



Is Silver Wheaton Corp. the Top Silver Stock to Buy Today?

Description

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW), the largest pure precious metals streaming company in the world, announced first-quarter earnings results after the market closed on May 7, and its stock has responded by rising about 3% in the trading sessions since. Let's take a closer look at the quarterly results to determine if we should consider buying in to this rally, or if we should wait for a better entry point in the trading sessions ahead instead.

Lower silver prices lead to very weak results

Here's a summary of Silver Wheaton's first-quarter earnings results compared with 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	\$0.13	\$0.15	\$0.22
Revenue	\$130.50 million	\$161.77 million	\$165.38 million

Source: *Financial Times*

Silver Wheaton's earnings per share decreased 40.9% and its revenue decreased 21.1% compared with the first quarter of fiscal 2014. These very weak results can be attributed to two primary factors. First, silver and gold prices have had significant declines in the last year, which led to the company's average realized selling price of silver decreasing 16.7% to \$16.95 per ounce and its average realized selling price of gold decreasing 5.4% to \$1,214 per ounce. Second, Silver Wheaton's total sales volume of silver and gold decreased from year-ago period, including its total silver sales decreasing 9% to 5.67 million ounces and its total gold sales decreasing 5.7% to 28,399 ounces.

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

1. Total production increased 15.4% to a record 10.37 million silver equivalent ounces
2. Production of silver decreased 7.6% to 6.34 million ounces

3. Production of gold increased 62.7% to 55,106 ounces
4. Silver sales decreased 24.2% to \$96.01 million
5. Gold sales decreased 10.7% to \$34.49 million
6. Net income decreased 38.1% to \$49.42 million
7. Cash generated from operating activities decreased 22.4% to \$89.13 million
8. Operating earnings decreased 30.2% to \$64 million

Silver Wheaton also announced that it will be maintaining its quarterly dividend \$0.05 per share, and the next payment will come on June 2 to shareholders of record at the close of business on May 20.

Is today the day to buy Silver Wheaton?

It was a very weak quarter for Silver Wheaton, so I do not think the post-earnings rally in its stock is warranted. However, I do think the stock represents an attractive long-term investment opportunity today.

First, I think metal prices will continue to recover in the next 52 weeks, with the price of silver heading back towards about \$20 per ounce and the price of gold heading back towards about \$1,275 per ounce, which will lead to higher sales and profitability for Silver Wheaton.

Second, Silver Wheaton's stock trades at just 28.9 times fiscal 2016's estimated earnings per share of \$0.86, which is very inexpensive compared with its long-term growth potential. I also think that as silver and gold prices recover, this estimate will rise significantly.

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 metals and mining industry today. Foolish investors should take a closer look and consider beginning to scale in to positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

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1. Editor's Choice

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