Wheaton Precious Metals

Q1 results

Formerly Silver Wheaton (SLW)

Metals & mining

Wheaton Precious Metal's Q117 results were closely aligned with our prior expectations with the single exception that there was a 1.3Moz under-sale of silver relative to production, resulting in a temporary inventory build at the end of March. For the second quarter in succession, therefore, gold sales exceeded silver sales. Nevertheless, net earnings for the quarter were US$61.2m versus our expectation of US$61.4m.

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	648.7	223.6	53	20	40.2	0.9
12/16	891.6	269.8	62	21	34.3	1.0
12/17e	859.6	278.1	63	27	33.8	1.3
12/18e	951.8	396.7	90	28	23.7	1.3

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

Name change to reflect new reality

On 10 May, shareholders voted to change the company's name from Silver Wheaton to Wheaton Precious Metals (WPM) to better reflect its asset mix. The change became effective on 16 May. Concurrently, it also changed its TSX and NYSE tickers from SLW to WPM and its web domain to www.wheatonpm.com.

Material gearing to a normalisation of the silver price

Our earnings forecasts for FY18 are high relative to the consensus EPS of 78c, despite relatively conservative production expectations. As such, they almost exclusively demonstrate WPM's operational gearing to (in this case) a normalisation of the silver price relative to the gold price from its current, almost unprecedented Au/Ag ratio of 75.2x to a more typical 56.6x.

…and the potential expansion of Salobo (*inter alia*)

In the event that Salobo is expanded from 24Mtpa to 48Mtpa by 1 January 2021, we estimate that it would increase our estimate of WPM's EPS in FY20 by 16%, or US$0.22/share.

Valuation: 25.7% IRR in US$ over four years predicted

Assuming no material purchases of additional streams (which is unlikely), we forecast a per share value for WPM of US$37.52, or C$51.25 (vs US$36.66, or C$49.00, previously), in FY20 (at average precious metals prices of US$23.98/oz Ag and US$1,362/oz Au), implying a 25.7% pa total internal rate of return for investors in US dollar terms over the next four years. These valuations rise to US$43.31, C$59.16 and 29.7% in the event that Vale doubles Salobo's processing capacity within that same time frame. In the meantime, WPM's shares are trading on near-term financial ratios that are lower than those of its royalty/streaming 'peers' in at least 91% of measures considered, and the miners themselves in at least 50%, despite being associated with materially less operating and cost risk (see Exhibit 5). Additional potential upside then exists in the form of the optionality provided by the development of major assets such as Pascu-Lama.

18 May 2017

Price	**C$29.08**
Market cap	**C$12,838m**
	C$1.3660/US$
Net debt (US$m) at 31 March 2017	*980.2
*Ex-dividend	
Shares in issue	441.5m
Free float	100%
Code	WPM (formerly SLW)
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance

%	1m	3m	12m
Abs	(0.8)	3.1	11.6
Rel (local)	1.9	6.9	1.7
52-week high/low		C$39.7	C$22.8

Business description

Wheaton Precious Metals is the world's pre-eminent pure precious metals streaming company, with c 30 high-quality, precious metals streaming and early deposit agreements relating to assets in Mexico, Peru, Canada, Brazil, Chile, Argentina, Sweden, Greece, Portugal, the US and Guyana.

Next events

Q217 results	August 2017
Q317 results	October 2017

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Edison profile page

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Q117 in perspective

Wheaton Precious's results in Q117 were closely aligned with our prior expectations (see our report, *Silver Wheaton – What a difference a quarter makes*, published on 29 March 2017) with the single exception of the fact that there was a 19.8% (or 1.3Moz) under-sale of silver relative to production, resulting in a temporary inventory build as at 31 March. Note that, during the course of a year, WPM almost invariably experiences one quarter of inventory build, which is then, typically, 'flushed through' in the final quarter. While revenues were therefore 7.8% below our expectation for the quarter, this was almost exactly offset by a similar reduction in costs, such that net earnings were only 0.3% (or US$0.2m) below our published estimate, at US$61.2m. Moreover, management declared a relatively generous second quarter dividend of 7c/share cf our prior expectation of 6c/share. For the second quarter in succession, gold sales exceeded silver sales, (in this case) in the ratio 54:46.

