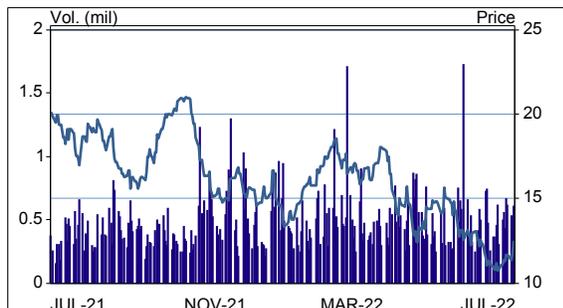


MAG Silver Corp (MAG)
Rating: Buy

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2Q22 Production; Usage of Saucito and Fresnillo Plants; Mill Commissioning; Price Deck Revision; Reit. Buy; PT Lower

Stock Data		07/27/2022	
Price		\$12.45	
Exchange		NYSE American	
Price Target		\$16.50	
52-Week High		\$21.73	
52-Week Low		\$10.32	
Enterprise Value (M)		\$1,167	
Market Cap (M)		\$1,219	
Shares Outstanding (M)		97.9	
3 Month Avg Volume		506,795	
Short Interest (M)		2.23	
Balance Sheet Metrics			
Cash (M)		\$52.2	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.53	
<i>General: All figures in US\$ unless otherwise noted.</i>			
EPS (\$) Diluted			
Full Year - Dec	2020A	2021A	2022E
FY	(0.08)	0.06	0.70
Revenue (\$M)			
Full Year - Dec	2020A	2021A	2022E
FY	0.0	0.0	189.6



2Q22 production from the Juanicipio project. On July 27, MAG Silver announced its recent production results from underground development and stope material. On a 100% basis, 154,069 tonnes (t) (+6% QoQ) of mineralized material from both underground development and initial stopes were processed at an average grade of 567 grams per tonne silver (-5% QoQ). In turn, total Juanicipio production during 2Q22 totaled 2.4M ounces (oz) of silver (-1% QoQ) and 5,609oz of gold (-4% QoQ).

Processing at the Saucito and Fresnillo plants continues. We stress that about 60% of the tonnes processed in 2Q22 were sent to the Saucito beneficiation plant, which is operated by Fresnillo (FRES.L; not rated). We also highlight that the Saucito plant characteristics remain favorable for the processing of Juanicipio ore since its flowsheet better resembles the Juanicipio plant, while simultaneously providing useful metallurgical insight.

Nearing mill commissioning. MAG is still awaiting tie-in approval for the Juanicipio plant to the national power grid. In turn, the company reiterated strong progress on the required power system shutdowns, which should permit the final tie-in of the Juanicipio sub-station to the national grid. As a result, the commencement of electrical commissioning of the plant is anticipated in the next few weeks. Looking ahead, we believe MAG's ability to utilize its Saucito and Fresnillo plants continues to be paramount as the company looks to seamlessly transition to the Juanicipio facility in the near-term.

Decrease in commodity price deck in line with current market conditions. We note that macroeconomic headwinds, including a rise in interest rates amid continued turmoil throughout the general market, have begun to bleed over into precious metal prices as of late. In turn, we have begun reducing our long-term (12-month) gold price forecast to \$1,750/oz from \$1,900/oz concurrent with the release of 2Q22 production, earnings, and various pieces of news flow, for all relevant companies within our coverage universe beginning on July 18, 2022. In addition, we are lowering our silver price forecast to \$19.00/oz from \$25.00/oz. We last implemented an increase to our price deck in August 2020. In contrast, the current market sell-off related to a potential recession, inflationary concerns, and most notably, ongoing rate increases, has led us to take a more conservative stance on precious metal pricing going forward.

We reiterate our Buy rating on shares of MAG Silver while lowering our PT to \$16.50 from \$21.50. Our reduced PT is the direct result of adjusting our precious metals price deck. Our overall valuation for Juanicipio remains based on a DCF of anticipated operations while utilizing an unchanged 7.0% discount rate. We note that this figure is slightly lower than the discount rates applied to most other Mexican assets throughout our coverage universe. In our view, the lower discount rate nonetheless accurately accounts for MAG's high-grade orebody, profitable JV agreement, and extensive production potential.

