



## Is Silver Wheaton Corp. Still a Strong Investment?

### Description

For the first time in five years, gold prices have been on a continued rally, appreciating by nearly 30% since the turn of the year. The rally has helped propel mining company stocks up, restoring some of the value that was lost over the past few years, which has caused many investors to question if a streaming company like **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is still a good investment.

Here's a look at Silver Wheaton and why the company still belongs in your portfolio.

### Silver Wheaton is a streaming company

One of the first items to be clear on is that Silver Wheaton is not a mining company. Silver Wheaton is a streaming company, which is vastly different and, in some ways, more advantageous than a traditional miner.

Unlike miners, streamers don't actually own any mines. Streamers provide an upfront investment to miners, who will use that capital to set up and begin operating mines. In exchange for that early investment, streamers are given a steep discount on the precious metals that come out of the mine. While this has predominately related to silver and gold, copper and zinc by-products are sometimes included in such agreements.

The discounted price that streamers get can be quite significant. An ounce of silver can be offered to a streamer for as low as US\$4.50 per ounce, and an ounce of gold could be sold for US\$400 per ounce. To put this into context, the market rate for silver and gold is currently hovering near US\$19 and US\$1,320 per ounce, respectively.

Silver Wheaton can then sell the discounted metals at the market rate and pocket the difference.

### The miner versus the streamer

With the recent uptick in metal prices, the stock price of many gold producers has shot up, in some cases by over 100% this year, leading many to wonder if investing in a streamer is a sound decision.

One important aspect to consider, particularly for investors who have been long on metals for several years, is how the recent growth of mining stocks compares to historical levels. In most cases the recent surge has minimized—but not yet completely eliminated—the losses in value that the stocks have suffered over the past few years.

That's not to say that streamers haven't benefited from the surge in metal prices. Silver Wheaton's stock has surged nearly 100% year-to-date, and over the past 12-months the stock has risen by nearly 105%.

In the most recent quarter, Silver Wheaton posted US\$40.98 million in earnings, a decrease year over year by 17.1%. Earnings per share for the quarter were US\$0.10 per share, a decrease of US\$0.03 per share over the same quarter last year.

Despite the weak quarter the company remains a solid investment when looking ahead.

For the full year, the company is forecasting production of 54 million ounces of silver, 12.7 million of which have already been produced in the first quarter. Assuming that Silver Wheaton can meet this forecast, the company should be on par to have production for the year finish over 25% better year over year.

Given the increase in silver prices and the fact that Silver Wheaton has a history of selling nearly all silver, this increased production could lead to significant revenues for the company later this year.

Silver Wheaton remains a great stock option for any portfolio, and, in my opinion, investors looking at the long term will be satisfied with both the growth and return that Silver Wheaton offers.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

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

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