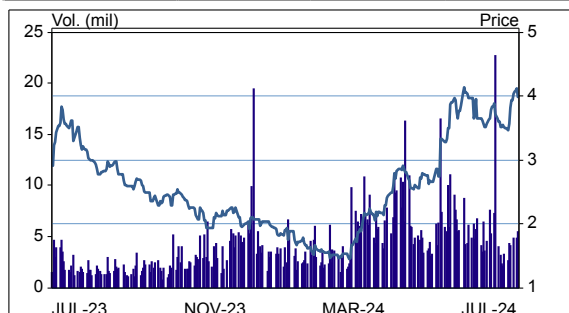


Endeavour Silver Corp. (EXK)
Rating: Buy

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2Q24 Production Results; Silver Production Decline Partially Offset by Increased Gold Output; Reiterate Buy

| Stock Data | | 7/9/2024 | |
|--|-------|-----------|-------|
| Price | | \$3.98 | |
| Price Target | | \$6.25 | |
| 52-Week High | | \$4.20 | |
| 52-Week Low | | \$1.42 | |
| Enterprise Value (M) | | \$907.5 | |
| Market Cap (M) | | \$956 | |
| Shares Outstanding (M) | | 240.3 | |
| 3 Month Avg Volume | | 6,130,047 | |
| Short Interest (M) | | 10.04 | |
| Balance Sheet Metrics | | | |
| Cash (M) | | \$56.2 | |
| Total Debt (M) | | \$7.3 | |
| Total Cash/Share | | \$0.23 | |
| <i>Cash (M): Includes cash & equivalents and finished goods inventory.</i> | | | |
| EPS (\$) Diluted | | | |
| Full Year - Dec | 2023A | 2024E | 2025E |
| FY | 0.03 | 0.04 | 0.15 |
| Revenue (\$M) | | | |
| Full Year - Dec | 2023A | 2024E | 2025E |
| FY | 205.5 | 229.7 | 327.4 |



2Q24 production results. On July 9, Endeavour Silver announced its quarterly production results. The company produced 2.2M silver equivalent ounces (SEOs) (-5% YoY) during the period, which is based on 1.3M ounces (oz) of silver (-12% YoY) and 10,549oz of gold (+7% YoY). We note that the small decline in consolidated silver production was primarily driven by grade variations, specifically lower silver grades from the Guanaceví mine. In contrast, the increase in gold production stemmed from higher gold grades at both Guanaceví and Bolañitos, as well as higher gold content in third-party feed that had been processed at the Guanaceví mine. Unsurprisingly, management is maintaining its focus on Terronera and we reiterate that the company expects to commission the site in 4Q24, with production beginning in early 2025. We also note that the firm's production of 4.4M SEOs during the first half of the year ultimately reached the upper range of management's 2024 production guidance of 8.1M - 8.8M SEOs.

Guanaceví production remains reliable. During the quarter, EXK's Guanaceví mine had its silver production decline 12% YoY, while silver grades from the site decreased by 9% YoY. Importantly, however, the decline in throughput and silver production from the mine were ultimately consistent with the mine plan of the site. In contrast, Guanaceví saw a 9% YoY increase in gold grades mined, while third-party feed contributed to higher gold production than expected. Management stressed that local third-party feed, which had been supplementing Guanaceví mine production at 15% of its quarterly throughput, is likely to remain above 10% going forward. Lastly, we stress that operations at the Guanaceví mine have benefitted from the significant plant improvements made during 2023, while plant throughput and recoveries have been mostly in-line and consistent with the mine plan throughout 1H24.

Bolañitos sees mixed production results. During the quarter, the Bolañitos mine experienced a 17% YoY decrease in silver production that was further exacerbated by a 9% YoY decline in silver grades. Importantly, however, the throughput at Bolañitos remains consistent with its prior mine plan even though silver grades ultimately came in below expectations. During the quarter, the mine managed to record a 6% increase in gold production YoY that was further aided by a 10% YoY improvement in gold grades during the period. Looking ahead, we expect the milled grades at Bolañitos to have similar variations from its mine plan during 2H24.

