

**MAG Silver Corp (MAG)**  
**Rating: Buy**

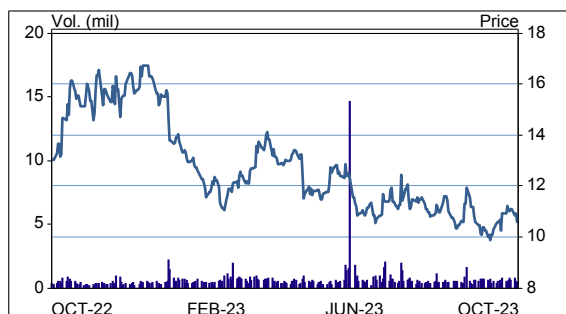
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**Nameplate Capacity Reached; Transitioning Toward a Standalone Operation With Focus on Optimization; Reit. Buy; PT Lower**

Stock Data		10/25/2023	
Price		\$10.59	
Price Target		\$19.50	
52-Week High		\$17.02	
52-Week Low		\$9.78	
Enterprise Value (M)		\$1,084	
Market Cap (M)		\$1,090	
Shares Outstanding (M)		102.9	
3 Month Avg Volume		606,223	
Short Interest (M)		2.85	
Balance Sheet Metrics			
Cash (M)		\$52.7	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.51	
General: All figures in US\$ unless otherwise noted.			
EPS (\$) Diluted			
Full Year - Dec	2021A	2022A	2023E
FY	0.06	0.18	0.65
Revenue (\$M)			
Full Year - Dec	2021A	2022A	2023E
FY	0.0	215.7	584.4

On 100% basis.



**Production ramp-up continues.** On October 25, MAG Silver announced its 3Q23 production results. In short, the ramp-up of the Juanicipio plant continues to be MAG's primary goal and the plant has reached 4,000 tonnes per day (tpd) during September 2023. This represented a significant improvement relative to the previous quarter. In turn, total material processed during the quarter came in at 322,249 tonnes (t), for a decline of 14.7% QoQ, while ore was processed at both the Juanicipio and Saucito plants. This tonnage ultimately yielded silver production of 4.8M ounces (oz) and gold production of 9,444oz, for declines of 9.3% and 11.2% QoQ, respectively.

**Moving toward a standalone operation.** As Juanicipio continues its transition to full capacity, we note that reliance on the Fresnillo and Saucito plants (which are operated by Fresnillo (FRES.L; not rated)) was reduced during the quarter. In turn, no feed was supplied to these plants in both August and September 2023. Importantly, this transition had a direct impact on total milling, as well as overall production, during the quarter. The lower throughput was partially offset by an increase in feed grade, as well as the ongoing optimization of Juanicipio during the ramp-up to full capacity. In short, we view MAG's operational independence as a significant milestone and continue to expect an uptick in throughput, amid strong grades, going forward.

**We reiterate our Buy rating on shares of MAG Silver while lowering our PT to \$19.50 from \$20.50.** Our reduced PT is the result of incorporating the firm's most recent production results and ramp-up into our model. 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.** Having reached nameplate capacity in 3Q23, we expect MAG to turn its focus towards a variety of optimization initiatives at site. Importantly, ongoing efforts continue to target recovery improvements at Juanicipio, while we anticipate exact recovery figures to be published along with the firm's full 3Q23 results. Additionally, we note that the company has now completed all installation capital spends at site. Looking ahead, management's current focus is on cost control, optimization, and free cash flow. Beyond the current operations at site, we also remain optimistic toward the exploration potential across the firm's large-scale land package. To this extend, we stress that just 5% of the project has been explored to date.