Near-term catalysts. In our view, the commissioning of the Juanicipio plant currently remains the largest near-term catalyst for MAG. We reiterate that the commissioning of MAG's new electrical system is anticipated over the next few weeks, followed by commissioning of the grinding mills. Going forward, MAG's management team presently maintains that its targeted ramp-up (to 85 – 90% of nameplate capacity by year-end) remains within reach. Management has also reiterated its ability to deliver the first concentrates from its Juanicipio facility in 2H22 since over 100,000t of material remains stockpiled at site.

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

MAG Silver Corp		2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Juancipio														
Tonnes Milled		984,553	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	1,008,000
Silver Grade (g/t)		631	740	550	550	320	230	230	230	360	305	310	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%
Annual Silver production ('000s of oz)		17,650	29,829	22,171	22,171	12,899	9,271	9,271	9,271	14,512	12,295	12,496	12,496	8,747
Growth		452%	69%	-26%	0%	-42%	-28%	0%	0%	57%	-15%	2%	0%	-30%
Silver Sales Price		\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00
Gold Grade (g/t)		1.7	1.5	1.3	1.3	1.6	1.1	1.2	1.2	1.6	1.3	1.4	1.4	1.4
Recovery Rate		80.8%	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)		43	54	47	47	59	41	42	43	58	46	49	49	34
Growth		621%	27%	-13%	-1%	26%	-31%	4%	3%	33%	-21%	7%	0%	-30%
Gold Sales Price		\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
Silver:Gold Ratio		92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1
Silver Equivalent ('000s of oz)		3,943	5,000	4,333	4,300	5,433	3,733	3,900	4,000	5,333	4,233	4,533	4,533	3,173
Lead Grade		1.6%	1.5%	1.1%	1.2%	1.5%	1.7%	1.9%	1.4%	1.4%	2.0%	1.6%	1.6%	1.6%
Recovery Rate		93.8%	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)		30,459	44,667	33,054	36,329	44,667	50,028	55,090	42,285	42,583	58,663	48,836	48,836	34,185
Growth		262%	47%	-26%	10%	23%	12%	10%	-23%	1%	38%	-17%	0%	-30%
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
Value of Lead (in '000s of \$)		25,891	37,967	28,096	30,880	37,967	42,523	46,826	35,942	36,195	49,864	41,511	41,511	29,058
Silver Equivalent ('000s of oz)		1,363	1,998	1,479	1,625	1,998	2,238	2,465	1,892	1,905	2,624	2,185	2,185	1,529
Zinc Grade		3.1%	3.2%	2.4%	2.3%	2.5%	2.9%	3.0%	2.5%	3.0%	3.4%	3.2%	3.2%	3.2%
Recovery Rate		87.8%	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)		53,866	89,474	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801	61,461
Growth		255%	66%	-26%	-3%	10%	14%	6%	-19%	24%	11%	-6%	0%	-30%
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
Value of Zinc (in '000s)		53,866	89,474	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801	61,461
Silver Equivalent ('000s of oz)		2,835	4,709	3,462	3,345	3,668	4,196	4,460	3,594	4,445	4,915	4,621	4,621	3,235
Silver & Gold		21,593	34,829	26,504	26,470	18,332	13,005	13,171	13,271	19,845	16,528	17,029	17,029	11,921
Base Metal Credits (in '000s)		79,756	127,441	93,877	94,432	107,651	122,242	131,562	104,232	120,652	143,240	129,312	129,312	90,519
Total Silver Equivalents & Base Metals		25,791	41,537	31,445	31,441	23,998	19,438	20,096	18,757	26,195	24,067	23,835	23,835	16,685
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
Revenue from Silver ('000s)		\$ 335,353	\$ 566,760	\$ 421,241	\$ 421,241	\$ 245,085	\$ 176,155	\$ 176,155	\$ 176,155	\$ 275,721	\$ 233,597	\$ 237,427	\$ 237,427	\$ 166,199