We are reiterating our Buy rating on Endeavour and our PT of \$6.25. Our valuation for the company remains based on a mostly unchanged DCF analysis for Guanaceví, Bolañitos, and Terronera. We continue to utilize a 7.0% discount rate 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 that carry equal geopolitical risk factors and account for recent strength in peer transactions. We then add Endeavour's liquid assets of \$56.2M (\$0.23 per share) before subtracting debt of \$7.3M (\$0.03 per share) to calculate our NAV of \$1.02B or \$4.22 per share. Lastly, we apply our 1.5x NAV multiple to achieve our rounded price target of \$6.25.



Near-term catalysts. Looking ahead, we expect EXK's management team to continue advancing its Terronera Project for commissioning in 4Q24. Importantly, meaningful production from the site is likely to begin in 2025. The firm has already announced the first drawdown of \$60.0M from its \$120.0M senior secured debt facility to develop Terronera on April 10, 2024. The remaining \$60.0M remain committed and available for future drawdowns during 2H24. Looking ahead, we believe the firm's future growth is directly correlated to the successful commencement of Terronera's production, which our DCF model values at \$410.6M (\$1.71 per share).

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) | 438 | 420 | 420 | 420 | 420 | 420 | 420 | 420 |
| Silver grade (gpt) | 392 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Silver Recovery | 89.4% | 88.6% | 88.6% | 88.6% | 88.6% | 88.6% | 88.6% | 88.6% |
| Annual silver production (000's oz) | 4,922 | 4,189 | 4,189 | 4,189 | 4,189 | 4,189 | 4,189 | 4,189 |
| % growth | -7.9% | -18.0% | -14.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Silver sales price | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 |
| Gold grade (gpt) | 1.14 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 |
| Gold recovery | 90.4% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% |
| Annual gold production (000's oz) | 14.5 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |
| % growth | -7.8% | -9.6% | -6.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Gold sales price | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| Total silver equivalent ounces produced | 6,093 | 5,280 | 5,280 | 5,280 | 5,280 | 5,280 | 5,280 | 5,280 |
| % growth | -10.3% | -15.4% | -13.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total silver equivalent production | 6,093 | 5,280 | 5,280 | 5,280 | 5,280 | 5,280 | 5,280 | 5,280 |
| Total Revenues | \$ 158,423 | \$ 137,288 | \$ 137,288 | \$ 137,288 | \$ 137,288 | \$ 137,288 | \$ 137,288 | \$ 137,288 |
| Cash cost per oz | \$ 14.00 | \$ 11.50 | \$ 11.50 | \$ 11.50 | \$ 11.50 | \$ 11.50 | \$ 11.50 | \$ 11.50 |
| Mining costs | \$ 85,305 | \$ 60,723 | \$ 60,723 | \$ 60,723 | \$ 60,723 | \$ 60,723 | \$ 60,723 | \$ 60,723 |
| Gross profit (in 000's) | \$ 73,118 | \$ 76,564 | \$ 76,564 | \$ 76,564 | \$ 76,564 | \$ 76,564 | \$ 76,564 | \$ 76,564 |
| CapEx (in 000's) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) |
| (Tax) | 32.0% | \$ (21,798) | \$ (22,901) | \$ (22,901) | \$ (22,901) | \$ (22,901) | \$ (22,901) | \$ (22,901) |
| Operating cash flow | \$ 46,320 | \$ 48,664 | \$ 48,664 | \$ 48,664 | \$ 48,664 | \$ 48,664 | \$ 48,664 | \$ 48,664 |
| Cash flow discount rate | | 7.0% | | | | | | |
| PV of operating cash flow | \$ 46,320 | \$ 48,664 | \$ 45,480 | \$ 42,505 | \$ 39,724 | \$ 37,125 | \$ 34,697 | \$ 32,427 |
| Total current cash flow/ Project NAV | \$ | 326,942 | | | | | | |
| Common shares | | 240,341 | | | | | | |
| Project NAV per share | | \$1.36 | | | | | | |

