

Endeavour Silver Corp. (EXK)
Rating: Buy

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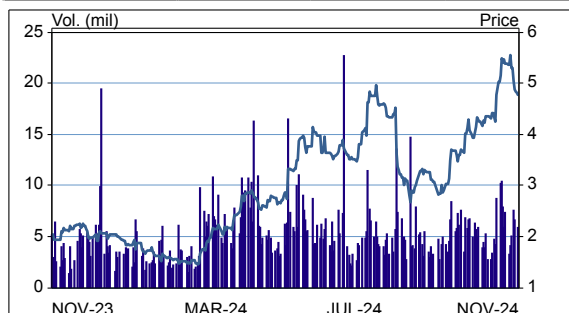
3Q24 Financial Results; Strong Commodity Pricing Offsets Trunnion Failure; Price Deck Revision; Reiterate Buy, PT Higher

Stock Data		11/5/2024		
Price		\$4.70		
Price Target		\$7.25		
52-Week High		\$5.67		
52-Week Low		\$1.42		
Enterprise Value (M)		\$1,162.5		
Market Cap (M)		\$1,156		
Shares Outstanding (M)		246.0		
3 Month Avg Volume		5,398,032		
Short Interest (M)		14.42		
Balance Sheet Metrics				
Cash (M)		\$79.0		
Total Debt (M)		\$85.3		
Total Cash/Share		\$0.32		
<i>Cash (M): Includes cash & equivalents and finished goods inventory.</i>				
EPS (\$) Diluted				
Full Year - Dec		2023A	2024E	2025E
FY		0.03	(0.13)	0.16
Revenue (\$M)				
Full Year - Dec		2023A	2024E	2025E
FY		205.5	212.4	382.0

3Q24 financial results. On November 5, Endeavour Silver Corp. announced its 3Q24 results. During the quarter, the company recorded \$53.4M in revenue that ultimately yielded a net loss of \$17.3M, or (\$0.07) per share. These results compare to 3Q23 revenue of \$49.4M and a net loss of \$2.3M, or (\$0.01) per share. We note that EXK's 8% YoY increase in revenue was driven by continued strength in realized silver and gold pricing, which reached \$29.63 per ounce (oz) (24% YoY) and \$2,528/oz (+30% YoY), respectively. Mine operating earnings increased to \$12.5M (\$2.5M in 3Q23), mainly due to a 16% decrease YoY in direct production costs as the company halted its contract mining and third-party material purchases in September. Importantly, we note that the primary reason for Endeavour's net loss was the \$19.4M loss on its derivative contracts (nil in 3Q23). Management has now spent the final \$60.0M from Endeavour's senior secured debt facility for Terronera. This figure includes the recent draw-down of \$35.0M that was consummated following the end of 3Q24. Management also noted that over \$258.0M of the project's budget has been paid to date, with commitments reaching \$270.0M, as the site remains on track for commissioning by late 4Q24.

Trunnion failure impacted operational costs. During the quarter, Endeavour's direct operating costs per tonne increased to \$138.54 (+2% YoY). We stress that this increase was primarily driven by an 18% decrease in processed tonnes based on reduced capacity at Guanaceví. In short, the company stopped contract mining and third-party material purchases to offset lower throughput impacts on operating costs and cash flow. Importantly, however, the firm's consolidated cash costs per silver ounce, net of by-product credits, significantly decreased to \$11.45/oz (-37% YoY). This notable decline was driven by a 39% YoY increase in by-product gold sales, though partially offset by a 24% decrease in silver ounces produced. We stress that all-in sustaining costs for the company decreased to \$25.51 per oz (-14% YoY). This effect was mainly based on lower cash costs discussed above amid reduced sustaining capital expenditures. Looking ahead, we remain confident that Endeavour's management team should continue its cost-cutting efforts as the firm navigates inflationary challenges and moves past the recent trunnion failure.