**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		2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<u>Juaniclio</u>													
Tonnes Milled		1,281,290	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)		476.75	550	550	320	230	230	230	360	305	310	310	310
Recovery Rate		89.0%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%
Annual Silver production ('000s of oz)		17,849	22,786	22,786	13,258	9,529	9,529	9,529	14,915	12,636	12,843	12,843	9,037
Growth		96%	28%	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)		47	47	47	59	41	42	43	58	46	49	49	34
Growth		67%	0%	-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)		3,561	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)		35,550	33,054	36,329	44,667	50,028	55,090	42,285	42,583	58,663	48,836	48,836	34,185
Growth		86%	-7%	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 \$)		30,217	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)		1,209	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)		68,131	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801	61,461
Growth		104%	-3%	-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)		68,131	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)		2,725	2,631	2,542	2,787	3,189	3,389	2,732	3,378	3,735	3,512	3,512	2,458
Silver & Gold		21,409	26,362	26,334	17,741	12,609	12,747	12,829	19,315	16,129	16,584	16,584	11,655
Base Metal Credits (in '000s)		98,349	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		25,343	30,117	30,112	22,047	17,499	18,009	16,999	24,141	21,859	21,756	21,756	15,276
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)		\$ 446,216	\$ 569,660	\$ 569,660	\$ 331,439	\$ 238,222	\$ 238,222	\$ 238,222	\$ 372,868	\$ 315,902	\$ 321,081	\$ 321,081	\$ 225,914
% of total revenue		70.4%	75.7%	75.7%	60.1%	54.5%	52.9%	56.1%	61.8%	57.8%	59.0%	59.0%	59.2%
Revenue from Gold ('000s)		\$ 89,019	\$ 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		14.1%	11.9%	11.8%	20.3%	17.6%	17.9%	19.4%	18.2%	16.0%	17.2%	17.2%	17.1%
Revenue from Lead ('000s)		\$ 30,217	\$ 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		4.8%	3.7%	4.1%	6.9%	9.7%	10.4%	8.5%	6.0%	9.1%	7.6%	7.6%	7.6%
Revenue from Zinc ('000s)		\$ 68,131	\$ 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		10.8%	8.7%	8.4%	12.6%	18.2%	18.8%	16.1%	14.0%	17.1%	16.1%	16.1%	16.1%
Total Revenue		\$ 633,584	\$ 752,926	\$ 752,792	\$ 551,169	\$ 437,474	\$ 450,233	\$ 424,966	\$ 603,537	\$ 546,468	\$ 543,907	\$ 543,907	\$ 381,892
Gross Profit (in '000s of \$)		510,415	606,557	606,449	444,021	352,429	362,707	342,353	486,209	440,234	438,172	438,172	307,652
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%	(118,371)	(176,682)	(176,650)	(128,132)	(100,773)	(103,843)	(97,763)	(140,734)	(127,001)	(126,385)	(87,398)
Net effective operating cash flow		377,044	414,874	414,799	300,889	236,656	243,864	229,590	330,475	298,233	296,787	296,787	205,255
Cash Flow Discount Rate		7.0%											
Present Value		377,044	387,733	362,302	245,615	180,544	173,872	152,985	205,803	173,575	161,432	150,871	97,515
% owned by MAG		44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
Value to MAG Shareholders		165,899	170,603	159,413	108,071	79,439	76,504	67,314	90,554	76,373	71,030	66,383	42,907
Total Current Value		\$ 1,319,822	Note: Fresnillo owns 56%, MAG the remaining 44%										
Fully Diluted Shares ('000s)		105,072											
Juaniclio NAV per share		\$ 12.56											
Multiple		1.4											
Juaniclio current value		\$ 1,847,751											
Juaniclio Value per share		\$ 17.59											
Cinco de Mayo value		\$ 125,000											
Multiple		1.0											
Cinco de Mayo fair value		\$ 125,000											
Plus Cash & Equivalents		\$ 52,664	\$ 0.50 per share	As of 6/30/23									
Plus Finished Goods		\$ -											
Plus Exploratory Assets		\$ 37,259	\$ 0.35 per share										
Plus ownership in Reyna Silver Corp. (RSLV.V)		\$ 2,007	\$ 0.02 per share	based on 14.6M common shares at C\$0.19 as of 10/25/23	0.7258	USD/CAD exchange rate as of 10/25/23							
Less Debt		\$ -											
Total Current Value ('000s of US\$)		\$ 2,064,681											
Basic shares		102,944	As of 8/7/23										
Options, DSU's, RSU's, and PSU's		2,128	As of 8/7/23										
Fully Diluted Shares ('000s)		105,072	As of 8/7/23										
NAV per share		\$ 19.65											
Rounded (\$0.50) price target		\$ 19.50											
Current MAG share price		\$ 10.59	45.7% discount to price target as of 10/25/23										
Source: H.C. Wainwright & Co. estimates.													

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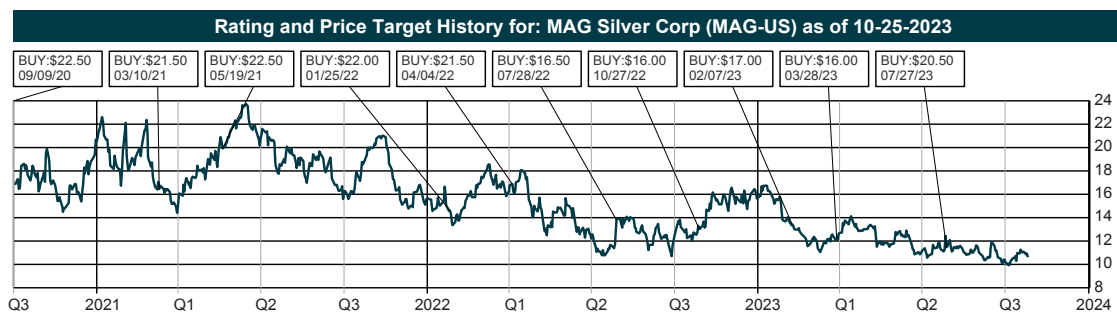
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Distribution of Ratings Table as of October 25, 2023				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	564	89.24%	142	25.18%
Neutral	59	9.34%	10	16.95%
Sell	0	0.00%	0	0.00%
Under Review	9	1.42%	3	33.33%

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