Exhibit 1: Wheaton Precious Metals Q117 vs Q117e and Q416*

US$000s (unless otherwise stated)	Q116	Q216	Q316	Q416	Q117e	Q117	Chg** (%)	Diff*** (%)
Silver production (koz)	7,570	7,581	7,651	7,589	6,467	6,513	-14.2	0.7
Gold production (oz)	64,942	70,249	109,193	107,332	83,765	84,863	-20.9	1.3
AgE production (koz)	12,733	12,852	15,084	15,218	12,564	12,454	-18.2	-0.9
Silver sales (koz)	7,552	7,142	6,122	7,506	6,467	5,225	-30.4	-19.2
Gold sales (oz)	65,258	70,757	85,063	108,931	83,765	88,397	-18.9	5.5
AgE sales (koz)	12,759	12,451	11,913	15,249	12,564	11,412	-25.2	-9.2
Avg realised Ag price (US$/oz)	14.68	17.18	19.53	16.95	17.41	17.45	2.9	0.2
Avg realised Au price (US$/oz)	1,175	1,267	1,336	1,205	1,218	1,208	0.2	-0.8
Avg realised AgE price (US$/oz)	14.70	17.06	19.57	16.95	17.41	17.35	2.4	-0.3
Avg Ag cash cost (US$/oz)	4.14	4.46	4.51	4.59	4.66	4.54	-1.1	-2.6
Avg Au cash cost (US$/oz)	389	401	390	389	395	391	0.5	-1.0
Avg AgE cash cost (US$/oz)	4.44	4.84	5.10	5.04	5.03	5.11	1.4	1.6
Sales	187,511	212,351	233,204	258,491	214,611	197,951	-23.4	-7.8
Cost of sales								
Cost of sales, excluding depletion	56,636	60,208	60,776	77,617	63,204	58,291	-24.9	-7.8
Depletion	71,344	75,074	73,919	88,365	74,428	63,943	-27.6	-14.1
Total cost of sales	127,980	135,282	134,695	165,983	137,632	122,234	-26.4	-11.2
Earnings from operations	59,531	77,069	98,509	92,509	76,979	75,717	-18.2	-1.6
Expenses and other income								
- General and administrative	10,844	9,959	9,513	4,123	****8,500	7,898	91.6	-7.1
- Foreign exchange (gain)/loss	0	0	0	0				
- Net interest paid/(received)	6,932	4,590	6,007	6,664	6,225	6,373	-4.4	2.4
- Other (income)/expense	1,160	1,599	1,380	843	843	94	-88.8	-88.8
Total expenses and other income	18,936	16,148	16,900	11,630	15,568	14,365	23.5	-7.7
Earnings before income taxes	40,595	60,921	81,609	80,879	61,411	61,352	-24.1	-0.1
Income tax expense/(recovery)	(384)	615	(1,377)	(184)	0	128	-169.6	N/A
Marginal tax rate (%)	(0.9)	1.0	(1.7)	(0.2)	0.0	0.2	-200.0	N/A
Net earnings	40,979	60,306	82,986	81,063	61,411	61,224	-24.5	-0.3
Avg no. shares in issue (000s)	402,952	436,726	440,635	440,635	440,635	441,484	0.2	0.2
Basic EPS (US$)	0.10	0.14	0.19	0.18	0.14	0.14	-22.2	0.0
Diluted EPS (US$)	0.10	0.14	0.19	0.18	0.14	0.14	-22.2	0.0

