



Silver Wheaton Corp. Fails to Meet Q3 Expectations: What Should You Do Now?

Description

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW), the largest precious metal streaming company in the world, announced weaker-than-expected third-quarter earnings results after the market closed on November 3, and its stock responded by remaining relatively unchanged in the trading session that followed.

The company's stock still sits more than 43% below its 52-week high of \$24.22 reached back in January, so let's take a closer look at the results to determine if this lack of movement represents a long-term buying opportunity or a sign of things to come.

Lower silver and gold prices lead to year-over-year declines

Here's a summary of Silver Wheaton's third-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Adjusted Earnings Per Share	\$0.12	\$0.13	\$0.20
Revenue	\$153.25 million	\$169.30 million	\$165.85 million

Source: *Financial Times*

Silver Wheaton's adjusted earnings per share decreased 40% and its revenue decreased 7.6% compared with the third quarter of fiscal 2014. These weak results can be attributed to the significant decline in silver and gold prices over the last year, which led to the company's average realized selling price per silver equivalent ounce decreasing 20.8% to \$15.03 and its average cash operating margin per silver equivalent ounce decreasing 27.4% to \$10.45.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Total production increased 23.8% to 10.99 million silver equivalent ounces

2. Total sales increased 16.6% to 10.19 million silver equivalent ounces
3. Production of silver increased 13% to 6.89 million ounces
4. Silver ounces sold increased 4.4% to 6.58 million
5. Average realized price of silver decreased 20.7% to \$15.05 per ounce
6. Silver sales decreased 17.2% to \$98.93 million
7. Production of gold increased 30.8% to 54,513 ounces
8. Gold ounces sold increased 30.9% to 48,077
9. Average realized price of gold decreased 10.4% to \$1,130 per ounce
10. Gold sales increased 17.3% to \$54.33 million

Silver Wheaton also announced that it will be maintaining its dividend \$0.05 per share in the fourth quarter, and it will be paid out on December 1 to shareholders of record at the close of business on November 18.

Should you buy or avoid Silver Wheaton's stock today?

It was a weak quarter overall for Silver Wheaton, so I think its stock responded correctly by showing little movement. With this being said, I think the stock represents a great long-term investment opportunity today.

Silver Wheaton trades at attractive forward valuations, including just 24.4 times fiscal 2015's estimated earnings per share of \$0.56 and only 21 times fiscal 2016's estimated earnings per share of \$0.65, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 33 and its five-year average multiple of 32.4.

I think Silver Wheaton's stock could consistently command a fair multiple of at least 28, which would place its shares upwards of \$18 by the conclusion of fiscal 2016, representing upside of about 32% from today's levels. This projection is also very reasonable when you consider that it would still trade more than 25% below its current 52-week high of \$24.22.

With all of the information provided above in mind, I think Silver Wheaton is the top turnaround play in the silver industry today. Foolish investors should take a closer look and strongly consider beginning to slowly scale in to long-term positions over the next couple of weeks.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Investing

2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/08/04

Date Created

2015/11/05

Author

jsolitro

default watermark

default watermark