

Wheaton Precious Metals

Q4'23 results: robust balance sheet and cash generation drives 3% dividend bump

Maintain Rating: BUY | PO: 56.00 USD | Price: 45.02 USD

Switch to “progressive” dividend should be well received

Wheaton Precious Metals (WPM) reported Q4'23 financial results after pre-reporting Q4'23 production and sales volumes (link: [WPM 21-Feb-24](#)). EPS beat both BofAe (on revenue mix and lower depreciation) and consensus. WPM reported updated attributable reserves and resources, and reserves, on a gold equivalent ounce (GEO) basis, were up 10%. The dividend was increased by 3% with WPM transitioning to a progressive dividend policy that we think will be preferred by investors given increased certainty and the potential for more aggressive increases. Recently issued GEO production guidance was reiterated. We maintain our Buy rating given WPM's robust growth prospects, strong forecast free cash flow generation, and uniquely higher than peer silver exposure.

Adjusted EPS above BofAe and consensus

WPM reported Q4'23 adjusted EPS of \$0.36 above versus BofAe at \$0.34, Bloomberg consensus at \$0.32 and Visible Alpha (VA) at \$0.34. Versus BofAe, the beat was driven by lower-than-expected operating costs (a function of the mix of stream revenue by asset) and depreciation. WPM had pre-reported Q4'23 production and sales volumes. Versus consensus, the beat appears to be top-line driven given Q4'23A revenues of \$313.5mn vs. Bloomberg at \$290.7mn, and VA at \$301.5mn. Q4'23 cash flow from operations was \$242 million (mn), 8% above BofAe at \$225mn, and also 8% above VA consensus at \$224mn. See Exhibit 1 on page 2 for a summary of Q4'23 results.

Strong liquidity position, dividend raised and re-imagined

As of 31-Dec-23 WPM held net cash of \$547mn vs. net cash of \$834mn as at 30-Sep-23. The decline in net cash is largely due to \$452mn of cash payments made in Q4'23, including \$45mn for the Blackwater project, \$17mn for Cangrejos, \$20mn for Curraghinalt, and \$370mn for the Salobo III expansion. WPM has no debt on the balance sheet. Combined with \$2 billion (bn) available under the revolver, WPM is well funded for future commitments as well as the acquisition of new streams and the dividend. WPM increased its quarterly dividend to \$0.155 per share (from \$0.15 previously), marking a 3% increase. WPM will be transitioning away from its prior dividend policy (30% of the average previous 4 quarters operating cash flows) to a progressive policy, which we interpret to mean consistent with the potential for at least annual increases.

GEO reserves up 10%, guidance reiterated

WPM also reported attributable reserves and resources. GEO reserves were up 10% to 21.6 million ounces (Moz) from 19.6Moz prior, which includes gold-only reserves of 15.1 Moz (up 12% year-over-year) and silver-only reserves of 484.7Moz (unchanged year-over-year). WPM reiterated its prior guidance calling for volumes of 550,000-620,000 GEOs for 2024 as well as the longer-term outlook which targets 800,000 GEOs by 2028, and average annual production of 850,000 GEOs from 2029-2033.

14 March 2024

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Stock Data

Price	45.02 USD
Price Objective	56.00 USD
Date Established	3-Mar-2024
Investment Opinion	B-1-7
52-Week Range	38.37 USD - 52.76 USD
Mrkt Val (mn) / Shares Out (mn)	20,397 USD / 453.1
Free Float	99.8%
Average Daily Value (mn)	110.14 USD
BofA Ticker / Exchange	WPM / NYS
Bloomberg / Reuters	WPM US / WPM.N
ROE (2023E)	7.6%
Net Dbt to Eqty (Dec-2022A)	-10.4%
ESGMeter™	Medium

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Q4'23 results review

Exhibit 1: WPM Q4'23 Results Review

WPM reported adjusted EPS of \$0.36 versus BofA at \$0.34, Bloomberg consensus at \$0.32 and Visible Alpha consensus at \$0.34.

