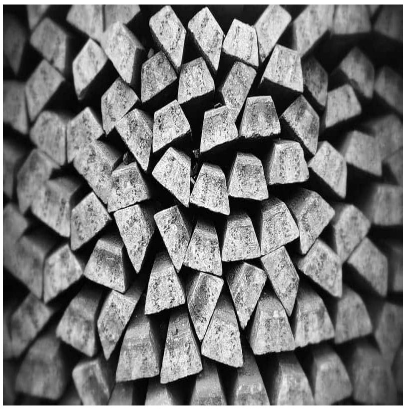

1 Silver Miner for Under $5 That Is Ready to Soar

Description

While gold has firmed over the last year, gaining 8%, its poorer cousin silver has failed to keep pace, falling by 7% in value over the same period. This has caused the gold-to-silver ratio, a key indicator of the value of the two precious metals relative to each other, to widen sharply. At the end of 2017, it took 77 ounces of silver to buy one ounce of gold, but now it takes 80 ounces.

This indicates that silver is sharply undervalued and is long overdue for a rally, particularly when it is considered that another supply deficit for physical silver is expected in 2018. That will act as a powerful tailwind for silver miners; one of the most attractive is **Silvercorp Metals Inc.** (TSX:SVM)(NYSE:SVM).

Now what?

Silvercorp is ranked as China's largest primary silver producer, owning a portfolio of silver mines in the country that have silver reserves of just over 113 million ounces. Management has successfully grown the miner into one of the lowest-cost, high-margin silver producers in the silver mining industry.

However, fiscal third-quarter 2018 results were disappointing; weak silver prices and results were behind the marked decline in Silvercorp's stock, which is down by 31% over the last year.

The volume of ore mined remained flat year over year, while cash costs per tonne of ore mined were US$56.11, which was US$8.59 higher than a year earlier.

Silver sales for the quarter declined by 12% year over year. The inability to grow production was caused by power outages due to the electric grid being upgraded by the State Grid Corporation of China and limitations imposed by Beijing on mining activities.

Rising costs were another issue that impacted Silvercorp's performance. All-in sustaining costs (AISCs) for the quarter were US$3.16 per ounce of silver produced compared to US$1.87 a year earlier, and the miner's gross margin declined by 3% year over year to 52%.

On a positive note, despite higher costs and flat production, Silvercorp's net income for the period only declined by 3% year over year. The final quarter for the 2018 fiscal year should see an improvement in production as well as costs, which will give Silvercorp's earnings a lift.

It is also worth noting that even after Silvercorp's AISCs almost doubled, they are still some of the lowest among primary silver miners. **Pan American Silver Corp.** (TSX:PAAS)(NYSE:PAAS) reported AISCs of US$10.79 for 2017, while **First Majestic Silver Corp.'s** (TSX:FR)(NYSE:AG) were US$13.82 per ounce produced. This, along with a solid, almost debt-free balance sheet, with cash of $66 million on hand, underscores Silvercorp's profitability and ability to weather any protracted long-term slump in silver prices.

So what?

High-quality assets, low costs, and a strong balance sheet all make Silvercorp an appealing investment, especially when it is considered that after the latest sell-off, the miner is very attractively priced. This coupled with growing demand for silver and firmer silver prices over the course of 2018 makes now the time to acquire Silvercorp.

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