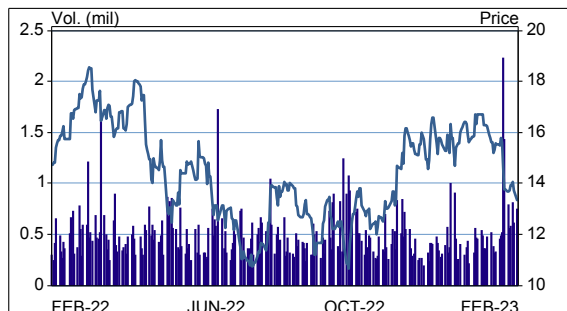


MAG Silver Corp (MAG)
Rating: Buy

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4Q22 and 2022 Production Results; Positioned For Full-Scale Ramp-up With Plant Connection to Grid; Reit. Buy; PT Higher

Stock Data		02/06/2023		
Price		\$13.33		
Exchange		NYSE American		
Price Target		\$17.00		
52-Week High		\$19.58		
52-Week Low		\$10.32		
Enterprise Value (M)		\$1,278		
Market Cap (M)		\$1,317		
Shares Outstanding (M)		98.8		
3 Month Avg Volume		495,420		
Short Interest (M)		3.09		
Balance Sheet Metrics				
Cash (M)		\$39.5		
Total Debt (M)		\$0.0		
Total Cash/Share		\$0.40		
<i>General: All figures in US\$ unless otherwise noted.</i>				
EPS (\$) Diluted				
Full Year - Dec	2020A	2021A	2022E	
FY	(0.08)	0.06	0.37	
Revenue (\$M)				
Full Year - Dec	2020A	2021A	2022E	
FY	0.0	0.0	229.4	



4Q22 and 2022 production results. On January 25, MAG Silver announced 2022 production from its Juancipio joint venture (JV) project with Fresnillo (FRES.L; not rated). During the year, 646,148 tonnes (t) of mineralized material were processed at an average grade of 520 grams per tonne (t) silver for a total of 9.3M ounces (oz) and 22,253oz of gold. We note that there is no comparable period in the prior year for these results as the company continues to ramp-up operations to full capacity. Going into 2023, we emphasize that MAG has now connected its beneficiation plant to the national power grid. Looking ahead, this should allow for a full-scale ramp-up of milling activities toward nameplate production.

Highlighting 4Q22 production results. During the quarter, total production at Juancipio reached 1.9Moz of silver (-29% QoQ) and 5,380oz of gold (+1% QoQ). These results stemmed from 165,786t of processed material (-8% QoQ) at an average grade of 415 gpt silver (-19% QoQ). In short, the lower QoQ production was predominantly a result of the aforementioned decrease in tonnes processed that was further exacerbated by falling grades. This effect was felt despite the inclusion of initial stopes as the JV continued to utilize the nearby Saucito and Fresnillo beneficiation plants.

We reiterate our Buy rating on shares of MAG Silver while increasing our PT to \$17.00 from \$16.00. Our increased PT is a result of minor adjustments to our model, including a slightly revised mine life, in consideration of the regional potential at site. This effect is partially offset by delays to our prior timeline. Our overall valuation for Juancipio remains based on a DCF of anticipated operations while utilizing an unchanged 7.0% discount rate. We note that this figure remains slightly lower than the discount rates applied to most other Mexican assets throughout our coverage universe. Longer-term, however, we still believe that our lower discount rate accurately accounts for MAG's high-grade orebody, profitable JV agreement, and extensive production potential.

Near-term catalysts. Going forward, the commissioning of MAG's Juancipio beneficiation plant represents a significant milestone. At present, nameplate production is expected to be reached in mid-to-late 2023. Management anticipates continued utilization of the Saucito and Fresnillo beneficiation plants during this ramp-up period, which should facilitate a seamless transition. With the connection of the Juancipio plant, MAG should reach a throughput rate of 4,000 tonnes per day, as the company can also run high-grade material through the processing facility and fully unlock production at Juancipio.

