

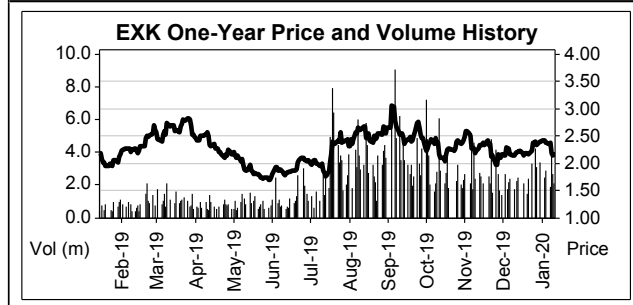
Resources: Metals & Mining

Endeavour Silver Corp. | EXK - \$2.15 - NYSE | Buy

Company Update

Estimates Changed, Target Price Changed

Stock Data					
52-Week Low - High	\$1.68 - \$3.20				
Shares Out. (mil)	139.91				
Mkt. Cap.(mil)	\$300.80				
3-Mo. Avg. Vol.	2,610,373				
12-Mo.Price Target	\$2.70				
Cash (mil)	\$22.0				
Tot. Debt (mil)	\$8.9				
EPS \$					
Yr Dec	—2018—	—2019E—		—2020E—	
		Curr	Prev	Curr	Prev
1Q	0.02A	(0.10)A	(0.10)A	-	-
2Q	(0.04)A	(0.08)A	(0.08)A	-	-
3Q	(0.04)A	(0.05)A	(0.05)A	-	-
4Q	(0.03)A	(0.03)E	(0.02)E	-	-
YEAR	(0.10)A	(0.26)E	(0.24)E	0.28E	0.30E
P/E	NM	NM	NM	7.7x	7.2x
Revenue (\$ millions)					
Yr Dec	—2018—	—2019E—		—2020E—	
		Curr	Prev	Curr	Prev
1Q	40.3A	29.1A	29.1A	-	-
2Q	38.8A	29.4A	29.4A	-	-
3Q	37.6A	28.6A	28.6A	-	-
4Q	33.8A	30.5E	33.9E	-	-
YEAR	150.5A	117.6E	121.0E	186.8E	194.3E



EXK: Q4 Production Essentially In Line

On January 10, 2020, EXK announced its production results for Q4 and full year 2019. Results came in below prior guidance as expected due to the shutdown of El Cubo. However, production was essentially in line with our estimates. Thus, we are maintaining our Buy rating and shaving our target from \$2.80 to \$2.70.

Q4 results essentially in line with our estimates. On January 10, 2020, Endeavour Silver announced its production results for Q4 and full year 2020. Production of 0.94 million ounces of silver in Q4 was slightly below our estimate of 1.0 million ounces, while gold production of 9,579 ounces was slightly above our estimate of 9,454 ounces. We view these as essentially offsetting and note ounces sold exceeded our estimates slightly. Thus, we view results as essentially in line.

Bolanitos recovery likely to continue throughout 2020. While Guanacevi showed significant improvement in Q4 adding confidence to our expectations that the mine would return to normal production rates in 2020, Bolanitos showed lower than anticipated silver grades in Q4. We attribute these lower grades to stope availability and believe that an increase in development is likely at Bolanitos in H1 2020. However, we now anticipate steady improvement in grades in 2020 rather than a full year of normal production rates at Bolanitos. We are also withholding from providing quarterly estimates for EXK for 2020 until the company provides 2020 guidance later this quarter.

Shaving price target to \$2.70. On a DCF basis, our valuation of EXK declined by \$0.06 per share. We attribute \$0.01 per share to production results, \$0.02 per share to under performance of gold and silver prices in Q4 2019 compared to our estimates, and \$0.03 per share to our reduced production estimate for Bolanitos in 2020. As a result, we are shaving our price target from \$2.80 to \$2.70, while maintaining our Buy rating.

VALUATION

We base our valuation of Endeavour Silver on an 7% DCF on FCF to equity. Our DCF returns a value of \$275.4 million. To this we add \$33.4 million in cash at December 31, 2018, and \$94.5 million in other adjustments for undeveloped projects and exploration potential. Thus, we arrive at a total value of \$403.3 million or \$2.70 per fully diluted share. thus, we are shaving our price target from \$2.80 to \$2.70 and maintaining our Buy rating.

Factors that could impede EXK's ability to reach our price target include, but are not limited to: underperformance of operations, underperformance of commodity prices compared to our estimates, unfavorable changes in regulations, capital overruns, unexpected dilutive transactions, and other unforeseeable events.

RISKS

Political risk. Natural resource companies are subject to significant political risk. Although most mining jurisdictions have known laws, potential exists for these laws to change. As a Mexico focused company, Endeavour has lower political risk than many mining jurisdictions. However, recent tax and political changes in Mexico have increased its political risk level enough to remove it from its prior top five jurisdictional ranking, in our view.

