



Silver Wheaton Is a Great Opportunity

Description

When it comes to silver-streaming companies, there is no company with a larger footprint than **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW).

With active operations on three different continents and growing revenues, Silver Wheaton has perfected the silver-streaming model. Here's a few reasons why it really should be in your portfolio.

Low risk

Let's start off by looking at what Silver Wheaton is—a streamer. This basically means that Silver Wheaton funds a mining company to mine the silver, and then it buys the metal at a negotiated price that is typically significantly lower than market rate.

From a risk perspective, Silver Wheaton's risk ends at the initial investment. The company does not need to invest in costly exploration initiatives or provide machinery and staffing to mine the metal. Large capital expenditures are effectively minimized through this unique business model.

High margin

When a mining company produces the precious metal, it can be sold to the streaming company at a reduced rate. But how reduced is that rate? Let's look at an example.

From an operations standpoint, silver costs roughly US\$4.36 per ounce, and gold comes in higher at US\$395 per ounce. Considering that the spot price for silver is nearly US\$15 per ounce and gold is roughly US\$1,100, the lucrative potential in this model starts to set in.

This one factor alone makes Silver Wheaton not just a great, but lucrative opportunity for investors.

Huge market potential

Silver Wheaton is forecasting growth that will see production increase from 44.5 million silver equivalent ounces this year to upwards of 55 million within the next four years.

Even with these additional opportunities that are already funded, the cost structure remains largely fixed. This means that once silver prices start to improve as many speculate, this will translate into greater revenues for the company.

Beyond making silver coins and bars, which is growing in demand, silver is also used in an increasing number of applications. One such application that is gaining in significance is use in solar power. The metal is one of the most efficient forms on conduction on the planet, and is used as the conduit in solar-power systems.

Silver Wheaton currently trades just below \$18. The stock is up by 18% in the past three months, but is down by 24% year-to-date, making the current reduced price a real bargain for investors looking to diversify their portfolio or looking for long-term growth.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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