Precious metal price deck revision. We are updating our precious metal price deck for all metals & mining research reports as of November 6, 2024. We now model long-term estimates of \$2,500/oz for gold (prior: \$2,100/oz) and \$30.00/oz for silver (prior: \$26.00/oz), respectively. We base this change on a variety of macroeconomic developments that have significantly increased gold and silver spot prices over the past year, particularly during the last six months. Gold has risen 39.1% to \$2,740/oz from \$1,970/oz on November 6, 2023, while silver has risen 41.6% to \$32.70/oz from \$23.10/oz over the same timeframe. Notably, current spot prices meaningfully exceed even our revised commodity price deck. In our view, the revised estimates account for the ongoing inflationary environment, continued investment in safe-haven assets, and recessionary concerns. In addition, we emphasize that precious metals may gain further support if interest rates continue their recent downward trajectory.



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We are reiterating our Buy rating on Endeavour as we increase our PT to \$7.25 from \$6.00. Our increased PT is primarily attributable to incorporating the aforementioned revisions to our price deck into the model. Our valuation for the company remains predicated on a DCF analysis for Guanaceví, Bolañitos, and Terronera. We continue to utilize our 7.0% discount rates for Guanaceví and Bolañitos while maintaining our 9.0% discount rate for Terronera. In our view, these discount rates remain in line with comparable assets in jurisdictions carrying equal geopolitical risk factors and account for recent strength in peer transactions. We then add Endeavour's liquid assets of \$79.0M (\$0.32 per share) before subtracting debt of \$85.3M (\$0.35 per share) to calculate our NAV of \$1.18B or \$4.79 per share. Lastly, we apply our 1.5x NAV multiple to achieve our rounded price target of \$7.25.

Near-term catalysts. Looking ahead, we expect commissioning at Terronera to begin in 4Q24. We reiterate that the firm has completed the final draw-down of funds and anticipate impactful production from the site over the coming years. In the longer-term, we believe Endeavour's cost-cutting efforts should significantly impact the company's direct costs as inflationary pressures gradually decrease. Finally, we stress that we view Endeavour as well-capitalized to support its future growth and operations based on its current cash and cash equivalents balance of \$54.9M and working capital of \$29.4M.

Risks. 1) Commodity price risk; 2) financing risk; 3) increase in capital to construct Terronera and 4) operating and technical risk.

<u>Guanacevi</u>	<u>2024E</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>	<u>2028E</u>	<u>2029E</u>	<u>2030E</u>	<u>2031E</u>
Tonnes Processed (000's)	345	420	420	420	420	420	420	420
Silver grade (gpt)	392	350	350	350	350	350	350	350
Silver Recovery	88.6%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Annual silver production (000's oz)	3,848	4,166	4,166	4,166	4,166	4,166	4,166	4,166
% growth	-28.0%	-18.4%	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Silver sales price	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Gold grade (gpt)	1.25	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Gold recovery	90.1%	91.0%	91.0%	91.0%	91.0%	91.0%	91.0%	91.0%
Annual gold production (000's oz)	12.6	13.5	13.5	13.5	13.5	13.5	13.5	13.5
% growth	-19.6%	-9.6%	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Gold sales price	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Total silver equivalent ounces produced	4,902	5,293	5,293	5,293	5,293	5,293	5,293	5,293
% growth	-27.8%	-15.2%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total silver equivalent production	4,902	5,293	5,293	5,293	5,293	5,293	5,293	5,293
Total Revenues	\$ 147,046	\$ 158,775	\$ 158,775	\$ 158,775	\$ 158,775	\$ 158,775	\$ 158,775	\$ 158,775
Cash cost per oz	\$ 15.00	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
Mining costs	\$ 71,971	\$ 60,864	\$ 60,864	\$ 60,864	\$ 60,864	\$ 60,864	\$ 60,864	\$ 60,864
Gross profit (in 000's)	\$ 75,075	\$ 97,911	\$ 97,911	\$ 97,911	\$ 97,911	\$ 97,911	\$ 97,911	\$ 97,911
CapEx (in 000's)	\$ (5,500)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)
(Tax)	32.0%	\$ (22,264)	\$ (29,732)	\$ (29,732)	\$ (29,732)	\$ (29,732)	\$ (29,732)	\$ (29,732)
Operating cash flow	\$ 47,311	\$ 63,180	\$ 63,180	\$ 63,180	\$ 63,180	\$ 63,180	\$ 63,180	\$ 63,180
Cash flow discount rate		7.0%						
PV of operating cash flow	\$ 47,311	\$ 63,180	\$ 59,047	\$ 55,184	\$ 51,574	\$ 48,200	\$ 45,046	\$ 42,099
Total current cash flow/ Project NAV	\$	411,640						
Common shares		246,029						
Project NAV per share		\$1.67						

