

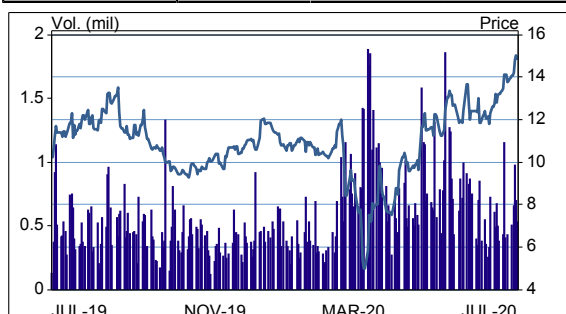
July 13, 2020
MAG Silver Corp (MAG)
Rating: Buy

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**\$50M At-The-Market Offering to Fund Construction;
Increased Commodity Price Deck; Reiterate Buy; PT Higher**

Stock Data		07/10/2020	
Price		\$14.85	
Exchange		NYSE American	
Price Target		\$17.00	
52-Week High		\$15.24	
52-Week Low		\$3.84	
Enterprise Value (M)		\$1,241	
Market Cap (M)		\$1,354	
Shares Outstanding (M)		91.2	
3 Month Avg Volume		723,197	
Short Interest (M)		3.14	
Balance Sheet Metrics			
Cash (M)		\$112.9	
Total Debt (M)		\$0.0	
Total Cash/Share		\$1.24	
Cash (M): Pro forma for C\$60M private placement.			
General: All figures in US\$ unless otherwise noted.			
EPS Diluted			
Full Year - Dec	2019A	2020E	2021E
FY	(0.05)	(0.17)	0.60
Revenue (\$M)			
Full Year - Dec	2019A	2020E	2021E
FY	0.0	46.6	522.6



At-the-market (ATM) offering. On June 30, 2020, MAG Silver announced that the firm had entered into an ATM sales agreement of common shares with expected aggregate gross proceeds of up to \$50M. In short, MAG intends to use the net proceeds of this offering to fund completion of Juanicipio project construction. Any remaining proceeds are expected to be used towards exploration, working capital, and general corporate purposes. In conclusion, we expect preliminary production at site to begin in 3Q20 and look forward to a new high-grade mine with a successful JV partner entering production.

Increased commodity price deck more in line with current market conditions. We feel macroeconomic improvements related to precious metals are increasingly evident in the market. In turn, we are raising our long-term gold price forecast to \$1,700/oz from \$1,575/oz. In addition, we are concurrently raising our silver price estimate to \$18.00/oz from \$17.50/oz. We highlight that this revised price deck remains slightly below current gold and silver spot prices of about 1,800/oz and \$18.70/oz, respectively, as we acknowledge the possibility for short-and mid-term metal price fluctuations. Future pricing changes could also be attributable to continued uncertainty surrounding the ongoing COVID-19 pandemic, various domestic and global quantitative easing initiatives, and ongoing near-zero or negative interest rates. Notably, the Federal Reserve currently plans to keep its benchmark federal funds rate within a range of 0.00 – 0.25% all the way through 2023. While we note a variety of potential headwinds to continued strength in pricing, including less fear related to COVID-19, we nonetheless believe that longer-term economic impact from the recent pandemic has paved the way for strong pricing in the future. We expect to apply our revised precious metal price deck to all relevant companies within our coverage universe to research reports that get published on July 10, 2020, or thereafter.

We reiterate our Buy recommendation on MAG Silver while increasing our PT to \$17.00 per share from \$16.50 per share. Our higher price target is the result of applying our revised commodity price deck to our model. Our valuation for Juanicipio remains based on a DCF of anticipated operations while utilizing an unchanged 7.0% discount rate. Although slightly lower than discount rates applied to other Mexican assets, we believe that this discount rate accurately accounts for the high grade ore body and extensive production potential at site. We have not made any additional changes to our production estimates as COVID-19 disruptions at site have not generated any substantial impact on the JV's production timeline thus far. In conclusion, MAG Silver remains poised to capitalize on growing silver prices, which in turn, should directly reflect in its share price given the firm's strong financial position amid no debt.

Risks. (1) Commodity price risk; (2) increase in capital required to construct Juanicipio; (3) operating and technical risks; (4) political risk; and (5) JV-related risks.