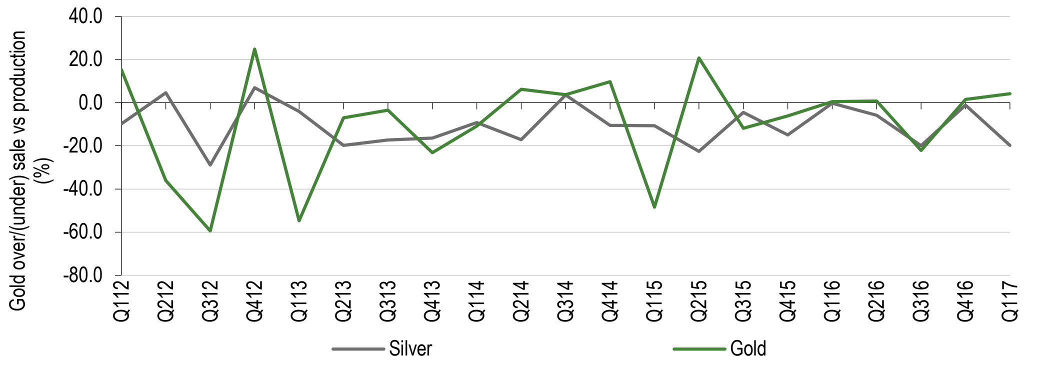
Source: Wheaton Precious Metals, Edison Investment Research. Note: *excluding impairments; **Q117 vs Q416; ***Q117 actual vs Q117 estimate; ****forecast excluded stock-based compensation costs.

From an operational perspective, there were notable production outperformances by both Wheaton Precious's 'other' gold and silver assets relative to our expectations, as well as Sudbury, where higher grades and recovery more than offset lower throughput. By contrast, Salobo was affected by conveyor belt and plant repairs during February, as well as by lower grades, while the effects of industrial action had an impact on San Dimas (although operations returned to normal on 18 April, after the quarter's end).

Ounces produced but not yet delivered – aka inventory

Compared to a 10.4% average historical under-sale of silver relative to production and a 9.3% historical under-sale of gold, sales of silver in Q117 recorded a 19.8% under-sale, while sales of silver recorded a 4.2% over-sale:

Exhibit 2: Over-/(under-) sale of silver and gold as a percentage of production, Q112-Q117



Source: Edison Investment Research, Wheaton Precious Metals

As at 31 March, payable ounces attributable to Wheaton Precious produced but not yet delivered amounted to 3.9Moz silver and 51,500oz gold (cf 3.2Moz silver and 61,700oz gold as at end-December and 3.8Moz silver and 63,300oz gold as at end-September). This 'inventory' equates to 1.73 months and 1.85 months of forecast FY17 silver and gold production, respectively (cf 1.25 months and 2.1 months of forecast FY16 production as at end-December, and 1.5 months and 2.3 months as at end-September), or 1.8 months on a silver equivalent basis (cf 1.6 months as at end-December and 1.9 months as at end-September) – still slightly below WPM's target level of two months.

Note that, for these purposes, the use of the term 'inventory' reflects ounces produced by WPM's operating counterparties at the mines over which it has streaming agreements, but which have not yet been delivered to WPM. It in no way reflects the other use of the term in the mining industry itself, where it is typically used to refer to metal in circuit (among other things), and may therefore (under certain circumstances) be considered to be a consequence of an operation's metallurgical recoveries.

FY17 by quarter

Production for the remainder of FY17 will be affected by a number of factors, including:

Penasquito – Goldcorp reports that higher grade ore is expected to be mined in Q217 as further mining occurs in Phase 5. After that, mill feed is expected to consist of lower grade ore and stockpiled material for the remainder of the year. However, this will coincide with increased productivity as a result of a number of initiatives including improved pit conditions (on account of large and wide cut-backs), a continued focus on balancing truck haulage with available shovels and the optimisation of drill-and-blast activities. Finally, pre-stripping of the Chile Colorado pit is reported to have commenced ahead of schedule with the first two benches being mined and ore anticipated to be produced from CY18.

San Dimas – operations at San Dimas resumed on 18 April after strike action and a phased restart of the mine is currently underway. In the aftermath of the strike, Primero's production guidance for FY17 is now 4.5-5.5Moz Ag. This compares with Wheaton Precious's guidance at the time of its

FY16 results in March (see our note published on 29 March 2017) of 4.0Moz after a three-month strike (vs two months actual) and our current, relatively conservative, expectation of 4.3Moz.

Sudbury – production of gold from Sudbury will be affected after Vale took its second furnace offline in mid-March for a three-month rebuild and expansion ahead of its return to production in Q4, when Sudbury transitions to a single-furnace operation. In addition, Sudbury is scheduled to incur its regular (every 18 months) three-week, surface plant shut-down in Q2.