| Bolañitos | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Tonnes Processed (000's) | 413 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Silver grade (gpt) | 43 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Silver Recovery | 82.9% | 81.0% | 81.0% | 81.0% | 81.0% | 81.0% | 81.0% | 81.0% |
| Annual silver production (000's oz) | 475 | 536 | 536 | 536 | 536 | 536 | 536 | 536 |
| % growth | -23.7% | -5.4% | 12.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Silver sales price | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 |
| Gold grade (gpt) | 1.9 | 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) | 22.9 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 |
| % growth | 4.9% | -8.0% | -7.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Gold sales price | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| Total silver equivalent ounces produced | 2,323 | 2,239 | 2,239 | 2,239 | 2,239 | 2,239 | 2,239 | 2,239 |
| % growth | -11.7% | -3.0% | -3.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total silver equivalent production | 2,323 | 2,239 | 2,239 | 2,239 | 2,239 | 2,239 | 2,239 | 2,239 |
| Total Revenues | \$ 60,404 | \$ 58,215 | \$ 58,215 | \$ 58,215 | \$ 58,215 | \$ 58,215 | \$ 58,215 | \$ 58,215 |
| Cash cost per oz | \$ 14.00 | \$ 8.00 | \$ 8.00 | \$ 8.00 | \$ 8.00 | \$ 8.00 | \$ 8.00 | \$ 8.00 |
| Mining costs | \$ 32,525 | \$ 27,988 | \$ 27,988 | \$ 27,988 | \$ 27,988 | \$ 27,988 | \$ 27,988 | \$ 27,988 |
| Gross profit (in 000's) | \$ 27,879 | \$ 30,227 | \$ 30,227 | \$ 30,227 | \$ 30,227 | \$ 30,227 | \$ 30,227 | \$ 30,227 |
| CapEx (in 000's) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) | \$ (5,000) |
| (Tax) | 32.0% | \$ (7,321) | \$ (8,073) | \$ (8,073) | \$ (8,073) | \$ (8,073) | \$ (8,073) | \$ (8,073) |
| Operating cash flow | \$ 15,558 | \$ 17,154 | \$ 17,154 | \$ 17,154 | \$ 17,154 | \$ 17,154 | \$ 17,154 | \$ 17,154 |
| Cash flow discount rate | 7.0% | | | | | | | |
| PV of operating cash flow | \$ 15,558 | \$ 16,032 | \$ 14,983 | \$ 14,003 | \$ 13,087 | \$ 12,231 | \$ 11,431 | \$ 10,683 |
| Total current cash flow/Project NAV | \$ | 108,007 | | | | | | |
| Common shares | | 240,341 | | | | | | |
| Project NAV per share | | \$0.45 | | | | | | |

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

| | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E |
|--|---|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Terronera | | | | | | | | |
| 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 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 | \$ 26.00 |
| 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 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| Gold:Silver ratio | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 |
| Total silver equivalent ounces produced | - | 5,066 | 7,555 | 7,776 | 6,852 | 6,072 | 6,460 | 6,257 |
| Total silver equivalent production | - | 5,066 | 7,555 | 7,776 | 6,852 | 6,072 | 6,460 | 6,257 |
| Total Revenues | \$ - | \$ 131,706 | \$ 196,430 | \$ 202,170 | \$ 178,158 | \$ 157,864 | \$ 167,967 | \$ 162,688 |
| 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) | \$ - | \$ 90,906 | \$ 138,630 | \$ 144,370 | \$ 120,358 | \$ 100,064 | \$ 110,167 | \$ 104,888 |
| CapEx (in 000's) | \$ (70,000) | \$ (15,000) | \$ (13,000) | \$ (13,000) | \$ (13,000) | \$ (13,000) | \$ (13,000) | \$ (13,000) |
| (Tax) | 32.0% | (excluding \$ spent through 1Q24) | | \$ (42,038) | \$ (34,355) | \$ (27,860) | \$ (31,093) | \$ (29,404) |
| | <i>Tax loss carryforwards for 2024-2026</i> | | | | | | | |
| Operating cash flow | \$ (70,000) | \$ 75,906 | \$ 125,630 | \$ 89,332 | \$ 73,003 | \$ 59,203 | \$ 66,073 | \$ 62,484 |
| Cash flow discount rate | 9.0% | | | | | | | |
| PV of operating cash flow | \$ (70,000) | \$ 69,638 | \$ 105,740 | \$ 68,980 | \$ 51,717 | \$ 38,478 | \$ 39,397 | \$ 34,181 |
| Total current cash flow | \$ 410,673 | | | | | | | |
| Common shares | 240,341 | | | | | | | |
| Project NAV per share | \$1.71 | | | | | | | |