MAG Silver Corp		2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<u>Juancipio</u>															
Tonnes Milled		100,000	1,080,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000
Silver Grade (g/t)		625	660	680	740	550	550	320	230	230	230	360	305	310	310
Recovery Rate		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Annual Silver production ('000s of oz)		1,750	19,954	27,411	29,829	22,171	22,171	12,899	9,271	9,271	9,271	14,512	12,295	12,496	12,496
Growth			1040%	37%	9%	-26%	0%	-42%	-28%	0%	0%	57%	-15%	2%	0%
Silver Sales Price		\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Gold Grade (g/t)		1.4	1.5	1.7	1.5	1.3	1.3	1.6	1.1	1.2	1.2	1.6	1.3	1.4	1.4
Recovery Rate		80.4%	80.6%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%
Annual Gold Production ('000s of oz)		4	40	63	54	47	47	59	41	42	43	58	46	49	49
Growth			1005%	57%	-13%	-13%	-1%	26%	-31%	4%	3%	33%	-21%	7%	0%
Gold Sales Price		\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700
Silver:Gold Ratio		94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4	94.4
Silver Equivalent ('000s of oz)		340	3,759	5,913	5,127	4,443	4,409	5,571	3,828	3,999	4,101	5,469	4,341	4,648	4,648
Lead Grade		1.6%	1.6%	1.6%	1.5%	1.1%	1.2%	1.5%	1.7%	1.9%	1.4%	1.4%	2.0%	1.6%	1.6%
Recovery Rate		93.4%	93.6%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%
Annual Lead Production ('000s of pounds)		3,253	36,103	48,241	44,667	33,054	36,329	44,667	50,028	55,090	42,285	42,583	58,663	48,836	48,836
Growth			1010%	34%	-7%	-26%	10%	23%	12%	10%	-23%	1%	38%	-17%	0%
Lead Sales Price per pound		\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85
Value of Lead (in '000s of \$)		2,765	30,688	41,005	37,967	28,096	30,880	37,967	42,523	46,826	35,942	36,195	49,864	41,511	41,511
Silver Equivalent ('000s of oz)		154	1,705	2,278	2,109	1,561	1,716	2,109	2,362	2,601	1,997	2,011	2,770	2,306	2,306
Zinc Grade		3.2%	3.1%	3.1%	3.2%	2.4%	2.3%	2.5%	2.9%	3.0%	2.5%	3.0%	3.4%	3.2%	3.2%
Recovery Rate		87.4%	87.6%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%
Annual Zinc Production ('000s of pounds)		6,224	65,075	86,965	89,474	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801
Growth			946%	34%	3%	-26%	-3%	10%	14%	6%	-19%	24%	11%	-6%	0%
Zinc Sales Price per pound		\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Value of Zinc (in '000s)		6,224	65,075	86,965	89,474	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801
Silver Equivalent ('000s of oz)		346	3,615	4,831	4,971	3,655	3,531	3,871	4,429	4,708	3,794	4,692	5,188	4,878	4,878
Silver & Gold		2,090	23,712	33,324	34,956	26,614	26,580	18,470	13,099	13,270	13,373	19,980	16,635	17,144	17,144
Base Metal Credits (in '000s)		8,989	95,763	127,970	127,441	93,877	94,432	107,651	122,242	131,562	104,232	120,652	143,240	129,312	129,312
Total Silver Equivalents & Base Metals		2,589	29,033	40,433	42,036	31,829	31,826	24,451	19,891	20,579	19,163	26,683	24,593	24,328	24,328
Total Cash Cost per ounce of silver equivalent		\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86
Revenue from Silver ('000s)		\$ 31,492	\$ 359,163	\$ 493,396	\$ 536,931	\$ 399,070	\$ 399,070	\$ 232,186	\$ 166,884	\$ 166,884	\$ 166,884	\$ 261,209	\$ 221,302	\$ 224,930	\$ 224,930
% of total revenue		67.6%	68.7%	67.8%	71.0%	69.7%	69.7%	52.8%	46.6%	45.1%	48.4%	54.4%	50.0%	51.4%	51.4%
Revenue from Gold ('000s)		\$ 6,122	\$ 67,660	\$ 106,433	\$ 92,283	\$ 79,979	\$ 79,364	\$ 100,281	\$ 68,905	\$ 71,981	\$ 73,827	\$ 98,435	\$ 78,133	\$ 83,670	\$ 83,670
