3 Winning Precious Metals Stocks for 2017

Description

Now that precious metals stocks are depressed, it's time to determine the potential winners. If you're not convinced yet, check out this article, in which Fool writer Nelson Smith discussed five reasons why gold could shoot much higher in 2017.

I believe there's a good chance that **Goldcorp Inc.** (TSX:G)(NYSE:GG), **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW), and **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) can be winners.

Goldcorp

The large gold miner operates in politically stable and low-risk jurisdictions. Moreover, the company is awarded an investment-grade S&P credit rating of BBB+ and has a low debt/cap of 16%.

Over time, Goldcorp has improved its operations, and doing this has lowered its cost of operations and should lead to higher cash flows and a higher share price.

Most importantly, the company's all-in sustaining costs of producing gold are expected to be US$850-925 per ounce. That's below the price of gold, which has stayed above US$1,050 per ounce for the year and is about US$1,132 currently.

Since 2011 Goldcorp shares have declined 60%. Now trading below $17 per share, the miner is priced at a discount from its book value and from its long-term normal price-to-cash flow multiple.

Image not found or type unknown
canadian gold coins_16-9

Silver Wheaton

If you want exposure to precious metals with lower risk, you can consider Silver Wheaton, the world's largest precious metals streaming company.

There's no exploration risk in the company because it partners with mining companies by making an upfront payment. In return, it buys a percentage of their future silver or gold production at a predetermined price**,** so it profits from the difference between the cost and the actual precious metals prices.

In 2015 Silver Wheaton paid US$4.17 per ounce of silver and US$393 per ounce of gold and had cash margins of 73% and 66%, respectively.

Silver Wheaton has a portfolio with about 25 years of mine life based on reserves. So, the company is set to remain profitable across various stages of the precious metals cycle.

Tahoe Resources

For those of you with an above-average appetite for risk, consider Tahoe Resources: a mid-cap precious metals miner, which was founded by Kevin McArthur, who was the former president and CEO of Goldcorp until his retirement in 2008.

Tahoe Resources aims to produce 20-21 million ounces of silver and 370,000-430,000 ounces of gold this year with all-in sustaining costs of $8-9 per ounce for silver and $950-1,000 per ounce for gold.

Miraculously, the company has maintained its monthly dividend since the end of 2014, and it offers the biggest yield of the three at 2.7%.

Tahoe Resources also maintains a strong balance sheet with little debt. For example, its current assets were nearly two times its current liabilities in the last quarter. Now that the shares have retreated 45% from its recent high in July, it makes for an attractive entry point.

The takeaway

All three companies can shoot much higher in 2017 and beyond if precious metals prices head higher. Some analysts believe Goldcorp, Silver Wheaton, and Tahoe can rise 50%, 70%, and 80%, respectively, from current levels. However, it will likely take several years and more ups and downs before that can happen.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks

2. Investing
3. Metals and Mining Stocks

Date
2025/08/23
Date Created
2016/12/23
Author
kayng