

Wheaton Precious Metals

Refining forecasts

Wheaton's (WPM's) Q123 results are scheduled for 4 May. Ahead of their release, we have refined our forecasts to reflect, principally, a hiatus in mining the high-grade Pampacancha pit at Constancia, owing to regional road blockades (announced by Hudbay, on 30 March) and the suspension of production from the lower levels of the Stillwater West mine by Sibanye-Stillwater for around four weeks, following damage to shaft infrastructure during non-routine maintenance (announced on 13 March). We have also updated our estimates for actual cf forecast, precious metals prices.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/21	1,201.7	592.1	132	57	38.4	1.1
12/22	1,065.1	497.7	112	60	45.3	1.2
12/23e	1,142.9	576.5	131	60	38.8	1.2
12/24e	1,364.0	632.1	140	62	36.3	1.2

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

Temporary production disruptions

Production from the Stillwater West mine (below 50 level) will be suspended until remediation is complete, resulting in c 25–30k fewer ounces of palladium and platinum production for the year. Access to the upper levels of the Stillwater West mine (above 50 level) and the Stillwater East mine have been unaffected, as have operations at East Boulder. In the meantime, mining of higher-grade ore at Pampacancha is now expected in Q223. Note: we have left our forecasts for Salobo unchanged after Vale's Q1 production and sales report released on 18 April.

Precious metals prices continue to rise

In addition to our production refinements, we now assume that gold will remain at US\$2,006/oz for the remainder of the year (cf US\$1,868/oz previously), silver will remain at US\$25.19/oz (cf 21.54/oz), palladium will remain at US\$1,635/oz (cf US\$1,462/oz) and cobalt will remain at US\$15.84/lb (cf US\$15.50/lb). As a consequence of our refinements, we have reduced our EPS forecast for Q123 by 6.3%, but increased it for FY23 by 13.9%.

Valuation: Cheaper than its peers 69% of the time

Using a capital asset pricing model (CAPM)-type method, whereby we discount cash flows at a nominal 9.0% per year, our 'terminal' valuation of WPM in FY26 is little changed at US\$53.37 (C\$71.40) per share, assuming zero subsequent long-term growth in real cash flows. Alternatively, assuming no purchases of additional streams (which we think unlikely), we calculate a value per share for WPM of US\$54.58, or C\$73.02 or £43.83 in FY26, based on a 30.4x historical multiple of contemporary earnings. In the meantime, WPM's shares are trading on near-term financial ratios that are lower than those of its peers on 69% of common valuation measures if Edison forecasts are used or 61% if consensus forecasts are used. If WPM's shares were instead to trade at the average level of its peers, we calculate that its FY23 share value would be US\$56.60, or C\$75.73 or £45.45 (based on Edison forecasts).

Q123 results preview

Metals and mining

20 April 2023

Price **C\$67.85**

Market cap **C\$30,690m**

C\$1.3379/US\$, US\$1.2453/£

Cash (US\$m) at end-December 696.1
(excluding US\$2.0m in lease liabilities)

Shares in issue 452.3m

Free float 100.0%

Code WPM

Primary exchange TSX

Secondary exchange LSE, NYSE

Share price performance



% 1m 3m 12m

Abs 6.5 9.3 3.4

Rel (local) (0.2) 7.5 10.1

52-week high/low C\$69.64 C\$39.11

Business description

Wheaton Precious Metals (WPM) 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

Q123 results 4 May 2023

Q223 results 10 August 2023

Q323 results 9 November 2023

Q423/FY23 results March 2024

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Q123 and FY23 forecast update

In the light of our refinements, we have updated our FY23 quarterly forecasts for WPM as follows:

