



Silver Wheaton Corp. vs. Barrick Gold Corp.: Which Is a Better Bet?

Description

The rally in gold and silver is bringing investors back into precious metals names.

Let's take a look at **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) and **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) to see if one is more attractive right now.

Silver Wheaton

Silver Wheaton is an interesting beast because it doesn't actually own any gold or silver properties.

The company simply provides mining firms with upfront cash to help them move their projects from development to production. In return, Silver Wheaton secures the right to buy silver or gold produced at the mine for an attractive price.

How attractive?

The company reported Q1 average silver equivalent cash costs of US\$4.44 per ounce. At the time of writing, silver trades for US\$20 per ounce.

Most of the streaming deals are negotiated on mines set up to produce base metals such as copper and zinc. The gold and silver are simply considered by-product.

Mining companies are willing to do the deals because they offer a way of financing expansion without taking on additional debt or hammering shareholders through a dilutive stock sale.

Silver Wheaton has taken advantage of the commodities slump to add new streams at very reasonable prices, and most of the current production growth is fully funded. As such, investors just have to sit back and watch the cash roll in as silver and gold continue to rise.

Barrick

Barrick is the world's largest gold miner. The company is in the middle of a massive turnaround process, and investors are finally beginning to believe the business could return to its former glory.

Management reduced Barrick's US\$13 billion debt load by US\$3 billion last year and is on track to trim at least another US\$2 billion this year.

The company has delivered four consecutive quarters of positive free cash flow, and that trend should continue as costs fall and prices rise.

In fact, Barrick's all-in sustaining costs (AISC) are now down to a point where the giant is the low-cost producer among its peers.

With 2016 production expected to be 5-5.5 million ounces at AISC of just US\$760-810 per ounce, margins are looking pretty good. Investors could see a flood of free cash flow if gold holds its gains or moves higher.

Which should you buy?

Both stocks are attractive picks right now for investors who believe the gold and silver rally has legs.

Silver Wheaton is the better way to play the strength in both metals without taking on operational risks associated with owning mines. The stock could also outperform if silver continues its recent mega-rally.

If you are a pure gold bug and simply want the biggest name with the largest production and lowest costs, Barrick is the way to go.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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Date

2025/08/03

Date Created

2016/07/06

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