

## Silver Wheaton Corp. Earnings: Now Is the Perfect Time to Buy the Stock

### Description

It's funny how the stock markets react sometimes. **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) released its fourth-quarter and 2016 numbers on March 21 after market close. The stock rose the next trading day, only to fall back almost 5% the next, despite the company beating analysts' estimates and even bumping up its dividend.

The market might be confused, but you shouldn't be. Given that Silver Wheaton is still down almost 25% in the past six months, now could be a great time to scoop up some shares. Here's why.

### Sparkling 2016

Silver Wheaton's silver and gold sales volumes hit record highs in 2016 as its production jumped 15% to hit an all-time high of 56.2 million silver equivalent ounces. As you may already know, Silver Wheaton doesn't own mines or extract metals; it buys them from other miners at discounted prices under streaming agreements in return for financing them up front.

Silver Wheaton's agreement with **Vale SA (ADR)** ([NYSE:VALE](#)), which entitles it to 75% of the gold produced at Vale's Salobo mine in Brazil, proved to be the trump card. Its gold production from Salobo surged a whopping 81% year over year in Q4. In August last year, Silver Wheaton had extended its agreement with Vale to buy an additional 25% of the gold produced from the mine for life. The timing couldn't have been better; Vale's production at Salobo hit a quarterly record in Q4.

Did you realize something interesting, though? It was gold, and not silver, that pushed Silver Wheaton's production and sales volumes higher. In fact, its silver production declined in 2016, and if not for Salobo, the streamer's numbers wouldn't have looked as good.

Silver Wheaton revealed plans to change its name to Wheaton Precious Metals during the earnings release in what was one of the biggest takeaways from the company's earnings report.

### A gold miner in the making

I'm not surprised to see Silver Wheaton wanting to drop "silver" from its name. It is as much a gold company as it is a silver company, estimating gold to average 45% of its total estimated production through 2020.

That means investors can get exposure to both gold and silver if they own Silver Wheaton, which is a great bet for any precious metals investor. Diversification should also help Silver Wheaton weather production hiccups better, as we saw last year when higher gold production offset lower silver volumes to push the company's sales and profits higher.

Silver Wheaton made a net profit of US\$195 million in 2016 versus a loss of US\$162 million in 2015. The company also ended the year with 35% higher operating cash flow, which is why it could raise its dividend.

### Enjoy a higher dividend

It's important to understand the link between Silver Wheaton's operating cash flow and its dividend. The streamer doesn't pay a dividend at a flat rate or amount; it pays a quarterly dividend that equals 20% of the average operating cash flows generated in the trailing four quarters.

So, with its operating cash flow jumping 35% during 2016, Silver Wheaton will pay a quarterly dividend of US\$0.07 per share compared to previous quarter's US\$0.01 dividend per share. There couldn't be a better gift for investors at a time when the stock is under pressure. It yields 1.4% currently.

Silver Wheaton's muted production outlook for 2017 might disappoint, but such fluctuations are inherent in the mining business. Given Silver Wheaton's solid foothold in the industry, diversification, strong financials, and consistent dividends, you shouldn't have to worry as a long-term investor.

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