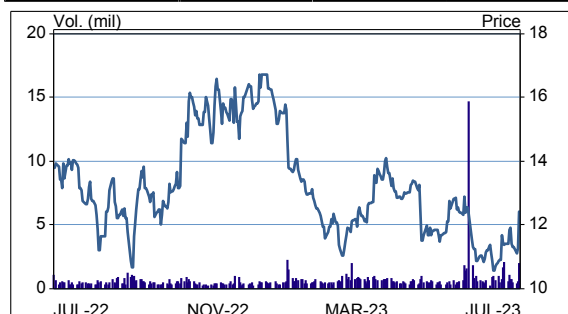


MAG Silver Corp (MAG)
Rating: Buy

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2Q23 Production Results; Ramp-Up Continues; Commodity Price Deck Revisions; Reiterate Buy; PT Higher

Stock Data		07/26/2023	
Price		\$12.42	
Exchange		NYSE American	
Price Target		\$20.50	
52-Week High		\$17.02	
52-Week Low		\$10.48	
Enterprise Value (M)		\$1,223	
Market Cap (M)		\$1,278	
Shares Outstanding (M)		102.9	
3 Month Avg Volume		890,310	
Short Interest (M)		3.52	
Balance Sheet Metrics			
Cash (M)		\$54.6	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.53	
General: All figures in US\$ unless otherwise noted.			
EPS (\$) Diluted			
Full Year - Dec	2021A	2022A	2023E
FY	0.06	0.18	0.29
Revenue (\$M)			
Full Year - Dec	2021A	2022A	2023E
FY	0.0	215.7	328.1



On July 26, MAG Silver announced its 2Q23 production results. During the quarter, MAG continued to see strong progress given its ramp-up of operations at Juanicipio. In turn, Fresnillo (FRES.L; not rated) reported that 377,018 tonnes (t) of ore (+70% QoQ) was processed through the Juanicipio, Saucito, and Fresnillo plants at an impressive average silver grade of 498 grams per tonne (+37% QoQ). As a result, total production before offtake adjustments totaled 5.3M ounces (oz) of silver (+134% QoQ), 10,639oz of gold (+76% QoQ), 3,402t of lead, and 5,418t of zinc.

Steady ramp-up progress continues toward full capacity. We highlight that the quarter has shown strong progress while milling activities ultimately continued as planned. We also stress that the Juanicipio mill ramped up to about 85% of its 4,000 tonne per day design capacity, while reaching commercial production on June 1, 2023. Looking ahead, the project is expected to reach its full production figure by 3Q23.

Precious metal price deck revision. We believe it is prudent to update our forward-looking precious metal price deck given continued strength in commodity pricing. We base this decision on various ongoing macroeconomic developments, which have spurred increases in gold and silver prices of about 15% and 34% over the past 12 months, respectively. Importantly, our revised estimates consider the ongoing inflationary environment, continued investment in safe-haven assets, and recessionary concerns. In addition, we also recognize that precious metals may benefit from a potential leveling off from current interest rates.

We are revising our gold and silver prices upward. We now utilize an updated price deck of \$1,900/oz of gold and \$25/oz of silver. We plan to apply these figures across our coverage universe to all metals and mining research reports as of June 15, 2023, based on the recent momentum seen in precious metal prices. Notably, these figures compare quite favorably to our previous price deck that implied long-term pricing of \$1,750/oz of gold and \$19/oz of silver, respectively. Our new estimates therefore represent price increases of 9% for gold and 32% for silver.

We reiterate our Buy rating on shares of MAG Silver while increasing our PT to \$20.50 from \$16.00. Our higher PT is directly related to the aforementioned upward revisions to our silver and gold price decks. Our overall valuation for Juanicipio remains based on a DCF of 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 joint venture agreement, and extensive production potential.

