



## Why Silver Wheaton Corp. Could See Massive Growth in 2017

### Description

Precious metal producers could sum up 2016 using a famous quote by Dickens: “It was the best of times, it was the worst of times.”

The first half of 2016 saw the first gold rally in half a decade. Many companies surged over 100% in just a few months. Some companies even saw gains of 200%.

Unfortunately, the second half saw that rally end, or, more appropriately, get swallowed up in a series of unprecedented events, ranging from the Brexit vote fallout to rising interest rates to the unexpected election victory of Donald Trump, and, even more recently, there's the potential for additional instability in markets in Italy followed by the upcoming elections in France and Germany.

While not a producer directly, **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) went along for the ride with gold producers throughout 2016. Silver Wheaton is still up by 38% year-to-date, but this past summer the stock was surging over 110% for the year.

Despite the slump, there are plenty of reasons to see Silver Wheaton as a great investment set to grow in 2017 and beyond.

### **Silver Wheaton is a streamer, not a miner**

While Silver Wheaton is just as influenced by precious metal prices as other producers, an important differentiator is that Silver Wheaton is a streamer, not a miner.

Streamers differ from miners in that streamers provide upfront financing to miners, who in turn set up operations and begin mining. In return for that initial investment, streamers are provided with a certain amount of the precious metals extracted from the mine at a heavily discounted price, which the streamer sells at the current rate to the market.

In terms of how significant that discount could be, an ounce of gold could be sold to a streamer for as little as US\$400 per ounce, and an ounce of silver could be sold for US\$4.50 per ounce. By way of comparison, the current prices for gold and silver ounces on the market are approximately US\$1,150

and US\$16, respectively.

I would be remiss if I didn't also mention that, apart from the obvious cost benefits, streamers are also less exposed to other risks than traditional miners are.

### **Silver Wheaton's production is increasing, while costs are stable**

When the price of gold dropped back in 2011, gold producers were left with a mountain of debt, and, for the most part, inefficient and costly operations. What followed was a concerted effort to reduce costs and rein in debt. Producers became more efficient and disciplined in terms of costs, but they also prioritized those facilities that were either lower cost or higher producing.

Silver Wheaton has contracts with several producers that should yield approximately 330,000 ounces of gold and over 30 million ounces of silver annually over the next few years. The producers that Silver Wheaton works with carry some of the lowest costs in the industry, which translates into Silver Wheaton being able to keep costs in line. The company does not have to worry about the price of metal slipping too much in the future.

In short, Silver Wheaton has relatively stable costs and an increasing level of production.

### **Demand for precious metals could increase significantly next year**

Finally, a variety of factors has gold pundits speculating over yet another rally on gold to begin in the new year, which could drive the price of gold to over US\$1,400 per ounce. Demand for gold has accelerated since the result of the U.S. election this past fall, and elections in both France and Germany could cause additional investors to seek solace in the relative safety of gold.

The recent dip in prices has also served as a catalyst to gold markets in recent weeks such as India, where demand has started to pick up and will likely accelerate into the new year. China, another big consumer of gold, is also seeing increased demand for the precious metal.

Remember that average selling price of nearly US\$400 per ounce of gold? If gold prices do appreciate to near the US\$1,400 level from the current sub-US\$1,200 level, it can equate to substantial revenue gains for Silver Wheaton.

In my opinion, Silver Wheaton is a great long-term investment option.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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