



## Is it Finally Time to Buy Silver Wheaton Corp.?

### Description

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is catching a nice tailwind right now, and investors might want to pick up the stock before it's too late.

Here's why.

#### Demand growth

Silver has lost much of its shine this year and the price decline has taken Silver Wheaton's shares down with it. Political and economic events will continue to knock precious metals prices around, but the broader outlook for silver is very good.

Silver is used in the production of solar panels, and solar technology is getting to the point where panels can be produced at low enough costs to compete with other forms of energy.

Much of the previous solar demand was aided by generous subsidies, but free money is harder to come by these days, so solar projects have to be cost effective without significant government help.

That is starting to happen. Around the world energy companies are setting up massive solar installations, and that trend should continue for years to come.

Silver has another very important application.

The metal is now being used more frequently in the production of medical instruments and water purification systems because it has significant antibacterial properties. As the medical world faces ever-stronger bugs, silver could be used on a large scale to help fight the battle.

#### Supply constraints

Most of the world's silver production, roughly 70%, comes from mines that are set up to produce base metals like copper and zinc. These commodities are also in the low part of the cycle, and mining companies are delaying or abandoning expansion projects.

This could cause a supply squeeze in the coming years if demand ramps up faster than expected.

### **Benefits of the streaming model**

Silver Wheaton isn't a mining company; it simply provides upfront funding to help miners get their projects to the production stage. In return for this money, Silver Wheaton secures the right to purchase gold and silver by-product at very attractive prices.

How attractive?

In the Q2 2015 earnings statement Silver Wheaton said it had an average silver cost of US\$4.26 per ounce and an average gold cost of US\$395 per ounce. Those prices are much lower than current spot prices for the precious metals, so Silver Wheaton still enjoys solid margins in the current market.

### **Growing production**

The company continues to secure new sources of supply, and management expects 2015 production to come in at 43.5 million silver equivalent ounces, about 20% higher than 2014. By 2019, production is forecast to hit 51 million ounces.

The best part for investors is the fact that most of the production growth is already paid for, so the company is in a great position to deliver huge profits if silver and gold prices recover.

### **CRA risk**

Silver Wheaton and the Canada Revenue Agency have a difference of opinion regarding taxes owed on income earned by Silver Wheaton's international subsidiaries. The dispute is in its early stages, but Silver Wheaton says it could incur extra charges of about US\$200 million if it loses the case.

### **Should you buy?**

The long-term fundamentals for the company look solid, and silver prices should move higher in the coming years. Management just announced plans to buy back up to 5% of the outstanding stock, and that should help put a floor under the share price.

If you want to position yourself for a precious metals rally, Silver Wheaton is a good way to do it.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **POST TAG**

1. Editor's Choice

## TICKERS GLOBAL

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

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### Tags

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