Miscellaneous financial

On 30 March, Wheaton Precious and certain of its subsidiaries provided a guarantee to the lenders under Primero's (the operator of San Dimas) existing revolving credit facility (capped at a maximum of US$81.5m plus interest, fees and expenses), in respect of which Primero will pay a fee to Wheaton Precious of 5% in connection with the guarantee. For the purposes of the following financial forecasts, we assume that this will be recognised as a guarantee fee, allocated to 'Other Income'.

Also in March, WPM amended its silver purchase agreement with Alexco, to make the production payment a function of the silver head grade and spot price in the month in which it is produced. In addition, the area covered by the stream has been expanded to include properties currently owned by Alexco as well as properties acquired by Alexco in the future within a one kilometre radius of its existing holdings in the Keno Hill Silver District. As consideration of the amendments, on 10 April, Alexco issued 3m shares to Wheaton Precious with a fair value of US$5m. For the purposes of the following financial forecasts once again, we assume that this will be reflected as a reduction to the carrying cost of the stream in Q2. NB There is also likely to be a reduction in the depletion rate applied to the Keno Hill silver stream in WPM's income statement.

In light of the above factors, our revised quarterly operational and financial forecasts for Wheaton Precious for the remainder of FY17 are as follows:

Exhibit 3: Wheaton Precious FY17 forecast, by quarter

US$000s (unless otherwise stated)	Q117	Q217e	Q317e	Q417e	FY17e (old)	FY17e (new)	FY18e (new)
Silver production (koz)	6,513	6,699	6,916	7,156	26,518	27,285	28,282
Gold production (oz)	84,863	81,458	83,765	83,765	335,062	333,852	280,642
AgE production (koz)	12,454	12,726	13,232	13,472	50,269	51,555	44,182
Silver sales (koz)	5,225	6,699	6,916	7,156	26,518	25,997	28,282
Gold sales (oz)	88,397	81,458	83,765	83,765	335,062	337,386	280,642
AgE sales (koz)	11,412	12,726	13,232	13,472	50,269	50,512	44,182
Avg realised Ag price (US$/oz)	17.45	17.11	16.79	16.79	17.50	17.00	21.54
Avg realised Au price (US$/oz)	1,208	1,248	1,248	1,248	1,241	1,238	1,220
Avg realised AgE price (US$/oz)	17.35	17.11	16.79	16.79	17.50	17.02	21.54
Avg Ag cash cost (US$/oz)	4.54	4.50	4.49	4.48	4.66	4.50	4.89
Avg Au cash cost (US$/oz)	391	395	395	395	395	394	396
Avg AgE cash cost (US$/oz)	5.11	4.93	4.88	4.87	5.09	4.95	5.64
Sales	197,951	216,284	220,666	224,696	879,732	859,596	951,821
Cost of sales							
Cost of sales, excluding depletion	58,291	62,322	64,134	65,171	255,822	249,918	249,386
Depletion	63,943	68,262	70,354	70,704	298,435	273,263	255,972
Total cost of sales	122,234	130,584	134,488	135,876	554,258	523,181	505,359
Earnings from operations	75,717	85,700	86,178	88,820	325,474	336,415	446,463
Expenses and other income							
- General and administrative*	7,898	8,500	8,500	8,500	34,000	33,398	33,398
- Foreign exchange (gain)/loss					0	0	
- Net interest paid/(received)	6,373	6,176	6,176	6,176	24,901	24,901	16,356
- Other (income)/expense	94	0	0	0	3,372	94	
Total expenses and other income	14,365	14,676	14,676	14,676	62,273	58,393	49,754
Earnings before income taxes	61,352	71,024	71,502	74,144	263,202	278,022	396,708
Income tax expense/(recovery)	128				0	128	
Marginal tax rate (%)	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	61,224	71,024	71,502	74,144	263,202	277,894	396,708
Avg no. shares in issue (000s)	441,484	441,484	441,484	441,484	441,484	441,484	441,484
Basic EPS (US$)	0.14	0.16	0.16	0.17	0.60	0.63	0.90
Diluted EPS (US$)	0.14	0.16	0.16	0.17	0.60	0.63	0.90

Source: Wheaton Precious Metals, Edison Investment Research. Note: *Forecasts exclude stock-based compensation costs.

