



3 Reasons to Own Silver Wheaton Corp. in 2015

Description

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) is up 25% since early November and investors are wondering if this is the start of a new rally back toward the \$30 mark, or just another head fake.

Here are the reasons why I think investors should consider adding Silver Wheaton to the portfolio right now.

1. Strong balance sheet

Silver Wheaton had \$233 million in cash on hand at the end of the third quarter. Add in the company's \$1 billion credit facility, and you have a solid financial position that enables Silver Wheaton to take advantage of the current difficulties in the precious metals markets.

Mining companies are having a tough time getting the critical financing they need to expand operations or explore for new resources. Issuing equity is very dilutive right now because stock prices are so depressed. At the same time, the debt market wants hefty risk premiums for lending money to a struggling sector. One way for miners to get upfront cash is to sign long-term supply contracts with a streaming company like Silver Wheaton.

2. Production growth

A number of Silver Wheaton's projects are expected to increase output this year, and the company is forecasting significant production growth through 2018.

The big boost to supply should come from the Constancia project in Peru. The mine is in its final stage of development and should begin commercial production in the first half of this year.

The Salobo copper mine in Brazil is undergoing a large expansion that continues to churn out more gold and silver by-products. Throughput capacity at the mine has already doubled and the facility hit record gold production in the third quarter of 2014.

Silver Wheaton has also increased resource estimates by 45 million ounces at the Peñasquito mine in

Mexico. The new total is 113 million ounces.

3. Big operating margins

In the third quarter of 2014, Silver Wheaton reported strong earnings despite the tough conditions in the gold and silver markets. Adjusted net earnings for the quarter came in at 20 cents per share.

The key point for investors to keep in mind is that Silver Wheaton enjoys operating margins of more than 70%. The company's average silver equivalent cash cost in Q3 was \$4.59 per ounce. Silver had a cash cost of \$4.16 per ounce and gold cash costs averaged \$378 per ounce. The company's average silver equivalent realized sale price was \$18.98 per ounce.

Should you buy?

Investors should be comfortable holding the stock right now. The company is delivering strong margins in a depressed market. Even if gold and silver prices stay at current levels, the production gains should drive earnings higher in the next few years.

Silver Wheaton is just one company that could be on the verge of a big breakout. The following free report analyzes two more picks that are setting up for a huge run.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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