Bolañitos	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Tonnes Processed (000's)	421	400	400	400	400	400	400	400
Silver grade (gpt)	41	52	52	52	52	52	52	52
Silver Recovery	83.8%	81.0%	81.0%	81.0%	81.0%	81.0%	81.0%	81.0%
Annual silver production (000's oz)	464	536	536	536	536	536	536	536
% growth	-25.5%	-5.4%	15.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Silver sales price	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Gold grade (gpt)	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Gold recovery	86%	86%	86%	86%	86%	86%	86%	86%
Annual gold production (000's oz)	24.1	21.4	21.4	21.4	21.4	21.4	21.4	21.4
% growth	10.6%	-6.6%	-11.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Gold sales price	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Total silver equivalent ounces produced	2,474	2,319	2,319	2,319	2,319	2,319	2,319	2,319
% growth	-6.0%	0.5%	-6.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Total silver equivalent production	2,474	2,319	2,319	2,319	2,319	2,319	2,319	2,319
Total Revenues	\$ 74,206	\$ 69,566	\$ 69,566	\$ 69,566	\$ 69,566	\$ 69,566	\$ 69,566	\$ 69,566
Cash cost per oz	\$ 14.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
Mining costs	\$ 34,629	\$ 28,986	\$ 28,986	\$ 28,986	\$ 28,986	\$ 28,986	\$ 28,986	\$ 28,986
Gross profit (in 000's)	\$ 39,576	\$ 40,580	\$ 40,580	\$ 40,580	\$ 40,580	\$ 40,580	\$ 40,580	\$ 40,580
CapEx (in 000's)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)
(Tax)	32.0%	\$ (11,064)	\$ (11,386)	\$ (11,386)	\$ (11,386)	\$ (11,386)	\$ (11,386)	\$ (11,386)
Operating cash flow	\$ 23,512	\$ 24,194	\$ 24,194	\$ 24,194	\$ 24,194	\$ 24,194	\$ 24,194	\$ 24,194
Cash flow discount rate	7.0%							
PV of operating cash flow	\$ 23,512	\$ 22,612	\$ 21,132	\$ 19,750	\$ 18,458	\$ 17,250	\$ 16,122	\$ 15,067
Total current cash flow/Project NAV	\$	153,902						
Common shares		246,029						
Project NAV per share		\$0.63						

Source: H.C. Wainwright & Co. estimates.

Terronera		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Tonnes Processed (000's)		-	480	680	680	680	680	680	680
		<i>Note: Production extends to 2035 but not shown .</i>							
Silver grade (gpt)		-	245	267	280	221	173	199	212
Silver Recovery		-	87%	87%	87%	87%	87%	87%	87%
Annual silver production (000's oz)		-	3,289	5,078	5,326	4,204	3,291	3,785	4,032
Silver sales price	\$	30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Gold grade (gpt)		-	1.90	1.87	1.85	2.00	2.10	2.02	1.68
Gold recovery		-	75%	75%	75%	75%	75%	75%	75%
Annual gold production (000's oz)		-	22.0	30.7	30.3	32.8	34.4	33.1	27.5
Gold sales price	\$	2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Gold:Silver ratio		83	83	83	83	83	83	83	
Total silver equivalent ounces produced		-	5,122	7,634	7,854	6,936	6,160	6,545	6,328
Total silver equivalent production		-	5,122	7,634	7,854	6,936	6,160	6,545	6,328
Total Revenues	\$	-	\$ 153,660	\$ 229,009	\$ 235,607	\$ 208,089	\$ 184,799	\$ 196,356	\$ 189,836
Cost per tonne	\$	-	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00
Mining costs	\$	-	\$ 40,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800
Gross profit (in 000's)	\$	-	\$ 112,860	\$ 171,209	\$ 177,807	\$ 150,289	\$ 126,999	\$ 138,556	\$ 132,036
CapEx (in 000's)	\$	(120,000)	\$ (15,000)	\$ (13,000)	\$ (13,000)	\$ (13,000)	\$ (13,000)	\$ (13,000)	\$ (13,000)
(Tax)	32.0%			\$	(52,738)	\$	(43,933)	\$	(40,178)
		<i>Tax loss carryforwards for 2024-2026</i>							
Operating cash flow	\$	(120,000)	\$ 97,860	\$ 158,209	\$ 112,068	\$ 93,357	\$ 77,520	\$ 85,378	\$ 80,945
Cash flow discount rate		9.0%							
PV of operating cash flow	\$	(120,000)	\$ 89,780	\$ 133,161	\$ 86,537	\$ 66,136	\$ 50,382	\$ 50,908	\$ 44,280
Total current cash flow	\$	500,050							
Common shares		246,029							
Project NAV per share		\$2.03							