Commodity price risk. All natural resource companies have some form of commodity price risk. This risk is not only related to final products, but can also be in regards to input costs and substitute goods. Endeavour's most significant commodity price risk is to the prices of gold and silver. However, the company also has moderate risk to input costs such as energy.

Operational and technical risk. Natural resources companies have significant operational and technical risks. Despite completing NI 43-101 compliant (or similar) resource estimates, deposits can still vary significantly compared to expectations. Additionally, numerous unforeseeable issues can occur with operations and exploration activities. As an operating company, EXK has similar operational risk to other junior producers.

Market risk. Although most natural resource companies are more closely tied to individual commodity price performance, large business cycle forces or economic crises can impact a company's valuation significantly. Endeavour has similar market risk to other mining companies.

Cautionary Note to US Investors: Estimates of Measured, Indicated and Inferred Resources

"Measured Mineral Resources" and "Indicated Mineral Resources." US investors are advised that although these terms are required by Canadian regulations, the US Securities and Exchange Commission (SEC) does not recognize them, and describes the equivalent as "Mineralized Material." US investors are cautioned not to assume that these terms are any form of guarantee.

"Inferred Mineral Resources." US Investors are advised that while this term is required by Canadian regulations, the SEC does not recognize it. "Inferred Mineral Resources" are not delineated with a great deal of certainty and should not be considered likely to be brought into production in whole or in part.

COMPANY DESCRIPTION

Endeavour Silver Corp. is engaged in silver mining in Mexico, and related activities, including property acquisition, exploration, development, mineral extraction, processing, refining and reclamation. The Company is engaged in exploration activities in Chile. The Company's operating mining segments include Guanacevi, Bolanitos and El Cubo, which are located in Mexico, as well as Exploration and Corporate segments. The Exploration segment consists of projects in the exploration and evaluation phases in Mexico and Chile. The Company produces silver-gold from its underground mines at Guanacevi, Bolanitos and El Cubo in Mexico. Its exploration projects include Guadalupe y Calvo, Parral Mine, Terronera and Lourdes. The Company conducts its business primarily in Mexico through its subsidiary companies, such as Endeavour Gold Corporation, S.A. de C.V., Minera Plata Adelante, S.A. de C.V., Refinadora Plata Guanacevi, S.A. de C.V., Minas Lupycal S.A. de C.V. and MXRT Holdings Inc. *Source: Eikon as of 12/1/18*

Endeavour Key Estimates

Amounts in USD	1Q18A	2Q18A	3Q18A	4Q18A	2018A	1Q19A	2Q19A	3Q19A	4Q19E	2019E	2020E
Revenue	40.3	38.8	37.6	33.8	150.5	29.1	29.4	28.6	30.5	117.6	186.8
Operating Costs	41.4	41.8	47.6	37.2	168.0	41.4	40.7	34.4	33.5	150.0	126.0
Operating Income	(1.1)	(3.0)	(10.1)	(3.3)	(17.5)	(12.2)	(11.3)	(5.8)	(3.1)	(32.4)	60.8
Finance and Other	(2.3)	3.1	(1.9)	1.4	0.2	0.7	(0.6)	1.0	3.5	4.7	-
Pretax Income	1.2	(6.1)	(8.1)	(4.7)	(17.7)	(12.9)	(10.8)	(6.8)	(6.6)	(37.1)	60.8
Taxes	(1.1)	(0.5)	(2.7)	(1.1)	(5.3)	0.3	(0.6)	(0.1)	(2.1)	(2.4)	19.5
Net Income	2.3	(5.7)	(5.5)	(3.7)	(12.4)	(13.3)	(10.1)	(6.8)	(4.5)	(34.6)	41.3
Basic EPS	\$0.02	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.10)	(\$0.10)	(\$0.08)	(\$0.05)	(\$0.03)	(\$0.26)	\$0.30
FD EPS	\$0.02	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.10)	(\$0.10)	(\$0.08)	(\$0.05)	(\$0.03)	(\$0.26)	\$0.28
CFPS	\$0.06	\$0.03	\$0.03	\$0.08	\$0.21	(\$0.07)	(\$0.00)	(\$0.04)	\$0.03	(\$0.07)	\$0.45
Silver Price spot				\$14.52		\$15.54	\$14.87	\$16.98	\$17.29	\$16.17	\$23.48
Gold Price Spot				\$1,229		\$1,304	\$1,308	\$1,494	\$1,482	\$1,397	\$1,638
FCF to Equity					(4.9)	(11.5)	1.5	(0.7)	(2.9)	(13.7)	13.4

Note: EKK reports under IFRS

Source: SEDAR Filings and ROTH Capital Partners

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ROTH makes a market in shares of Endeavour Silver Corp. and as such, buys and sells from customers on a principal basis.

Shares of Endeavour Silver Corp. may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 01/12/20	
			Count	Percent
Buy [B]	294	77.98	168	57.14
Neutral [N]	50	13.26	20	40.00
Sell [S]	5	1.33	2	40.00
Under Review [UR]	28	7.43	12	42.86

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Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

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