



## Silver Wheaton Corp.: Is This Stock a Buy?

### Description

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) hasn't been a great investment over the past four years, but the fundamentals in the market suggest better days are on the way.

### Tough times

Back in 2011, silver traded for more than US\$45 per ounce. Today, investors can pick it up for close to \$14.

That's a pretty steep slide and shares of Silver Wheaton have fallen in step, down on the TSX from \$40 just three years ago to the current level of about \$17 per share.

Investors can be forgiven for wanting to give the stock a wide berth, but contrarian types are looking at the market dynamics and starting to see a long-term opportunity.

### Market conditions

Silver has many uses beyond its jewellery appeal, and one industrial application could send the price much higher in the coming years.

Silver is a core component in the production of solar panels. The solar industry has gone through some ups and downs, but the technology is finally getting to the point where solar panels can be justified on a cost basis as well as for the renewable energy appeal.

Large industrial installations are now popping up all over the planet, and the growth is set to continue as production costs fall and countries move toward non-carbon-emitting options for generating electricity.

Silver demand looks set to expand, but new supply might not keep up. Most of the planet's primary silver supplies come from mining operations set up to produce base metals such as copper and zinc. These commodities are also experiencing a slump in prices. In fact, copper just hit a six-year low.

This is forcing mining companies to delay or abandon plans for new projects, which could put a pinch on silver production in the coming years and drive up prices.

### **Why Silver Wheaton looks attractive**

Silver Wheaton is a streaming company, not a mine. This means it doesn't carry the operational risks of developing properties; it simply provides up-front cash to mining companies to help them get their projects up and running.

In return for the funds, the mining companies give Silver Wheaton the right to purchase gold and silver produced at the facility for very low prices.

How low?

Silver Wheaton's Q3 2015 average cash cost was US\$4.58 per silver equivalent ounce. That means the company still enjoys solid margins in the current environment.

### **Production growth**

The weak market for metals producers is a great opportunity for Silver Wheaton to negotiate favourable deals. The company recently secured a third of the silver production at the Antamina copper mine, and management is looking at a number of other opportunities.

Silver Wheaton says 2015 production should be about 44.5 million silver equivalent ounces. Annual production is expected to increase to 55 million ounces by 2019.

The best part for investors is the fact that most of the production growth is already fully funded.

### **Should you buy?**

If you believe silver is near the bottom of its cycle, Silver Wheaton is a great way to play a rebound. The long-term fundamentals look strong and the stock could easily regain the \$30 mark on an upswing in silver prices.

### **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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1. Editor's Choice

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