



3 Silver Miners to Cash In on Silver's Next Rally

Description

Geopolitical uncertainty continues to drive gold higher with the yellow metal gaining almost 5% over the last year. Its poorer cousin, silver, has failed to keep pace, dropping by 10% for the same period. That has hit primary silver miners hard, sending the **Global X Silver Miners ETF** (NYSE:SIL) down by 19% for the same period.

It has also caused the gold-to-silver ratio, which provides an important measure of the relative value of the two precious metals, to widen. At this time, it takes 81 ounces of silver to buy one ounce of gold, indicating that silver is heavily undervalued and will rally in coming months to close the gap. That will be supported by supply constraints and [growing industrial demand](#) for the white metal.

This has created an opportunity for investors by providing a handy entry point for three junior silver miners that are positioned to unlock considerable value for investors.

Now what?

Silvercorp Metals Inc. ([TSX:SVM](#))(NYSE:SVM) has plummeted by 27% over the last year because of weaker silver. This has created an appealing entry point for investors seeking exposure to one of the largest primary silver miners operating in China.

The miner has been able to steadily grow production and is among the most profitable as well as lowest-cost silver miners. For the fourth quarter 2017, it reported a net profit margin of 29% and all-in sustaining costs (AISCs) of US\$3.16 per silver ounce produced. This caused free cash flow for the period to rise by an impressive 67% year over year to US\$20 million, highlighting that Silvercorp is a cash-generating machine that will appreciate, even on the slightest rally of silver.

Fortuna Silver Mines Inc. ([TSX:FVI](#))([NYSE:FSM](#)) has bucked the trend and shot up by almost 4% over the last year, as the market recognized the quality of its assets. The miner has reserves of over 160 million silver equivalent ounces and has been steadily growing its silver production, which expanded by 12% year over year for 2017. Fortuna also reported that AISCs for 2017 had fallen by an impressive 24% to US\$6.40 per silver equivalent ounce produced, illustrating its profitability in the current operating environment, where silver is trading at US\$16.64 per ounce.

There is every sign that this strong performance will continue into 2018 and beyond, particularly with Fortuna's Lindero gold project, which has reserves of 1.7 million gold ounces expected to be commissioned in the second quarter of 2019. When that occurs, Fortuna's earnings will receive a healthy bump, which should propel its stock higher.

Sierra Metals Inc. ([TSX:SMT](#))(NYSE:SMTS), which has gained almost 3% over the last year, is the final selection. It owns and operates three operational mines in Peru and Mexico, giving it reserves of 16 million silver ounces as well as 194,000 gold ounces. For 2017, it reported that silver equivalent production had risen by a healthy 26% year over year with AISCs of US\$12.34 per silver ounce produced. The solid uptick in production gave Sierra's bottom line a solid boost, causing 2017 EBTIDA to almost double compared to a year earlier.

Because Sierra is forecasting that 2018 silver output will grow by 9% year over year, while zinc and copper will both shoot up by up to 11%, that trend should continue. This will give Sierra's earnings a further boost especially because of firmer silver and [base metals prices](#), which, in turn, will drive its shares higher.

So what?

All three silver miners possess high-quality assets and are attractively priced, making them a solid proposition for investors seeking exposure to the long-awaited rally in silver.

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1. Investing
2. Metals and Mining Stocks

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