Source: H.C. Wainwright & Co. estimates.

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Consolidated silver equivalent production	7,375	12,733	15,245	15,465	14,548	13,771	14,157	13,939

	Total	per share
Current value of cash flow		
Valuation for Guanaceví	\$ 411,640	\$ 1.67 <i>HCW estimate</i>
Valuation for Bolañitos	\$ 153,902	\$ 0.63 <i>HCW estimate</i>
Valuation for Terronera	\$ 500,050	\$ 2.03 <i>HCW estimate</i>
Valuation for Bruner at cost	\$ 10,000	\$ 0.04 <i>HCW estimate</i>
Valuation for Pitarrilla	\$ 70,000	\$ 0.28 <i>HCW estimate</i>
Valuation for other exploration properties	\$ 35,000	\$ 0.14 <i>HCW estimate</i>
Market value for shares of Guanajuato Silver (GSVRF; not rated)	\$ 5,037	\$ 0.02 <i>Market value as of 11/05/2024</i>
Plus cash & equivalents and finished goods inventory	\$ 78,963	\$ 0.32 <i>As of September 30, 2024</i>
Less debt	\$ 85,311	\$ 0.35 <i>As of September 30, 2024</i>
Total current value	\$ 1,179,281	\$ 4.79

Common shares 246,029 *As of 09/30/2024*

EXK share price	\$ 4.70 <i>As of 11/05/2024</i>
EXK NAV	\$ 4.79
NAV Premium for target price	1.5x
Rounded (\$0.25) price target	\$ 7.25

Source: H.C. Wainwright & Co. estimates.

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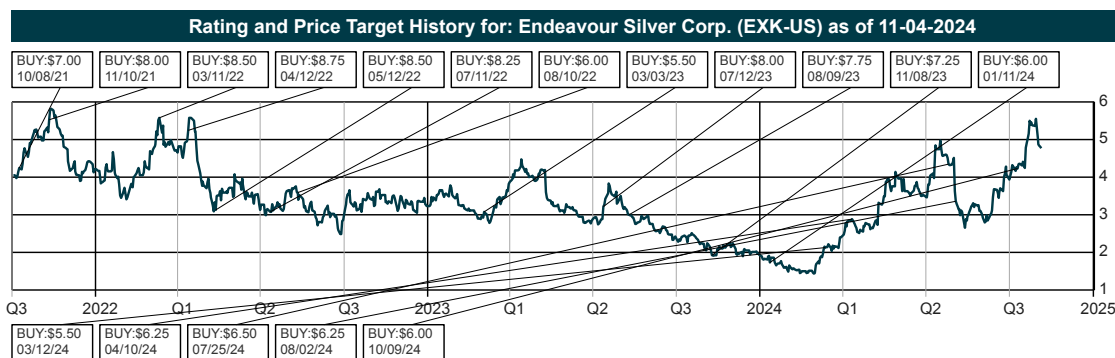
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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of November 5, 2024				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	566	88.02%	126	22.26%
Neutral	71	11.04%	5	7.04%
Sell	0	0.00%	0	0.00%
Under Review	6	0.93%	2	33.33%

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