilities		(31,169)	(29,691)	(30,717)	(29,090)	(29,945)	(34,717)
Creditors		(30,396)	(28,878)	(29,899)	(28,272)	(29,127)	(33,899)
Short term borrowings		(773)	(813)	(818)	(818)	(818)	(818)
Long Term Liabilities		(211,532)	(16,343)	(11,514)	(11,514)	(110,942)	(219,223)
Long term borrowings		(197,864)	(2,060)	(1,152)	(1,152)	(1,152)	(1,152)
Other long term liabilities		(13,668)	(14,283)	(10,362)	(10,362)	(109,790)	(218,071)
Net Assets		5,714,571	6,250,117	6,717,675	6,976,108	7,216,478	7,560,627
CASH FLOW							
Operating Cash Flow		784,843	851,686	749,429	762,380	853,011	1,191,884
Net Interest		(16,715)	(5,817)	(5,586)	(5,591)	(5,591)	583
Tax		(2,686)	(503)	34	(576)	0	0
Capex		149,648	(404,437)	(44,750)	(586,362)	(843,809)	(498,809)
Acquisitions/disposals		0	0	0	0	0	0
Financing		22,396	7,992	10,171	0	0	0
Dividends		(167,212)	(218,052)	(237,097)	(271,685)	(271,798)	(331,862)
Net Cash Flow		770,274	230,869	472,201	(101,834)	(268,186)	361,797
Opening net debt/(cash)		774,766	5,954	(223,172)	(694,119)	(592,285)	(324,099)
HP finance leases initiated		0	0	0	0	0	0
Other		(1,462)	(1,743)	(1,254)	0	0	0
Closing net debt/(cash)		5,954	(223,172)	(694,119)	(592,285)	(324,099)	(685,896)

Source: Company accounts, Edison Investment Research

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