	Q4'23A	Q4'22A	YoY	Q3'23A	QoQ	BofA Q4'23E	Δ%	Bloomberg Q4'23E	Δ%	VA Consensus	Δ%
Q4 2023 Results											
Sales	313.5	236.0	33%	223.1	40%	321.0	-2%	290.7	8%	301.5	4%
Operating costs	67.9	61.7	10%	49.8	36%	73.7	-8%	67.8	0%	133.1	-49%
EBITDA	227.6	152.6	49%	158.7	43%	232.0	-2%	212.5	7%	218.7	4%
Depreciation	68.5	53.1	29%	46.4	48%	72.2	-5%	64	8%	65.6	4%
Adjusted EPS (US\$/sh)	0.36	0.23	58%	0.27	36%	0.34	8%	0.32	12%	0.34	8%
Cash flow from operations (US\$m)	242.2	171.9	41%	171.1	42%	224.8	8%	NA		224.1	8%
GEOs produced	174,222	148,323	17%	154,800	13%	175,847	-1%	NA		NA	
GEOs sold	162,360	142,190	14%	119,030	36%	162,360	0%	NA		NA	
Attributable Production breakdown											
Gold (oz)	113,359	70,099	62%	105,436	8%	112,950	0%	NA		112,224	1%
Silver (oz)	4,208,000	5,573,600	-25%	3,363,000	25%	4,344,000	-3%	NA		5,107,898	-18%
GEOs produced	174,222	148,323	17%	154,800	13%	175,847	-1%	NA		NA	
GEOs sold	162,360	142,190	14%	119,030	36%	162,360	0%	NA		NA	
Top assets by revenue											
Salobo	153.7	70.9	117%	86.4	78%	136.3	13%	128.2	20%	137.7	12%
Constancia	55.8	19.0	194%	34.5	62%	58.1	-4%	41.2	35%	49.6	12%
Antamina	26.0	23.7	10%	18.9	38%	22.7	15%	24.8	5%	23.2	12%
San Dimas	21.0	18.9	11%	18.8	11%	24.2	-13%	19.4	8%	20.9	0%
Penasquito	10.5	43.9	-76%	10.8	-2%	11.3	-7%	20.2	-48%	16.5	-36%
Other	46.3	59.7	-22%	53.7	-14%	68.4	-32%	57.0	-19%	53.5	-13%

Source: BofA Global Research, Bloomberg, Visible Alpha, Company Reports

BofA GLOBAL RESEARCH

Price objective basis & risk

Wheaton Precious Metals (WPM)

Our price objective for Wheaton is \$56.00 per share, and is based on the stock trading at 2.50x times our estimated net asset value (NAV). Our NAV per share is based on a 5 percent discount rate. Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with a median of 2.00 times longer-term (1.50 times in the last three years), and with royalty/streaming companies occupying the upper end of the range.

Risks to our price objective for Wheaton are continued commodity price weakness, unforeseen operating problems at the mines on which its silver streams are based, financing challenges, political or legal challenges in the regions in which the mines operate, and delays in the development of projects for which the company silver streams.

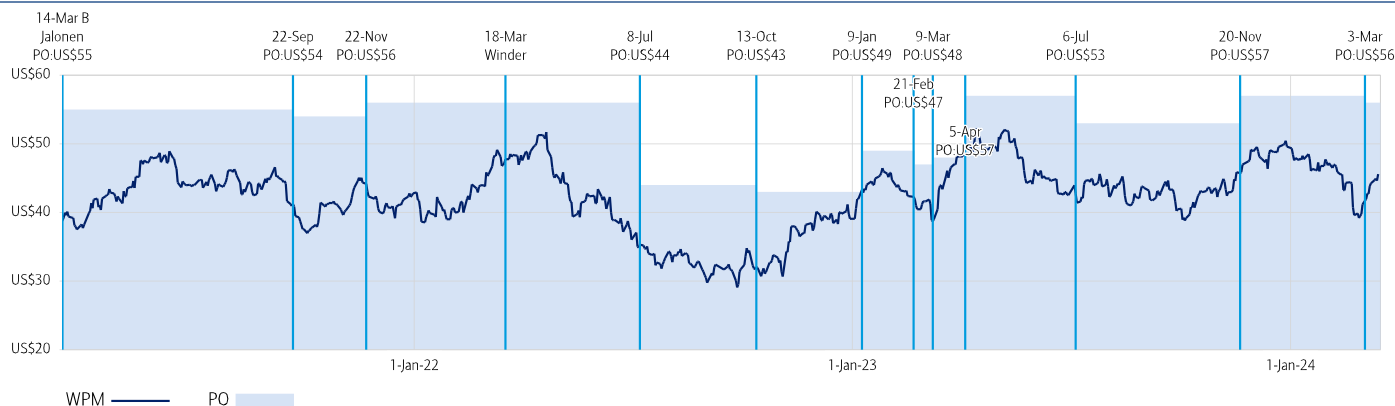
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Wheaton Precious (WPM) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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