Exhibit 1: WPM FY23 forecast, by quarter*

US\$000s (unless otherwise stated)	Q123e (prior)	Q123e	Q223e (prior)	Q2233	Q323e (prior)	Q323e	Q423e (prior)	Q423e	FY23e	FY23 (prior)
Silver production (koz)	5,000	4,723	5,000	4,723	5,000	4,723	5,000	4,723	18,894	20,000
Gold production (oz)	69,371	66,014	85,746	85,746	87,149	87,149	97,005	97,005	335,914	339,271
Palladium production (koz)	3,871	3,276	3,871	3,514	3,871	3,871	3,871	3,871	14,532	15,484
Cobalt production (klb)	113	113	201	201	289	204	377	204	721	980
Silver sales (koz)	4,409	4,165	5,000	4,723	5,000	4,723	5,000	4,723	18,336	19,409
Gold sales (oz)	64,824	61,687	85,725	85,725	87,128	87,128	96,984	96,984	331,524	334,661
Palladium sales (oz)	3,298	2,791	3,856	3,500	3,856	3,856	3,856	3,856	14,002	14,865
Cobalt sales (klb)	104	104	201	201	289	204	377	204	712	971
Avg realised Ag price (US\$/oz)	22.28	22.55	21.54	25.16	21.54	25.19	21.54	25.19	24.58	21.71
Avg realised Au price (US\$/oz)	1,872	1,891	1,868	2,006	1,868	2,006	1,868	2,006	1,985	1,869
Avg realised Pd price (US\$/oz)	1,574	1,567	1,462	1,606	1,462	1,635	1,462	1,635	1,614	1,487
Avg realised Co price (US\$/lb)	18.22	18.16	15.50	15.84	15.50	15.84	15.50	15.84	16.18	15.79
Avg Ag cash cost (US\$/oz)	4.97	5.00	4.93	5.12	4.93	5.12	4.94	5.13	5.10	4.94
Avg Au cash cost (US\$/oz)	469	472	459	463	458	461	454	457	462	459
Avg Pd cash cost (US\$/oz)	283	282	263	289	263	294	263	294	291	268
Avg Co cash cost (US\$/lb)	3.28	3.27	2.79	2.85	2.79	2.85	2.79	2.85	2.91	2.84
Sales	226,672	216,843	276,584	299,664	280,571	303,291	300,349	323,062	1,142,859	1,084,176
Cost of sales										
Cost of sales, excluding depletion	53,570	51,109	65,617	65,404	66,400	66,086	70,800	70,248	252,847	256,387
Depletion	48,861	46,087	61,719	59,625	64,070	60,945	70,216	65,882	232,538	244,865
Total cost of sales	102,430	97,196	127,336	125,029	130,470	127,031	141,016	136,130	485,386	501,253
Earnings from operations	124,242	119,647	149,248	174,635	150,101	176,260	159,333	186,931	657,474	582,924
Expenses and other income										
– General and administrative**	19,363	21,557	17,488	18,627	17,488	17,488	17,488	17,488	75,159	71,825
– Foreign exchange (gain)/loss									0	0
– Net interest paid/(received)	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	5,817	5,817
– Other (income)/expense	(5,492)	-5,492	(4,756)	-4,676	(3,255)	-3,347	(2,305)	-2,575	-16,090	(15,808)
Total expenses and other income	15,325	17,520	14,186	15,405	15,686	15,595	16,637	16,366	64,886	61,834
Earnings before income taxes	108,917	102,128	135,062	159,230	134,415	160,665	142,696	170,565	592,588	521,089
Income tax expense/(recovery)	250	250	250	250	250	250	250	250	1,000	1,000
Marginal tax rate (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Net earnings	108,667	101,878	134,812	158,980	134,165	160,415	142,446	170,315	591,588	520,089
Average no. shares in issue (000s)	452,319	452,319	452,319	452,319	452,319	452,319	452,319	452,319	452,319	452,319
Basic EPS (US\$)	0.240	0.225	0.298	0.351	0.297	0.355	0.315	0.377	1.31	1.15
Diluted EPS (US\$)	0.239	0.224	0.297	0.350	0.295	0.353	0.314	0.375	1.30	1.15
DPS (US\$)	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.60	0.60

Source: WPM accounts, Edison Investment Research. Note: *Excluding impairments, impairment reversals and exceptional items.

**Forecasts now include stock-based compensation costs. Totals may not add up owing to rounding.

Our updated basic EPS forecast of US\$1.31/share for FY23 compares with the consensus as follows:

Exhibit 2: WPM FY23 consensus EPS forecasts (US\$/share), by quarter

	Q123e	Q223e	Q323e	Q423e	Sum Q1–Q423e	FY23e
Edison forecasts	0.225	0.351	0.355	0.377	1.308	1.31
Mean consensus	0.28	0.29	0.31	0.32	1.20	1.18
High consensus	0.33	0.37	0.39	0.39	1.48	1.48
Low consensus	0.23	0.21	0.25	0.25	0.94	0.91

Source: Refinitiv, Edison Investment Research. Note: As at 18 April 2023.

