



## 5 Things Silver Wheaton Corp.'s Management Wants You to Know

### Description

**Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW) recently reported its second-quarter results. Despite these being weaker than expected, there was a [silver lining to the quarter](#). That was driven home by CEO Randy Smallwood on the conference call, and his comments can be distilled down into the following five key points.

#### 1. Progress on growth projects

“During the quarter, significant progress was made at two of our key growth platforms: Salobo and Constancia.”

Smallwood noted that the Salobo mine delivered its first production after a recent expansion that doubled the mine's capacity. Furthermore, the Constancia project is moving ahead and is now 85% complete; it should start producing later this year. It is progress on growth projects like these that have the company on pace to increase its silver equivalent production by 35% by 2018.

#### 2. Cornerstone assets deliver solid results

“Two of our cornerstone assets are also worth highlighting. Firstly, despite water supply continuing to be a limiting factor, Penasquito achieved record production in the second quarter. And secondly, San Dimas completed its expansion to 2,500 tons per day earlier this year and **Primero Mining Corp** (TSX: P)(NYSE: PPP) very recently announced a further expansion to 3,000 tons per day. Given the progress made in our diversified portfolio of mines and projects, we believe we're well positioned to grow our revenues and earnings even if precious metal prices maintain at these levels.”

Solid base production from these cornerstone assets is delivering a lot of cash flow for the company. This past quarter, its cash flows were in excess of \$100 million, despite low silver prices. Because of the growth embedded in the business, investors can expect this cash flow to continue growing even if silver and gold prices stay static.

### 3. Don't worry about the dividend

"Speaking of cash flows, our quarterly dividend continues to deliver 40% of the average cash generated by operating activities in the previous four quarters. Our dividends remain linked to the company's organic growth profile, our ability to make additional accretive acquisitions, and commodity prices. And despite the volatility of the markets our dividend is sustainable as evidenced by our third quarterly dividend payment of 2014 of \$0.06 per share."

Silver Wheaton's business model is one focused on having low fixed costs. This allows the company to benefit from any rise in the price of silver or gold, while insulating it to some degree from weaker prices. This has enabled the company to generate some of the best margins in the industry, which provides ample security for its dividend.

### 4. It's always looking for its next project

"Our team remains busy pursuing value enhancing acquisitions and we feel we're still in a good market to add to our portfolio."

Despite 35% growth through 2018 is already locked in, Silver Wheaton is looking to take advantage of the current opportunities in the market to be a source of capital. This has the company looking for accretive new opportunities, which could bolster its future growth even more. It sees the potential to take advantage of current market conditions to add to its portfolio, which should pay off for investors over the long term.

### 5. Its long-term outlook is strong

"So to summarize, Silver Wheaton has a robust organic production growth profile of nearly 35% anticipated over the next five years. The bulk of this growth will be driven by the start-up of Hudbay's Constancia project later this year, with continued expansions at Vale, Salobo, and Sudbury mines and Primero's San Dimas mine and continued improvements at Penasquito all expected to deliver over the next couple of years. And of course, the Rosemont project now acquired by **HudBay Minerals Inc.** ([TSX: HBM](#))([NYSE:HBM](#)) will help us reach that 48 million silver equivalent ounces of production in 2018."

Silver Wheaton has visible organic growth that's pretty much locked in as these new mine expansions from its partners come online over the next few years. While it can't do much about the price of silver, it is focusing on what it can control and that's low-cost growth. Because of this it can grow cash flow even if silver and gold prices don't budge.

## CATEGORY

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1. Investing

## **TICKERS GLOBAL**

1. NYSE:HBM (Hudbay Minerals Inc.)
2. TSX:HBM (Hudbay Minerals Inc.)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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