Near-term catalysts. Looking ahead, we expect Juanicipio's ramp-up to full capacity to remain on track for 3Q23. MAG's management team also maintains their concurrent focus on continued advancement of the Larder and Deer Trail properties. At present, the Larder project remains fully permitted for exploration as drilling is ongoing. We emphasize that mineralization at the site remains unconstrained at depth and that Larder sits on trend between the Kerr Addison, Upper Beaver, and Kirkland Lake projects. For now, MAG has planned 5,000 meters of drilling as part of its Phase 2 program at Deer Trail. Additionally, we note that Phase 1 has been successful in delineating a variety of deposit characteristics. This includes the location of the Redwall Limestone, known feeder zones, and mineralization at depth. Going forward, we believe that MAG continues to utilize its strong technical expertise and exploration prowess in defining a novel gold deposit. In conclusion, it is our view that Larder and Deer Trail may ultimately offer high-grade opportunities within geopolitically favorable jurisdictions.

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														
Juancipio		2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	
Tonnes Milled		1,319,041	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)		531	550	550	320	230	230	230	360	305	310	310	310	
Recovery Rate		91.5%	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)		21,246	23,402	23,402	13,616	9,786	9,786	9,786	15,318	12,978	13,190	13,190	9,233	
Growth		134%	10%	0%	-42%	-28%	0%	0%	57%	-15%	2%	0%	-30%	
Silver Sales Price		\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	
Gold Grade (g/t)		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%	
Annual Gold Production ('000s of oz)		50	47	47	59	41	42	43	58	46	49	49	34	
Growth		77%	-5%	-1%	26%	-31%	4%	3%	33%	-21%	7%	0%	-30%	
Gold Sales Price		\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	
Silver:Gold Ratio		76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	
Silver Equivalent ('000s of oz)		3,779	3,576	3,548	4,483	3,080	3,218	3,300	4,401	3,493	3,741	3,741	2,618	
Lead Grade		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%	
Annual Lead Production ('000s of pounds)		36,721	33,054	36,329	44,667	50,028	55,090	42,285	42,583	58,663	48,836	48,836	34,185	
Growth		92%	-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	
Value of Lead (in '000s of \$)		31,213	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)		1,249	1,124	1,235	1,519	1,701	1,873	1,438	1,448	1,995	1,660	1,660	1,162	
Zinc Grade		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%	
Annual Zinc Production ('000s of pounds)		70,477	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801	61,461	
Growth		111%	-7%	-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	
Value of Zinc (in '000s)		70,477	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)		2,819	2,631	2,542	2,787	3,189	3,389	2,732	3,378	3,735	3,512	3,512	2,458	
Silver & Gold		25,025	26,978	26,950	18,099	12,867	13,004	13,087	19,718	16,471	16,931	16,931	11,852	
Base Metal Credits (in '000s)		101,690	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		29,093	30,733	30,728	22,405	17,757	18,267	17,256	24,545	22,200	22,103	22,103	15,472	
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	
Revenue from Silver ('000s)		\$ 531,156	\$ 585,056	\$ 585,056	\$ 340,396	\$ 244,660	\$ 244,660	\$ 244,660	\$ 382,946	\$ 324,440	\$ 329,759	\$ 329,759	\$ 230,831	
% of total revenue		73.0%	76.1%	76.2%	60.8%	55.1%	53.6%	56.7%	62.4%	58.5%	59.7%	59.7%	59.7%	
Revenue from Gold ('000s)		\$ 94,476	\$ 89,388	\$ 88,701	\$ 112,079	\$ 77,011	\$ 80,449	\$ 82,512	\$ 110,016	\$ 87,325	\$ 93,514	\$ 93,514	\$ 65,460	
% of total revenue		13.0%	11.6%	11.5%	20.0%	17.3%	17.6%	19.1%	17.9%	15.7%	16.9%	16.9%	16.9%	
Revenue from Lead ('000s)		\$ 31,213	\$ 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		4.3%	3.7%	4.0%	6.8%	9.6%	10.3%	8.3%	5.9%	9.0%	7.5%	7.5%	7.5%	
Revenue from Zinc ('000s)		\$ 70,477	\$ 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		9.7%	8.6%	8.3%	12.4%	18.0%	18.6%	15.8%	13.8%	16.8%	15.9%	15.9%	15.9%	
Total Revenue		\$ 727,322	\$ 768,322	\$ 768,189	\$ 560,126	\$ 443,913	\$ 456,671	\$ 431,404	\$ 613,614	\$ 555,006	\$ 552,585	\$ 552,585	\$ 386,810	
Gross Profit (in '000s of \$)		585,930	618,960	618,853	451,238	357,616	367,894	347,539	494,328	447,112	445,163	445,163	311,614	
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)	
Tax @ 30.0% plus 7.5% EBITDA & 0.5% revenue		30.0%	(136,417)	(180,387)	(180,355)	(130,288)	(102,322)	(105,392)	(99,312)	(143,159)	(129,055)	(128,473)	(88,581)	
Net effective operating cash flow			434,513	423,573	423,497	305,950	240,294	247,502	233,227	336,169	303,057	301,690	208,033	
Cash Flow Discount Rate		7.0%												
Present Value			434,513	395,862	369,899	249,746	183,319	176,465	155,409	209,349	176,382	164,099	98,835	
% owned by MAG			44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	
Value to MAG Shareholders			191,186	174,179	162,756	109,888	80,660	77,645	68,380	92,114	77,608	72,204	67,480	
Total Current Value		\$ 1,364,888	Note: Fresnillo owns 56%, MAG the remaining 44%											
Fully Diluted Shares ('000s)			105,039											
Juancipio NAV per share		\$ 12.99												
Multiple			1.4											
Juancipio current value		\$ 1,910,843												
Juancipio Value per share		\$ 18.19												
Cinco de Mayo value		\$ 125,000												
Multiple			1.0											
Cinco de Mayo fair value		\$ 125,000												
Plus Cash & Equivalents		\$ 54,613	\$ 0.52 per share	As of 3/31/23										
Plus Finished Goods		\$ -												
Plus Exploratory Assets		\$ 37,259	\$ 0.35 per share											
Plus ownership in Reyna Silver Corp. (RSLV.V)		\$ 1,985	\$ 0.02 per share	based on 14.6M common shares at C\$0.18 as of 7/26/23	0.7575	USD/CAD exchange rate as of 7/26/23								
Less Debt		\$ -												
Total Current Value ('000s of US\$)		\$ 2,129,700												
Basic shares		102,894	As of 5/9/23											
Options, DSU's, RSU's, and PSU's		2,145	As of 5/9/23											
Fully Diluted Shares ('000s)		105,039	As of 5/9/23											
NAV per share		\$ 20.28												
Rounded (\$0.50) price target		\$ 20.50												
Current MAG share price		\$ 12.42	39.4% discount to price target as of 7/26/23											
Source: H.C. Wainwright & Co. estimates.														