Exhibit 3: Financial summary

	\$000s	2020	2021	2022	2023e	2024e	2025e
Year-end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		1,096,224	1,201,665	1,065,053	1,142,859	1,363,969	1,561,629
Cost of Sales		(266,763)	(287,947)	(267,621)	(252,847)	(315,558)	(355,375)
Gross Profit		829,461	913,718	797,432	890,012	1,048,411	1,206,254
EBITDA		763,763	852,733	735,245	814,853	973,252	1,131,095
Operating profit (before amort. and excepts.)		519,874	597,940	503,293	582,315	631,669	778,602
Intangible Amortisation		0	0	0	0	0	0
Exceptionals		4,469	162,806	164,214	0	0	0
Other		387	190	7,680	16,090	0	0
Operating Profit		524,730	760,936	675,187	598,405	631,669	778,602
Net Interest		(16,715)	(5,817)	(5,586)	(5,817)	463	505
Profit Before Tax (norm)		503,159	592,123	497,707	576,498	632,132	779,107
Profit Before Tax (FRS 3)		508,015	755,119	669,601	592,588	632,132	779,107
Tax		(211)	(234)	(475)	(1,000)	(1,000)	(1,000)
Profit After Tax (norm)		503,335	592,079	504,912	591,588	631,132	778,107
Profit After Tax (FRS 3)		507,804	754,885	669,126	591,588	631,132	778,107
Average Number of Shares Outstanding (m)		448.7	450.1	451.6	452.3	452.3	452.3
EPS - normalised (c)		112	132	112	131	140	172
EPS - normalised and fully diluted (c)		112	131	112	130	139	171
EPS - (IFRS) (c)		113	168	148	131	140	172
Dividend per share (c)		42	57	60	60	62	72
Gross Margin (%)		75.7	76.0	74.9	77.9	76.9	77.2
EBITDA Margin (%)		69.7	71.0	69.0	71.3	71.4	72.4
Operating Margin (before GW and except.) (%)		47.4	49.8	47.3	51.0	46.3	49.9
BALANCE SHEET							
Fixed Assets		5,755,441	6,046,427	6,039,813	6,811,241	7,138,780	6,793,087
Intangible Assets		5,521,632	5,940,538	5,753,111	6,524,539	6,852,078	6,506,385
Tangible Assets		33,931	44,412	30,607	30,607	30,607	30,607
Investments		199,878	61,477	256,095	256,095	256,095	256,095
Current Assets		201,831	249,724	720,093	268,415	292,962	1,091,155
Stocks		3,265	12,102	13,817	2,689	3,209	3,674
Debtors		5,883	11,577	10,187	6,262	7,474	8,557
Cash		192,683	226,045	696,089	259,464	282,279	1,078,924
Other		0	0	0	0	0	0
Current Liabilities		(31,169)	(29,691)	(30,717)	(30,270)	(33,276)	(35,186)
Creditors		(30,396)	(28,878)	(29,899)	(29,452)	(32,458)	(34,368)
Short term borrowings		(773)	(813)	(818)	(818)	(818)	(818)
Long Term Liabilities		(211,532)	(16,343)	(11,514)	(11,514)	(11,514)	(11,514)
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)	(10,362)	(10,362)
Net Assets		5,714,571	6,250,117	6,717,675	7,037,872	7,386,951	7,837,543
CASH FLOW							
Operating Cash Flow		784,843	851,686	749,429	845,549	974,526	1,131,456
Net Interest		(16,715)	(5,817)	(5,586)	(5,817)	463	505
Tax		(2,686)	(503)	34	(1,000)	(1,000)	(1,000)
Capex		149,648	(404,437)	(44,750)	(1,003,966)	(669,122)	(6,800)
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)	(271,391)	(282,053)	(327,515)
Net Cash Flow		770,274	230,869	472,201	(436,625)	22,815	796,645
Opening net debt/(cash)		774,766	5,954	(223,172)	(694,119)	(257,494)	(280,309)
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)	(257,494)	(280,309)	(1,076,954)

Source: Company sources, Edison Investment Research.

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