% of total revenue		13.1%	12.9%	14.6%	12.2%	14.0%	13.9%	22.8%	19.2%	19.4%	21.4%	20.5%	17.7%	19.1%	19.1%
Revenue from Lead ('000s)		\$ 2,765	\$ 30,688	\$ 41,005	\$ 37,967	\$ 28,096	\$ 30,880	\$ 37,967	\$ 42,523	\$ 46,826	\$ 35,942	\$ 36,195	\$ 49,864	\$ 41,511	\$ 41,511
% of total revenue		5.9%	5.9%	5.6%	5.0%	4.9%	5.4%	8.6%	11.9%	12.6%	10.4%	7.5%	11.3%	9.5%	9.5%
Revenue from Zinc ('000s)		\$ 6,224	\$ 65,075	\$ 86,965	\$ 89,474	\$ 65,781	\$ 63,552	\$ 69,684	\$ 79,718	\$ 84,735	\$ 68,290	\$ 84,457	\$ 93,376	\$ 87,801	\$ 87,801
% of total revenue		13.4%	12.5%	11.9%	11.8%	11.5%	11.1%	15.8%	22.3%	22.9%	19.8%	17.6%	21.1%	20.0%	20.0%
Total Revenue		\$ 46,603	\$ 522,587	\$ 727,799	\$ 756,655	\$ 572,926	\$ 572,865	\$ 440,118	\$ 358,030	\$ 370,427	\$ 344,943	\$ 480,297	\$ 442,676	\$ 437,913	\$ 437,913
Gross Profit (in '000s of \$)		34,020	381,488	531,293	552,358	418,236	418,192	321,286	261,362	270,411	251,808	350,617	323,153	319,676	319,676
CapEx		(20,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Tax @ 30.0% plus 7.5% EBITDA & 0.5% revenue	30.0%	-	-	-	(128,678)	(120,699)	(120,685)	(91,677)	(73,739)	(76,447)	(70,879)	(100,457)	(92,236)	(91,195)	(91,195)
Net effective operating cash flow		14,020	366,488	516,293	408,680	282,537	282,506	214,610	172,624	178,964	165,930	235,160	215,917	213,482	213,482
Cash Flow Discount Rate	7.0%														
Present Value		14,020	342,512	450,951	333,604	215,546	201,423	143,003	107,501	104,159	90,255	119,543	102,581	94,788	88,587
% owned by MAG		44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
Value to MAG Shareholders		6,169	150,705	198,418	146,786	94,840	88,626	62,921	47,301	45,830	39,712	52,599	45,136	41,707	38,978
Total Current Value	\$ 1,084,691	Note: Fresnillo owns 56%, MAG the remaining 44%													
Fully Diluted Shares ('000s)	93,511														
Juancipio NAV per share	\$ 11.60														
Multiple	1.3														
Juancipio current value	\$ 1,410,099														
Juancipio Value per share	\$ 15.08														
Cinco de Mayo value		\$ 35,000													
Multiple	1.0														
Cinco de Mayo fair value		\$ 35,000													
Plus Cash & Equivalents	\$ 112,867	\$ 1.21	per share	As of 3/31/20; Pro forma for C\$60M private placement											
Plus Finished Goods	\$ -														
Plus Exploratory Assets	\$ 25,000	\$ 0.27	per share	exploratory assets per share											
Plus ownership in Reyna Silver Corp. (RSLV.V)	\$ 6,099	\$ 0.07	per share	based on 14.6M common shares at C\$0.57 as of 7/10/20											
Less Debt	\$ -														
Total Current Value ('000s of US\$)	\$ 1,589,064														
Basic shares	91,150	As of 5/13/20													
Options, DSU's, RSU's, and PSU's	2,361	As of 5/13/20													
Fully Diluted Shares ('000s)	93,511	As of 5/13/20													
NAV per share	\$ 16.99														
NAV multiple	1.00														
Price target	\$ 16.99														
Rounded (\$0.50) price target	\$ 17.00														
Current MAG share price	\$ 14.85	12.6% discount to price target as of 7/10/20													

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Distribution of Ratings Table as of July 10, 2020				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	397	89.82%	147	37.03%
Neutral	42	9.50%	8	19.05%
Sell	0	0.00%	0	0.00%
Under Review	3	0.68%	3	100.00%

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