Note that our FY17 forecasts of 27.3Moz Ag and 333,852oz Au produced compare with WPM's (reiterated) guidance for the full year of 28Moz Ag and 340,000oz Au.

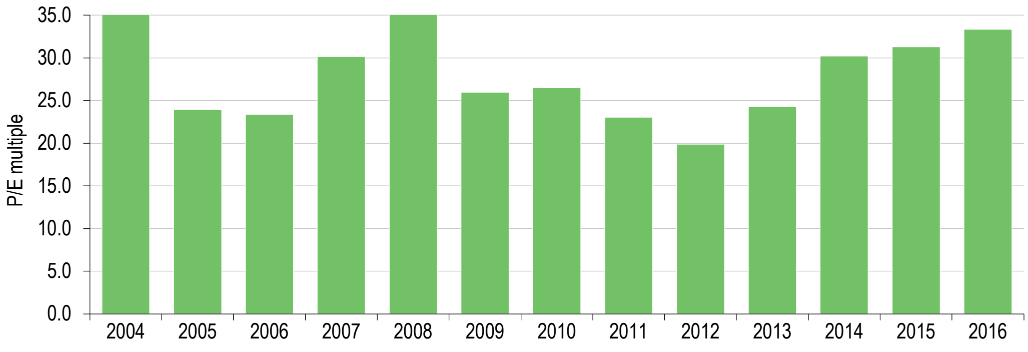
Our updated basic EPS estimate of 63c for FY17 (see Exhibit 3 for revisions) represents a 3cps upgrade relative to our previous forecasts (see our note published on 29 March 2017), but is notable for the fact that it is achieved despite expectations of lower average precious metals' prices for the year. It also compares to an average consensus estimate (source: Bloomberg, 18 May 2017) of 64.3c within a (rising) range of 58-74c (cf a consensus of 62.4 within a range 42-74c on 8 May, immediately prior to WPM's results).

Edison's slightly revised financial forecasts for FY18 are high relative to the consensus average of 78c, within a range of 49-97c, which is noteworthy for the fact that our production forecasts are at or near the bottom of the range of expectations (especially for gold). As such, they therefore almost exclusively demonstrate Wheaton Precious's operational gearing to (in this case) a normalisation of the silver price relative to the gold price from its current, almost unprecedented Au/Ag ratio of 75.2x to a more typical 56.6x.

Valuation and sensitivities

Excluding FY04 (part year) and FY08 (when there was an exceptional write-down), WPM's shares have historically traded on an average P/E multiple of 26.5x current year basic EPS (cf 33.8x Edison FY17e and 23.7x Edison FY18e – see Exhibit 5).

Exhibit 4: Wheaton Precious's historical current year P/E multiples



Source: Edison Investment Research. Note: FY14 EPS excludes impairment charge.

Applying this multiple to our long-term EPS forecast (upgraded to reflect revised Keno Hill mine plan and terms) of US$1.41 in FY20 (at Edison's average long-term precious metals prices of US$23.98/oz Ag and US$1,362/oz Au in FY20), implies a potential share value for WPM shares of US$37.52, or C$51.25, in that year.

Currently, Edison makes no provision for either future expansion at Salobo or related expansion payments in its long-term forecasts. However, in the event that Salobo were to be expanded from 24Mtpa to 48Mtpa by the addition of a further two 12Mtpa processing lines by 1 January 2021 – thereby attracting the maximum incremental payment from Wheaton Precious to Vale – we estimate that it would increase our estimate of WPM's earnings in FY20 by a material US$0.22/share. This, in turn, would increase our forecast value per share for the company to US$43.31 (C$59.16 at prevailing forex rates), implying an internal rate of return to investors buying Wheaton Precious shares currently at C$29.08, equivalent to 29.7% pa in US dollar terms over four years.

In the meantime, from a relative perspective, it is notable that WPM is cheaper than its royalty/streaming 'peers' on at least 91% of the valuation measures used in Exhibit 5 on an individual company basis (ie in 22 out of 24 measures) and on multiples that are lower than the miners themselves in at least 50% of the same valuation measures (ie 45 out of 90 measures), despite being associated with materially less operational and cost risk, in particular.

