



Should Investors Consider Buying Silver Wheaton Corp.?

Description

Times have definitely not been kind to **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW). Over the past four years silver has gone from US\$45 per ounce to US\$14 per ounce. The stock price dropped along with it as well. Most annoyingly, it has been in a relatively constant trading pattern, rising to \$30, dropping to approximately \$20, and then rising back up again.

However, the stock broke that trading pattern and dropped under \$15 a share, which was unheard of for the company for many years.

However, now that it has dropped so much, I believe investors should look at this company as a gift and start buying shares. Here are three reasons to support that.

Attractive business model

Silver Wheaton is not a true silver miner; it is a streaming company. I like to think of it as a mining financier. In other words, when a company decides to start a new mine, it needs to find the necessary financing to make it happen. The mining company might be looking for copper and zinc, which are in high abundance.

What Silver Wheaton does is offer to finance a significant portion of the mine in exchange for the silver that the mine may find. The mine gets money to set up the operation and Silver Wheaton gets silver at a significantly reduced cost without having to worry about actually running the mine.

In its Q2 2015 earnings, Silver Wheaton revealed that it had paid US\$4.26 per ounce of silver on average. That gives it significant margins when it sells that silver.

Solar power needs silver

The solar industry has been buying more silver because it is one of the best conductive metals on the planet.

The way a solar panel works is that tiny particles (called photons) from the sun hit the silicon in the

solar panel, which results in electrons breaking off from the silicon. Silver, as a conductive metal, attracts those electrons and guides them into an electric current. This electric current is powering the very laptop I am using to write this article.

What's significant is that it takes a decent amount of silver for every solar panel when compared to other electronics. For example, a laptop needs about 1.25 grams of silver. A cell phone only needs about 200-300 milligrams. A solar panel, on the other hand, needs about 20 grams (two-thirds of an ounce). As solar power becomes a bigger business, more silver will be needed.

Production is growing

Because of how weak the mining business is right now, Silver Wheaton has been able to increase its production at attractive prices. According to the company, it expects to finish 2015 with about 44.5 million ounces of silver. It hopes to add an additional 10 million ounces of production by 2019. If the demand for silver increases due to solar power and other electronics, I expect this increased production to be gobbled up.

All told, Silver Wheaton is incredibly cheap right now, and the market conditions are ripe for this stock to rise significantly in the coming months and years. I believe investors should consider starting a position.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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