



Why Now Is the Time to Invest in Silver Wheaton Corp.

Description

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) represents a unique opportunity for investors to enter the precious metals market without directly investing in one of the traditional gold-mining companies.

Gold is unique investment. Investors have long turned to the perceived safety of gold in times of uncertainty, and, for the most part, gold has steadily risen over the years thanks to its scarcity and high demand.

How is Silver Wheaton different from a traditional miner?

Silver Wheaton is not a miner, but rather it's a streamer. Streamers are different from the traditional miners in that they don't actually own or operate any mines. Streamers offer upfront capital to the traditional miners, who in turn set up operations and begin mining. In exchange for that upfront infusion, streamers are permitted to purchase a certain percentage of the precious metals extracted from the mine at a considerable discount, which the streamer can then sell at the market rate, pocketing the difference.

That discount can be fairly significant. By way of example, the current spot price for an ounce of gold is just over US\$1,200 per ounce. The cost that a streamer typically pays for that ounce of gold is closer to US\$400 per ounce. That same discount applies to silver as well; the current price for an ounce of silver hovers around US\$17 per ounce, and the streaming price is just over US\$4 per ounce.

Apart from that discount, streamers such as Silver Wheaton are less exposed to the risks and costs associated with operating mines, which can, at times, make a great investment turn sour. The fixed cost investment keeps costs in line, and permits Silver Wheaton to move on to other streaming agreements while the precious metals miner focuses on extracting the precious metals.

In all, Silver Wheaton currently has 22 operational mines and eight in various stages of development.

Silver Wheaton continues to perform

Silver Wheaton will provide an update on the fourth quarter of fiscal 2016 later this month, but if the

results from the third quarter are anything to build on, the results will be largely positive.

In the third quarter, Silver Wheaton realized attributable production of 109,200 ounces of gold and 7.7 million ounces of silver. When compared with the same quarter in the prior year, Silver Wheaton saw an 11% increase in silver and an 86% increase in gold production.

In the third quarter Silver Wheaton sold on 6.1 million ounces of silver and 85,100 ounces of gold. When compared to the prior year, Silver Wheaton sold 7% less silver, but 77% more gold in the quarter.

From a revenue perspective, Silver Wheaton reported revenue of US\$233 million for the quarter — an increase of 52% over the US\$153 million posted in the same quarter last year. Net earnings for the quarter came in at US\$83 million, or US\$0.19 per share — a full 187% improvement over the earnings posted in the same quarter last year.

Operating cash flow for the quarter also saw an increase of 62% over the same quarter last year, coming in at US\$162 million, or US\$0.37 per share.

Silver Wheaton pays a quarterly dividend of \$0.08, which, at the current stock price, provides a yield of 1.27%.

Here's why Silver Wheaton is a great investment

Silver Wheaton's fixed cost structure allows the company to reap the rewards from mines without many of the risks a traditional miner has. Additionally, Silver Wheaton's 22 active mines are scattered across a dozen countries on three continents, providing diversification to investors.

But perhaps the real reason that Silver Wheaton is a great investment is because of gold prices. Gold prices fluctuate on a variety of factors, and over the course of the past year we've seen those prices surge and then stabilize as a series of unprecedented events unfolded, including the Brexit fallout, the unexpected election victory of Donald Trump, and the market surge that followed.

Industry experts have speculated that we could be in for more of the same this year, as elections in France, the Brexit trigger date, and the potential for a market correction could all send the price of gold up; some are calling for US\$1,300 per ounce of gold to be commonplace by the end of the year.

That's all good news for Silver Wheaton's investors.

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