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

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MAG Silver Corp		2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Juancipio														
Tonnes Milled		646,146	1,180,000	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)		523	740	550	550	320	230	230	230	360	305	310	310	310
Recovery Rate		90.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Annual Silver production ('000s of oz)		9,089	25,802	23,402	23,402	13,616	9,786	9,786	9,786	15,318	12,978	13,190	13,190	9,233
Growth		184%	184%	-9%	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)		28	44	47	47	59	41	42	43	58	46	49	49	34
Growth		373%	58%	6%	-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)		2,588	4,097	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)		19,123	36,602	33,054	36,329	44,667	50,028	55,090	42,285	42,583	58,633	48,836	48,836	34,185
Growth		127%	91%	-10%	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 \$)		16,254	31,112	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)		855	1,637	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)		33,429	73,319	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801	61,461
Growth		120%	119%	-10%	-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)		33,429	73,319	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)		1,759	3,859	3,462	3,345	3,668	4,196	4,460	3,594	4,445	4,915	4,621	4,621	3,235
Silver & Gold		11,677	29,899	27,735	27,702	19,049	13,520	13,686	13,786	20,651	17,211	17,724	17,724	12,407
Base Metal Credits (in '000s)		49,683	104,431	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		14,291	35,395	32,676	32,672	24,715	19,953	20,611	19,272	27,001	24,750	24,529	24,529	17,171
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)		\$ 172,693	\$ 490,230	\$ 444,643	\$ 444,643	\$ 258,701	\$ 185,942	\$ 185,942	\$ 185,942	\$ 291,039	\$ 246,575	\$ 250,617	\$ 250,617	\$ 175,432
% of total revenue		63.6%	72.9%	71.6%	71.6%	55.1%	49.0%	47.5%	50.8%	56.7%	52.4%	53.8%	53.8%	53.8%
Revenue from Gold ('000s)		\$ 49,163	\$ 77,845	\$ 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		18.1%	11.6%	13.3%	13.2%	22.0%	18.7%	18.9%	20.8%	19.8%	17.1%	18.5%	18.5%	18.5%
Revenue from Lead ('000s)		\$ 16,254	\$ 31,112	\$ 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		6.0%	4.6%	4.5%	5.0%	8.1%	11.2%	12.0%	9.8%	7.1%	10.6%	8.9%	8.9%	8.9%
Revenue from Zinc ('000s)		\$ 33,429	\$ 73,319	\$ 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		12.3%	10.9%	10.6%	10.2%	14.8%	21.0%	21.6%	18.6%	16.5%	19.9%	18.8%	18.8%	18.8%
Total Revenue		\$ 271,538	\$ 672,506	\$ 620,851	\$ 620,772	\$ 469,583	\$ 379,115	\$ 391,601	\$ 366,172	\$ 513,022	\$ 470,246	\$ 466,060	\$ 466,060	\$ 326,242
Gross Profit (in '000s of \$)		202,082	500,486	462,044	461,985	349,469	282,141	291,434	272,509	381,796	349,962	346,847	346,847	242,793
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%	-	(116,204)	(133,752)	(133,735)	(100,067)	(79,922)	(82,702)	(77,040)	(109,740)	(100,215)	(99,283)	(99,283)	(68,148)
Net effective operating cash flow		187,082	369,282	313,292	313,251	234,401	187,219	193,731	180,469	257,056	234,747	232,564	232,564	159,645
Cash Flow Discount Rate	7.0%													
Present Value		187,082	345,124	273,641	255,706	178,823	133,485	129,091	112,387	149,609	127,687	118,224	110,489	70,884
% owned by MAG		44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
Value to MAG Shareholders		82,316	151,854	120,402	112,511	78,682	58,733	56,800	49,450	65,828	56,182	52,018	48,615	31,189
Total Current Value	\$	1,070,226	<i>Note: Fresnillo owns 56%, MAG the remaining 44%</i>											
Fully Diluted Shares ('000s)		100,831												
Juancipio NAV per share	\$	10.61												
Multiple		1.4												
Juancipio current value	\$	1,498,316												
Juancipio Value per share	\$	14.86												
Cinco de Mayo value	\$	125,000												
Multiple		1.0												
Cinco de Mayo fair value	\$	125,000												
Plus Cash & Equivalents	\$	39,507	\$ 0.39 per share	As of 9/30/22										
Plus Finished Goods	\$	-												
Plus Exploratory Assets	\$	33,179	\$ 0.33 per share	as of 9/30/22										
Plus ownership in Reyna Silver Corp. (RSLV.V)	\$	3,303	\$ 0.03 per share	based on 14.6M common shares at C\$0.31 as of 2/6/23										
Less Debt	\$	-												
Total Current Value ('000s of US\$)	\$	1,699,305												
Basic shares		98,827	As of 11/10/22											
Options, DSU's, RSU's, and PSU's		2,004	As of 11/10/22											
Fully Diluted Shares ('000s)		100,831	As of 11/10/22											
NAV per share	\$	16.85												
Rounded (\$0.50) price target	\$	17.00												
Current MAG share price	\$	13.33	21.6% discount to price target as of 2/6/23											
Source: H.C. Wainwright & Co. estimates.														

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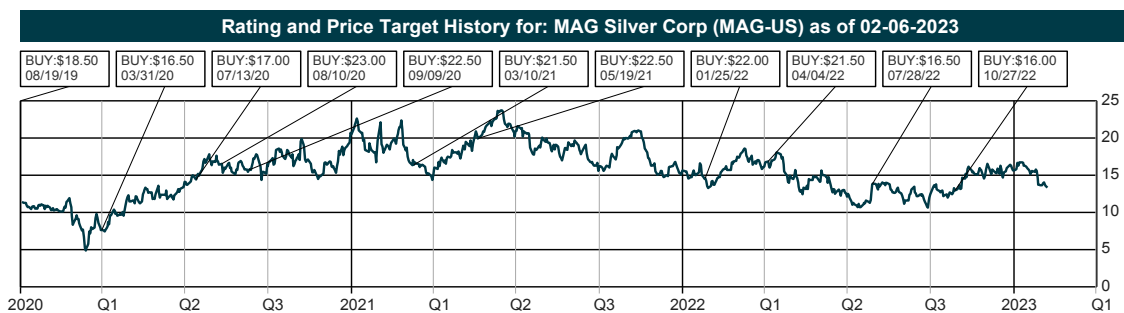
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	579	86.55%	129	22.28%
Neutral	72	10.76%	11	15.28%
Sell	0	0.00%	0	0.00%
Under Review	18	2.69%	4	22.22%

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