# Silver Wheaton Corp. vs Goldcorp Inc: Which Is the Best Investment?

## Description

The rebound in gold and silver prices is motivating investors to kick the tires again on some of the top companies in the mining sector.

Let's take a look at **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) and **Goldcorp Inc.** (TSX:G)(NYSE:GG) to see if one offers a better way to play the precious metals rally.



**Silver Wheaton**

Silver Wheaton has a unique business model. The company signs agreements with mining companies to get access to the gold and silver byproduct that is produced at mines set up to extract other metals.

By offering substantial upfront payments for long-term or life-of-mine supply, Silver Wheaton is able to purchase gold and silver for extremely low prices.

How low?

In its most recent earnings statement, Silver Wheaton reported an average silver cost of $4.16 per ounce. Its average gold cost was $378 per ounce.

Silver Wheaton then sells the gold and silver at market prices and banks the difference. The spread is significant, even during times of low precious metals prices.

Miners are willing to do these deals because mining is a very costly business. In order to secure the funds needed to get a mine up and running, miners have to tap the capital markets. When times are good, this is easy. When the market is in the dumps, as it has been during the past two years, accessing capital is very difficult and expensive.

Silver Wheaton is predicting strong production growth this year as new mines and mine expansions at its partner sites go into operation. The company also has a significant stash of cash available to donew deals with cash-starved miners. At the end of Q3 2014, Silver Wheaton had $233 million in cashand a $1 billion line of credit available to deploy into new opportunities.

Silver Wheaton's dividend yields about 1%.

**Goldcorp**

Goldcorp is in much better shape than most of its mining peers. The company has a strong balance sheet and is leveraging that strength to make strategic acquisitions.

The company recently announced the purchase of the Borden Gold project through the acquisition of Probe Mines Ltd. The deal is a smart one for Goldcorp because the Borden assets are located close enough to Goldcorp's Porcupine mine that the ore from both locations can be processed at one facility.

Goldcorp reported record gold output in the fourth quarter of 2014 and the company is forecasting 20% growth this year as new projects begin production.

All-in sustaining production costs for 2015 are expected to be between $875 and $950 per ounce. If gold prices stay at or above $1,300 per ounce, Goldcorp is going to have a good year.



Goldcorp pays a dividend of US$0.60 that yields about 2.5%.

**Which should you buy?**

Silver Wheaton offers investors a way to play the precious metals market without incurring the risks associated with the actual operation of the mines. The company has deals with several miners, and this provides a nice supply hedge.

Goldcorp is probably the best pick among the big miners. The company's strong financial position means it can pick up great assets at reasonable prices right now. With most of its peers struggling to clean up their balance sheets, Goldcorp is unlikely to encounter bidding wars on prospective buys.

Both stocks are solid choices if you believe the precious metals have bottomed out. Goldcorp pays a nice dividend, and the distribution could increase this year if gold prices stabilize above $1,300 per ounce.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks

**TICKERS GLOBAL**

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

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