



Silver Wheaton Corp.: The Best Silver Stock to Buy Now

Description

Central bankers are flooding the world with phony paper money in a desperate bid to jump-start the global economy.

Historically, this has almost always resulted in inflation. The best way to protect your wealth from depreciating fiat currencies is to own hard assets like gold and silver.

However, if you want exposure to precious metals, you have to be smart about it. Storing metal in a vault isn't the best investment strategy over the long haul. As the last decade has shown, mining companies are generally lousy investments because they run into all sorts of problems.

Despite this, you can own companies that invest wisely in mines. Take **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW), for example, the largest streaming metals company in the world. Thanks to its innovative business model, Silver Wheaton has generated spectacular returns for its investors over the last 10 years.

The company could be on track to repeat that performance again. Here are three reasons to consider adding this silver stock to your portfolio.

1. A brilliant business model

Silver Wheaton is like the banker of the mining industry. It doesn't build or operate any mines itself. Rather, the company finances new projects through streaming contracts.

This is how it works. Silver Wheaton provides the cash that mining companies need to build a new project. Rather than charging interest, Silver Wheaton is given the right to buy a percentage of the mine's gold or silver production at a steep discount to spot prices.

This business model has a lot of advantages over a traditional mining operation. The company generates absurdly high profit margins because it pays an average of \$4.65 per silver equivalent ounce — and because the company's expenses are mostly fixed, investors don't have to worry about cost overruns eating into profits.

2. Better than owning precious metals

Precious metals aren't really great investments. Unlike stocks or bonds, they offer no income, no dividend, no earnings. Fifty years from now, gold and silver will likely have the same purchasing power as they do today.

That's not the case with Silver Wheaton. If you had purchased a share of Silver Wheaton in 2004, you would have had a claim to about 1.5 ounces of silver. Today, that same share now represents 6.5 ounces of silver reserves.

Which you rather own over the long haul: a piece of metal or a productive business?

3. A competitive advantage

Silver Wheaton is the biggest streaming metals company in the world. That gives it credibility within the silver mining industry.

It's kind of like how Warren Buffett has been able to exploit his good reputation. During the financial crisis, **Berkshire Hathaway Inc.** could extract exceptionally good terms out of companies like **Goldman Sachs Group Inc** because Buffett's investment was a giant "all-clear" signal to other investors. He's like the good housekeeping seal of approval for the investment world.

Silver Wheaton's size and experience make miners prefer to do business with it rather than the company's competitors. That gives it a competitive advantage that allows it to structure deals to its advantage.

Of course, Silver Wheaton isn't risk-free. Aside from the obvious risk of falling metal prices, the company's shares could also suffer if its partners shut down mines. However, for investors looking for a wonderful business in the commodity sector, there's no better alternative than Silver Wheaton.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WPM (Wheaton Precious Metals Corp.)

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