



Is Silver Wheaton Corp. a Smart Long-Term Hold?

Description

Investors who bought **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) at the end of January are likely rather pleased, since the stock has appreciated 30% over the past couple of months. This was primarily driven by silver prices increasing due to concerns that the market would continue to drop.

However, with equities on the rise again, it's important to ask whether Silver Wheaton is still a smart long-term hold or if it might be time to take profits and get out.

I am a big fan of Silver Wheaton. I think silver is far more valuable to society than gold. Specifically, I believe gold is only useful when there is fear, whereas silver is useful for electronics, solar power, and other utilities. I like to invest in utility, not fear.

Silver plays a key part in solar panels. When the sun hits the solar panel, it causes the electrons in the silicon to break off. These electrons then need to be guided to a generator. Silver acts as the conducting agent that guides and forms the electrons into an electric current.

This is important because the amount of silver needed for a solar panel is significant. Unlike a cell phone, which only needs 200-300 milligrams, or a laptop, which only needs 1.25 grams of silver, each solar panel needs about 20 grams of silver. That's two-thirds of an ounce. Therefore, if solar power continues to grow, the need for panels will grow, thus the need for silver will grow.

When you tie the business model into the fact that silver has such utility, you get an amazing investment.

Silver Wheaton is a streamer, which means that it isn't exposed to nearly as much risk as true silver miners, but it's able to reap huge rewards nonetheless. Silver Wheaton is a financier for miners.

In exchange for funds to help mining companies launch new operations, Silver Wheaton gets the right to purchase any silver or gold by-product at a significant discount. Most silver is found as a by-product to zinc, copper, and other metals. Therefore, when a copper mine finds silver, it doesn't mind selling it to Silver Wheaton because silver wasn't its focus.

This has allowed Silver Wheaton to purchase gold for US\$400 an ounce and silver for US\$4 per ounce, even when the price is triple that on the open market. And since all Silver Wheaton does is buy and resell, the margins are relatively healthy.

The one thing that investors need to be cautious about is the company's battle with the Canada Revenue Agency. Silver Wheaton has been accused of not paying enough taxes on revenue generated from its foreign subsidiary, and it could be forced to pay \$660 million to the government. While this might be priced in, the stock will likely get hit one way or the other as investors react.

But long term, I believe this stock is a worthy consideration. We're only making more electronics and more solar panels, and its business model is lucrative. I advise starting a small position in this company.

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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