% of total revenue		68.4%	71.8%	70.5%	70.5%	53.8%	47.7%	46.1%	49.4%	55.4%	51.1%	52.4%	52.4%	52.4%
Revenue from Gold ('000s)		\$ 74,911	\$ 94,997	\$ 82,331	\$ 81,698	\$ 103,231	\$ 70,931	\$ 74,098	\$ 75,998	\$ 101,331	\$ 80,431	\$ 86,131	\$ 86,131	\$ 60,292
% of total revenue		15.3%	12.0%	13.8%	13.7%	22.6%	19.2%	19.4%	21.3%	20.4%	17.6%	19.0%	19.0%	19.0%
Revenue from Lead ('000s)		\$ 25,891	\$ 37,967	\$ 28,096	\$ 30,880	\$ 37,967	\$ 42,523	\$ 46,826	\$ 35,942	\$ 36,195	\$ 49,864	\$ 41,511	\$ 41,511	\$ 29,058
% of total revenue		5.3%	4.8%	4.7%	5.2%	8.3%	11.5%	12.3%	10.1%	7.3%	10.9%	9.2%	9.2%	9.2%
Revenue from Zinc ('000s)		\$ 53,866	\$ 89,474	\$ 65,781	\$ 63,552	\$ 69,684	\$ 79,718	\$ 84,735	\$ 68,290	\$ 84,457	\$ 93,376	\$ 87,801	\$ 87,801	\$ 61,461
% of total revenue		11.0%	11.3%	11.0%	10.6%	15.3%	21.6%	22.2%	19.2%	17.0%	20.4%	19.4%	19.4%	19.4%
Total Revenue		\$ 490,020	\$ 789,199	\$ 597,449	\$ 597,370	\$ 455,967	\$ 369,328	\$ 381,815	\$ 356,386	\$ 497,704	\$ 457,268	\$ 452,870	\$ 452,870	\$ 317,009
Gross Profit (in '000s of \$)		364,678	587,330	444,628	444,569	339,335	274,858	284,151	265,226	370,397	340,304	337,031	337,031	235,921
CapEx		(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%	-	(136,992)	(128,541)	(128,523)	(97,035)	(77,743)	(80,523)	(74,861)	(106,329)	(97,325)	(96,346)	(96,346)	(66,092)
Net effective operating cash flow		349,678	435,338	301,087	301,046	227,300	182,115	188,628	175,365	249,067	227,979	225,685	225,685	154,829
Cash Flow Discount Rate	7.0%													
Present Value		349,678	406,858	262,981	245,743	173,406	129,846	125,690	109,209	144,959	124,005	114,727	107,221	68,746
% owned by MAG		44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
Value to MAG Shareholders		153,858	179,017	115,712	108,127	76,299	57,132	55,304	48,052	63,782	54,562	50,480	47,177	30,248
Total Current Value	\$	1,039,751												
Fully Diluted Shares ('000s)		99,707												
Juancipio NAV per share	\$	10.43												
Multiple		1.4												
Juancipio current value	\$	1,455,651												
Juancipio Value per share	\$	14.60												
Cinco de Mayo value	\$	125,000												
Multiple		1.0												
Cinco de Mayo fair value	\$	125,000												
Plus Cash & Equivalents	\$	52,248	\$ 0.52 per share as of 3/31/22											
Plus Finished Goods	\$	-												
Plus Exploratory Assets	\$	18,158	\$ 0.18 per share as of 12/31/21											
Plus ownership in Reyna Silver Corp. (RSLV.V)	\$	4,428	\$ 0.04 per share based on 14.6M common shares at C\$0.39 as of 7/27/22				0.78 USD/CAD exchange rate as of 7/27/22							
Less Debt	\$	-												
Total Current Value ('000s of US\$)	\$	1,655,485												
Basic shares		97,854	As of 5/13/22											
Options, DSU's, RSU's, and PSU's		1,853	As of 5/13/22											
Fully Diluted Shares ('000s)		99,707	As of 5/13/22											
NAV per share	\$	16.60												
Rounded (\$0.50) price target	\$	16.50												
Current MAG share price	\$	12.45	24.5% discount to price target as of 7/27/22											
Source: H. C. Wainwright & Co. estimates.														

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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 July 27, 2022

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	563	87.83%	146	25.93%
Neutral	60	9.36%	12	20.00%
Sell	2	0.31%	0	0.00%
Under Review	16	2.50%	1	6.25%

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