



## Silver Wheaton Corp.: Is Now the Time to Buy?

### Description

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is often touted as the go-to stock for investors who want to participate in a precious metals rally without taking on miner-specific risks.

A quick look at the company's chart over the past two years indicates a fantastic pattern for traders but a frustrating one for buy-and-hold investors.

In fact, savvy traders have made a killing during this time by acquiring shares near \$20 and then dumping them at \$30. Not once or twice, but four times!

Right now Silver Wheaton looks like it is approaching a new bottom and could be setting up for another run higher.

### Should you invest in Silver Wheaton or simply trade it?

Long-term investors might be getting tired of the roller-coaster ride to nowhere but the company definitely has an attractive business model and there could be a silver lining on the horizon.

Silver Wheaton acts as source of capital for mining companies that need cash to develop or expand their operations.

In an environment where metals prices are high and mining stocks are rallying, the producers have little problem finding cheap capital, either through the bond market or by issuing stock.

When times are tough, as they are now, streaming companies like Silver Wheaton can be saviours.

Silver Wheaton negotiates long-term or life-of-mine deals to purchase gold and silver by-product at very attractive prices and then sells the gold and silver in the market at much higher prices.

Why would a miner agree to this?

Without Silver Wheaton's upfront capital, the mining company often won't proceed with its project. Also, the primary product being mined is normally a base metal like copper, so the gold or silver is just

a by-product that is often produced in small amounts. As a result, the arrangement works well for both companies.

### How good a deal does Silver Wheaton get?

The company's average silver equivalent cost in 2014 was US\$4.59 per ounce. It normally pays about US\$400 per ounce of gold and US\$4.00 per ounce of silver.

The margins are impressive, even in the current environment. Last year Silver Wheaton's average selling prices were US\$18.93 per ounce for silver and US\$1,261 per ounce for gold. The numbers for the first half of 2015 are lower, which is why the stock has been falling.

### Production outlook

Silver Wheaton continues to sign deals. The latest agreement is for a 50% share of the silver output at the Toroparu project owned by **Sandspring Resources**. Another deal was signed in March with **Vale SA** for 25% of the gold output at the Salobo copper mine in Brazil.

Silver Wheaton expects production across all of its mines to increase from 35.3 million silver equivalent ounces in 2014 to more than 52 million ounces by 2019. The company says 2015 output should be about 43.5 million ounces.

At the current price of \$23 per share, Silver Wheaton is approaching the bottom of its recent pattern. If you are a long-term bull on silver and gold, Silver Wheaton is a great way to play a rally and the shares could easily double over the next five years if the precious metals really take off.

Otherwise, it might be best to take a small position now and wait for another pop to \$30 and then unload the stock.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

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

### Category

1. Investing
2. Metals and Mining Stocks

### Date

2025/08/04

### Date Created

2015/06/15

### Author

aswalker

default watermark