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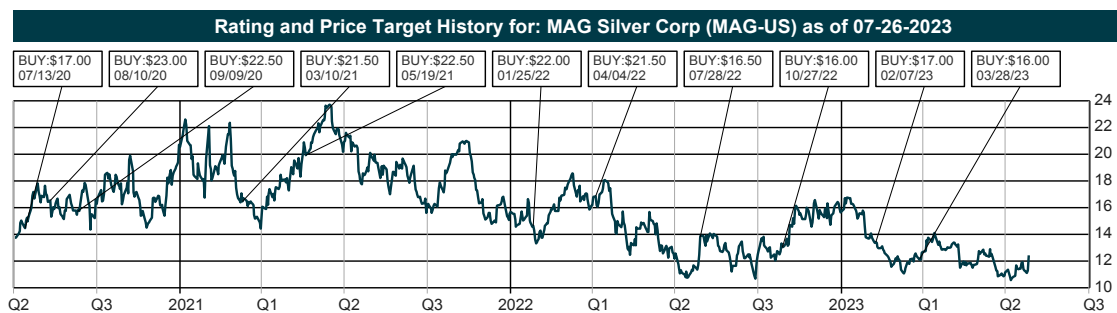
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	563	87.97%	144	25.58%
Neutral	64	10.00%	16	25.00%
Sell	0	0.00%	0	0.00%
Under Review	13	2.03%	2	15.38%

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