Exhibit 5: Wheaton Precious valuation cf a sample of major operating and royalty/streaming companies

	P/E (x)		Yield (%)		P/CF (x)	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Royalty companies						
Franco-Nevada	76.6	65.4	1.2	1.2	28.5	26.3
Royal Gold	51.8	41.0	1.2	1.2	19.2	17.2
Sandstorm Gold	68.2	63.5	0.0	0.0	13.6	14.2
Osisko	50.5	47.3	1.1	1.1	28.1	27.5
Average	**61.8**	**54.3**	**0.9**	**0.9**	**22.4**	**21.3**
Wheaton Precious (Edison forecasts)	**33.8**	**23.7**	**1.3**	**1.3**	**16.9**	**14.4**
WPM (consensus)	**33.1**	**27.3**	**1.4**	**1.4**	**16.6**	**15.1**
Gold producers						
Barrick	21.6	20.8	0.7	0.7	6.9	7.6
Newmont	32.3	27.5	0.7	0.8	8.9	8.0
Goldcorp	39.8	29.2	0.6	0.6	9.8	8.4
Newcrest	28.4	22.1	0.9	1.3	11.2	10.3
Kinross	76.3	47.5	0.0	0.0	5.5	5.1
Agnico-Eagle	76.7	58.0	0.8	0.8	14.7	13.9
Eldorado	46.0	21.9	0.2	0.2	14.1	9.1
Yamana	77.9	18.6	1.0	1.6	5.3	3.6
Randgold Resources	29.8	24.4	1.7	2.1	17.4	15.2
Average	**47.6**	**30.0**	**0.7**	**0.9**	**10.4**	**9.0**
Silver producers						
Hecla	38.1	28.0	0.2	0.1	11.6	9.8
Pan American	28.3	34.6	0.5	0.6	12.7	9.5
Coeur Mining	33.8	16.5	0.0	0.0	8.6	6.8
First Majestic	77.7	33.3	0.0	0.0	13.9	10.2
Hocschild	34.1	19.0	1.2	1.6	6.7	5.3
Fresnillo	35.4	26.3	1.3	1.7	19.7	14.7
Average	**41.2**	**26.3**	**0.5**	**0.7**	**12.2**	**9.4**

Source: Bloomberg, Edison Investment Research. Note: Peers priced on 18 May 2017.

Financials

As at 31 March, WPM had US$83.8m in cash (ex-dividend) and US$1,064m of debt outstanding under its US$2bn revolving credit facility, such that it had net debt of US$980.2m overall, after US$119.9m of cash inflows (US$0.27/share) from operating activities during the quarter. Relative to the company's equity, this level of net debt equates to a financial gearing (net debt/equity) ratio of 19.7% and a leverage (net debt/[net debt+equity]) ratio of 16.4%. It also compares with a net debt position of US$1,068.7m as at the end of December 2016, US$1,219.5m as at the end of September 2016 and US$1,362.7m as at the end of December 2015 and is consistent with WPM continuing to generate c US$100-150m per quarter from operating activities before financing and investing activities. Most recently, these investing activities involved the acquisition of an additional 25% of the gold output from the Salobo mine in Brazil for an immediate cash payment of US$800m, announced in August 2016 (see our note Going for gold, published on 30 August). Otherwise, assuming the operational performance set out in Exhibits 3 and 6, we estimate that WPM's net debt position will decline organically, to US$702.0m by the end of FY17 (equating to gearing of 13.8% and leverage of 12.1%), and that WPM will be net debt free in early FY19, all other things being equal and contingent on its making no further major acquisitions (which is unlikely). Self-evidently, such a level of debt is well within the tolerances required by its banking covenants that:

- net debt should be no more than 0.75x tangible net worth (which was US$4,975.0m as at end-March 2016 and which we forecast to be US$5,099.8m as at end-December 2017); and
- interest should be no less than 3x covered by EBITDA (we estimate that net interest will be 23.1x covered in FY17).

On 27 February 2017, the term of the revolving term loan was extended, such that it now matures on 27 February 2022.