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

| | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Consolidated silver equivalent production | 8,416 | 12,585 | 15,074 | 15,295 | 14,372 | 13,591 | 13,980 | 13,777 |

| | Total | per share |
|---|---------------------|--|
| Current value of cash flow | | |
| Valuation for Guanaceví | \$ 326,942 | \$ 1.36 <i>HCW estimate</i> |
| Valuation for Bolañitos | \$ 108,007 | \$ 0.45 <i>HCW estimate</i> |
| Valuation for Terronera | \$ 410,673 | \$ 1.71 <i>HCW estimate</i> |
| Valuation for Bruner at cost | \$ 10,000 | \$ 0.04 <i>HCW estimate</i> |
| Valuation for Pitarrilla | \$ 70,000 | \$ 0.29 <i>HCW estimate</i> |
| Valuation for other exploration properties | \$ 35,000 | \$ 0.15 <i>HCW estimate</i> |
| Market value for shares of Guanajuato Silver (GSVRF; not rated) | \$ 5,596 | \$ 0.02 <i>Market value as of 07/09/2024</i> |
| Plus cash & equivalents and finished goods inventory | \$ 56,198 | \$ 0.23 <i>As of March 31, 2024</i> |
| Less debt | \$ 7,331 | \$ 0.03 <i>As of March 31, 2024</i> |
| Total current value | \$ 1,015,085 | \$ 4.22 |

Common shares 240,341 *As of 05/08/2024*

| | |
|--------------------------------------|---------------------------------|
| EXK share price | \$ 3.98 <i>As of 07/09/2024</i> |
| EXK NAV | \$ 4.22 |
| NAV Premium for target price | 1.5x |
| Rounded (\$0.25) price target | \$ 6.25 |

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

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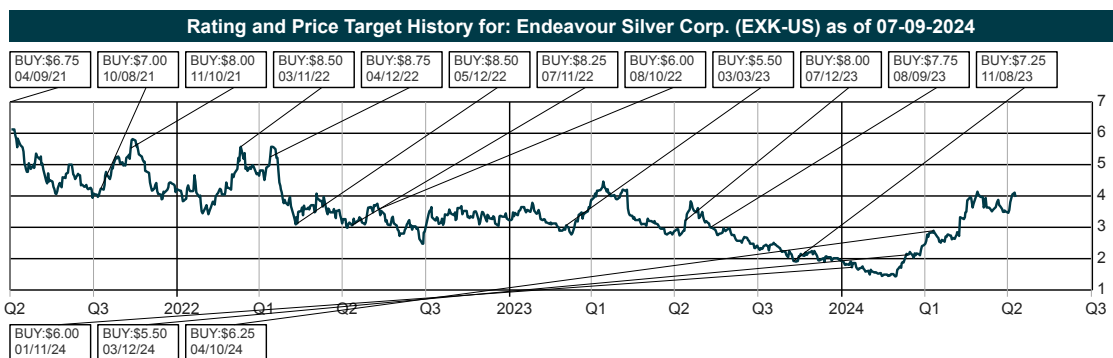
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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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| Ratings | Count | Percent | IB Service/Past 12 Months | |
|--------------|-------|---------|---------------------------|---------|
| | | | Count | Percent |
| Buy | 552 | 87.76% | 133 | 24.09% |
| Neutral | 70 | 11.13% | 5 | 7.14% |
| Sell | 1 | 0.16% | 0 | 0.00% |
| Under Review | 6 | 0.95% | 1 | 16.67% |

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