



Believe in Silver? Buy Silver Wheaton Corp.

## Description

There's a common saying in investing: buy low, sell high. For many investors, they fail to do this. And for many companies, they spend too much on an asset and then can't sell it for a high enough amount to generate any sort of profit.

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is nothing like that. Because of the business model that Silver Wheaton deploys, it is able to generate significant amounts of cash flow and profit. The key reason for that is because it gets its silver for really inexpensive prices.

To understand how the company is able to do that, you have to understand its business model. Silver Wheaton doesn't actually operate its own mines. Instead, Silver Wheaton looks for other mines that are mining for a different type of metal and offers to finance them in exchange for whatever silver they find at very cheap price. In some instances, it also buys the gold that these miners find.

Many of these small mines that pop up wouldn't be able to operate if it weren't for the financing that Silver Wheaton offers. Therefore, both parties win in this situation. According to the company, it pays about \$4 per ounce of silver and \$400 per ounce of gold. Then it gets to turn around and sell it for four or five times that amount.

## But should you buy?

The primary reason I am bullish on silver is because it is a very necessary component required for a lot of industrial uses. For example, silver is used in things like computers and solar panels. As solar power becomes more prevalent, the need for silver will only rise.

However, buying Silver Wheaton is about finding the right price because it has been following the same pattern for the past 18 months. It'll run up to about \$30 a share, then plummet in price to anywhere from \$18-22 a share. It'll then run up again to \$30 and plummet again. Each time it tries to get past \$30, the resistance is too great and it crashes.

Therefore, if you're going to buy Silver Wheaton, you may want to wait for it to really bottom out. Anything in that \$18-22 range is going to be a good point of entry, but you'll have to decide what it is.

And if you're just a buy and hold kind of investor (which is the best kind), Silver Wheaton does pay a small 1% dividend. While it's not amazing, it's better to be paid for your shares than not, right?

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

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

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