Note that the C$191.7m letter of guarantee that WPM has posted re 50% of the disputed taxes relating to its dispute with the Canadian Revenue Agency (CRA) (see below) has been determined under a separate agreement and is therefore specifically excluded from calculations regarding WPM's banking covenants. In the meantime, WPM's revolving debt facility attracts an interest rate of Libor plus 120-220bp.

Future developments

Penasquito – Goldcorp reports that earthwork activities are now complete at the Pyrite Leach project, that concrete works are underway and that mechanical works installation will commence in Q217. A carbon pre-flotation facility is also now being incorporated into the project, which is designed to allow Penasquito to process ore that was previously considered to be uneconomic (including 'significant amounts' already reported to be in stockpiles).

Rosemont – Hudbay has now completed an updated feasibility study for its Rosemont project in Arizona, according to which the mine will be a traditional open pit, truck and shovel operation with an expected 19-year mine life. Hitherto, Hudbay has indicated that a precondition for its development of Rosemont is a copper price of US$3.00/lb (cf US$2.50/lb at the time of writing). Nevertheless, it has stated that it expects the Record of Decision from the Coronado National Forest Supervisor (one of two key federal permits outstanding) to be signed in June 2017. The other outstanding permit is the Section 404 Water Permit from the US Army Corps of Engineers.

Market potential

Although the nature of the streams that it is in negotiations to buy has changed from 'balance sheet repair' to 'development' opportunities broadly within the range US$100-400m, WPM estimates the size of the potential market open to it to be the 70% of c 870Moz of silver production in FY16 that was produced as a by-product of either gold or base metals mines (ie approximately 609Moz silver per year). This compares with WPM's production in FY16 of 30.4Moz Ag – ie WPM estimates that, to date, it has penetrated only c 5.0% of its potential market.

CRA

There have been no further substantive developments regarding WPM's dispute with the CRA since our update note of 15 February 2016.

WPM notes that the CRA's position is that the transfer pricing provisions of the Income Tax Act (Canada) in relation to income earned by WPM's foreign subsidiaries should apply "such that the income of Silver Wheaton [*sic*] subject to tax in Canada should be increased by an amount equal to substantially all of the income earned outside of Canada by the Company's foreign subsidiaries for the 2005-2010 taxation years". Should this interpretation be upheld, we would expect it to have potentially profound consequences for Canada's status as a supplier of finance and capital to overseas destinations in general (ie not just to the mining industry).

Earlier this year, Wheaton Precious's CEO, Randy Smallwood, was quoted as saying that the company is willing to settle its tax dispute with the CRA via a payment of C$5-10m "with gritted teeth" but still believes no payment should be required. As such, the C$5-10m quoted reflects no admission or error, but rather an appreciation of the costs involved in going to a full trial and also of the effect that the issue is having on WPM's share price rating relative to its peers (see Exhibit 5).

In the meantime, Wheaton Precious is approximately halfway through the case 'discovery process' with the CRA, designed to provide both sides with the opportunity to arrive at an out-of-court settlement before formal proceedings commence. This discovery process is likely to end in July 2017. Any potential settlement therefore is likely to occur shortly after this date. Otherwise, however, the company has stated that it is willing to go to trial if a 'principled' settlement is not possible (which is likely to be towards the middle of 2018).

