



Is Silver Wheaton Corp. the Top Precious Metals Stock to Own Today?

Description

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW), the largest pure precious metals streaming company in the world, announced fourth-quarter earnings results after the market closed on March 18, and its stock has responded by rising over 3%. Let's take a thorough look at the quarterly results to determine if we should consider buying into this rally, or if we should wait for it to subside.

The weaker-than-expected results

Here's a summary of Silver Wheaton's fourth-quarter earnings results compared to what analysts had expected and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.14	\$0.15	\$0.26
Revenue	\$140.38 million	\$154.39 million	\$167.42 million

Source: *Financial Times*

Silver Wheaton's earnings per share decreased 46.2% and its revenue decreased 16.2% compared with the fourth quarter of fiscal 2013. The company's sharp decline in earnings per share can be attributed to its net income decreasing 44.6% to \$52.03 million. Its double-digit decline in revenue can be attributed to the average-realized price per silver-equivalent ounce decreasing 21.8% compared to the year-ago period to \$16.43, which more than offset a 7.1% increase in the amount of silver equivalent ounces sold to 8,541.

Here's a quick breakdown of 10 other notable statistics from the report compared to the year-ago period:

1. Total silver production decreased 11.7% to 6,404 ounces
2. Total silver ounces sold decreased 5.5% to 5,733
3. Average cash cost per ounce of silver decreased 0.2% to \$4.14
4. Average realized price of silver decreased 21.7% to \$16.46

5. Total gold production decreased 15.4% to 34,522 ounces
6. Total gold ounces sold increased 21.4% to 37,904
7. Average cash cost per ounce of gold decreased 0.8% to \$391
8. Average realized price of gold decreased 5% to \$1,213
9. Operating cash flow decreased 24.5% to \$94.1 million
10. Cash and cash equivalents increased 221.5% to \$308.1 million

Silver Wheaton also declared a quarterly dividend of \$0.05 per share for the first quarter of fiscal 2015, a 16.7% reduction from the \$0.06 per share dividend paid in the fourth quarter, and it will be paid out on April 14 to shareholders of record at the close of business on March 31.

Should you be a buyer of Silver Wheaton today?

Although I do not think the post-earnings rally in Silver Wheaton's stock is warranted, I do think it represents an intriguing long-term investment opportunity today. I think this because it trades at favourable forward valuations, including just 22.7 times fiscal 2015's estimated earnings per share of \$1.09, which is very inexpensive compared to its five-year average price-to-earnings multiple of 27.9.

With all of the information provided above in mind, I think Silver Wheaton Corp. represents one of the best long-term investment opportunities in the precious metals industry today. Foolish investors should take a closer look and consider scaling in to long-term positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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