



Buy Silver Wheaton Corp. if You Believe in Solar Power

Description

If there's one thing that is becoming perfectly clear, it's that governments are starting to take the prospect of global warming very seriously. They are mandating that increasing amounts of energy be generated from renewable sources, such as wind, hydroelectric, and solar power.

What is so fascinating is that solar power has become a huge business. Large swaths of land in Texas, previously unused, are being converted into giant solar farms. And this business continues to get larger, especially with the cost of solar panels dropping so much.

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) is one company that could benefit immensely from solar power becoming a main attraction in the electricity generation business. The reason has to do with basic chemistry. A solar panel is made up of a few basic things: silicon and an electric conductor are the two main ingredients that allow a solar panel to generate electricity.

The way it works is straightforward: the sun hits the silicon, which results in negatively charged electrons to be released from the silicon. Once the electrons have been released, they need to be directed somewhere. That's where silver comes into play. Silver is one of the best conductors that can be used for solar panels. And each one requires approximately US\$10 of silver to be operational, which is approximately 20 grams.

Therefore, if solar power goes up, silver should follow, which will make Silver Wheaton quite a bit of money.

How Silver Wheaton makes money

The company is what's known as a silver streamer. What that means is instead of operating its own mines, it finances other mines. In essence, if someone wanted to launch a mine for copper, Silver Wheaton would finance it in exchange for a significantly decreased cost per ounce of silver found.

The thing to remember about mining is that while certain areas might be heavily concentrated with one metal, they're rarely concentrated with only one metal. In other words, a copper mine might also have a lot of silver.

And what's so great is that the business model works. In 2014 it was buying silver from these mines for approximately US\$4 an ounce. It could then turn around and sell it at market rates, which is US\$15 an ounce. That's US\$11 per ounce of profit.

Time to buy

Silver Wheaton is priced near its 52-week low due to the overall market being down and because silver is currently down. However, as solar power increases across the world, the demand for silver should follow. And that, in my opinion, makes Silver Wheaton a buy while the price is so depressed.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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