Exhibit 6: Financial summary

US$'000s	2012	2013	2014	2015	2016	2017e	2018e
Dec	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	849,560	706,472	620,176	648,687	891,557	859,596	951,821
Cost of Sales	(117,489)	(139,352)	(151,097)	(190,214)	(254,434)	(249,918)	(249,386)
Gross Profit	732,071	567,120	469,079	458,473	637,123	609,678	702,435
EBITDA	701,232	531,812	431,219	426,236	602,684	576,280	669,037
Operating Profit (before amort. and except.)	600,003	387,659	271,039	227,655	293,982	303,017	413,065
Intangible Amortisation	0	0	0	0	0	0	0
Exceptionals	0	0	(68,151)	(384,922)	(71,000)	0	0
Other	788	(11,202)	(1,830)	(4,076)	(4,982)	(94)	0
Operating Profit	600,791	376,457	201,058	(161,343)	218,000	302,923	413,065
Net Interest	0	(6,083)	(2,277)	(4,090)	(24,193)	(24,901)	(16,356)
Profit Before Tax (norm)	600,003	381,576	268,762	223,565	269,789	278,116	396,708
Profit Before Tax (FRS 3)	600,791	370,374	198,781	(165,433)	193,807	278,022	396,708
Tax	(14,755)	5,121	1,045	3,391	1,330	(128)	0
Profit After Tax (norm)	586,036	375,495	267,977	222,880	266,137	277,894	396,708
Profit After Tax (FRS 3)	586,036	375,495	199,826	(162,042)	195,137	277,894	396,708
Average Number of Shares Outstanding (m)	353.9	355.6	359.4	395.8	430.5	441.5	441.5
EPS - normalised (c)	166	106	75	53	62	63	90
EPS - normalised and fully diluted (c)	165	105	74	53	62	63	90
EPS - (IFRS) (c)	166	106	56	(-41)	45	63	90
Dividend per share (c)	35	45	26	20	21	27	28
Gross Margin (%)	86.2	80.3	75.6	70.7	71.5	70.9	73.8
EBITDA Margin (%)	82.5	75.3	69.5	65.7	67.6	67.0	70.3
Operating Margin (before GW and except.) (%)	70.6	54.9	43.7	35.1	33.0	35.3	43.4
BALANCE SHEET							
Fixed Assets	2,403,958	4,288,557	4,309,270	5,526,335	6,025,227	5,823,964	5,639,992
Intangible Assets	2,281,234	4,242,086	4,270,971	5,494,244	5,948,443	5,747,180	5,563,208
Tangible Assets	1,347	5,670	5,427	12,315	12,163	12,163	12,163
Investments	121,377	40,801	32,872	19,776	64,621	64,621	64,621
Current Assets	785,379	101,287	338,493	105,876	128,092	494,905	949,864
Stocks	966	845	26,263	1,455	1,481	1,543	1,709
Debtors	6,197	4,619	4,132	1,124	2,316	2,355	2,608
Cash	778,216	95,823	308,098	103,297	124,295	491,007	945,548
Other	0	0	0	0	0	0	0
Current Liabilities	(49,458)	(21,134)	(16,171)	(12,568)	(19,057)	(24,877)	(24,825)
Creditors	(20,898)	(21,134)	(16,171)	(12,568)	(19,057)	(24,877)	(24,825)
Short term borrowings	(28,560)	0	0	0	0	0	0
Long Term Liabilities	(32,805)	(1,002,164)	(1,002,856)	(1,468,908)	(1,194,274)	(1,194,146)	(1,194,146)
Long term borrowings	(21,500)	(998,136)	(998,518)	(1,466,000)	(1,193,000)	(1,193,000)	(1,193,000)
Other long term liabilities	(11,305)	(4,028)	(4,338)	(2,908)	(1,274)	(1,146)	(1,146)
Net Assets	3,107,074	3,366,546	3,628,736	4,150,735	4,939,988	5,099,846	5,370,885
CASH FLOW							
Operating Cash Flow	720,209	540,597	434,582	435,783	608,503	581,905	668,566
Net Interest	0	(6,083)	(2,277)	(4,090)	(24,193)	(24,901)	(16,356)
Tax	(725)	(154)	(204)	(208)	28	(256)	0
Capex	(641,976)	(2,050,681)	(146,249)	(1,791,275)	(805,472)	(72,000)	(72,000)
Acquisitions/disposals	0	0	0	0	0	0	0
Financing	12,919	58,004	6,819	761,824	595,140	0	0
Dividends	(123,852)	(160,013)	(79,775)	(68,593)	(78,708)	(118,036)	(125,669)
Net Cash Flow	(33,425)	(1,618,330)	212,896	(666,559)	295,298	366,712	454,541
Opening net debt/(cash)	(761,581)	(728,156)	902,313	690,420	1,362,703	1,068,705	701,993
HP finance leases initiated	0	0	0	0	0	0	0
Other	0	(12,139)	(1,003)	(5,724)	(1,300)	0	0
Closing net debt/(cash)	(728,156)	902,313	690,420	1,362,703	1,068,705	701,993	247,452

Source: Company sources, Edison Investment Research

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