



Growth in Solar Power Makes Silver Wheaton Corp. a Buy

Description

As solar power reaches price parity with other forms of energy, the demand for installation has increased significantly. In the United States alone, it is expected that power generated from solar panels will increase 27% over 2014.

This is good news for investors that either hold or are considering buying **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) because as the demand for solar power increases, the need for more solar panels will follow. And Silver Wheaton provides one of the key commodities necessary for a solar panel to operate at peak efficiency.

Sunlight contains tiny particles called photons. These photons slam into the silicon in the solar panel, resulting in the electrons in the silicon atoms breaking off. Rather than having the electrons just shoot off and disappear, there is a conductive metal that is used to gather the electrons and form an electric current. That metal is silver.

And the amount of silver needed by a solar panel is rather significant. It takes about 20 grams of silver (two-thirds an ounce) for every solar panel. That may not sound like a lot, but consider that laptops only need 1.25 grams and cell phones need 200-300 milligrams, and it is clear that solar panels have a disproportionate amount of silver when compared with other electronics.

Silver Wheaton is what's known as a silver streamer, which differs slightly from a silver miner. I like to explain Silver Wheaton as a silver financier. In essence, a company that wants to launch a new mine might agree to sell any silver it finds to Silver Wheaton in exchange for upfront financing. The mine gets an investor and Silver Wheaton gets cheap silver.

In its Q2 2015 earnings, the company revealed that its average cost of silver was US\$4.26 per ounce. The New York Silver spot price for silver right now is US\$16.13, which gives Silver Wheaton a significant margin on the resource.

Further, the company has a bright future ahead of it from a supply perspective. It expects output to top 50 million ounces by 2019. And because the business model is payment up front, it just needs to wait to receive the silver to start seeing significant revenue come in.

All told, Silver Wheaton is one of my favourite stocks to play silver and solar power. While there are plenty of solar companies out there, sometimes you can make plenty of money buying the suppliers rather than the final product. And Silver Wheaton is one stock that looks to gain on the final solar product.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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