



A Bet on Silver Wheaton Corp. Is a Bet on Elon Musk

Description

Over the weekend, I found myself watching presentation after presentation from Elon Musk. He talked about his plans to basically revolutionize the energy sector. You can see this with two of the companies that he runs: **SolarCity Corp.** (NASDAQ:SCTY) and **Tesla Motors Inc.** ([NASDAQ:TSLA](#)). The former leases solar panels to individuals and the latter creates electric cars, the supercharger stations, and the Powerwall.

These two companies actually work well together because the former can provide power to the latter. People can lease solar panels and store the electricity in their electric cars and the Powerwall that they buy. I believe Musk is going to be successful. I believe that solar power is going to become one of the most efficient and inexpensive ways to generate electricity.

Because of this, I believe investors should look at **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) as a possible addition to their portfolio. Without companies like Silver Wheaton, solar panel creators and sellers can't exist. To understand why that is the case, it helps to understand how a solar panel works.

When the tiny photons in sunlight slam into the silicon in a solar panel, electrons effectively break off from the silicon atom. Electrons result in electricity. To ensure that these electrons don't just disappear, solar panels use a conductive metal that gathers these particles and forms an electric current. While there are plenty of metals that can do this task, silver is by and large one of the best ones.

We see silver in all sorts of electronics. For many laptops, there is a need for about 1.25 grams of silver. For cell phones, the need is less at 200-300 milligrams. But for every solar panel, there is a need for about 20 grams of silver, which is two-thirds of an ounce.

Silver Wheaton is primed to profit handsomely if Musk succeeds. Unlike a traditional silver miner, Silver Wheaton acts as a sort of silver financier. Technically, it is a silver streamer, which means that it agrees to buy silver in a future mine. For example, if a company wants to launch a copper mine, it may come to Silver Wheaton for financing. In exchange for discounted silver, Silver Wheaton will give that mine upfront financing.

That discount for silver is rather significant. In its Q2 2015 earnings, Silver Wheaton explained that it

paid, on average, US\$4.26 per ounce of silver. For reference, the New York silver spot price is US\$13.77, which gives Silver Wheaton a pretty decent margin. Unfortunately, commodities are currently hurting, which is part of the reason the company is trading so low. The good news is that going forward the company intends to increase supply to 50 million ounces by 2019.

All told, if the solar industry does continue to get more powerful, which I expect that it will, those manufacturers will need to find an abundance of silver. If Elon Musk has his way, we'll all be getting electricity from the sun. That will make investors of Silver Wheaton Corp. very happy.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)
2. TSX:WPM (Wheaton Precious Metals Corp.)

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