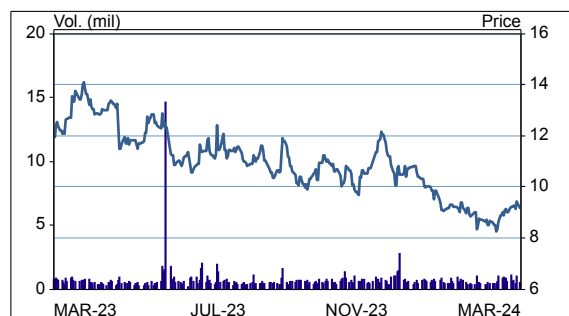


MAG Silver Corp (MAG)
Rating: Buy

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**4Q23 and 2023 Financial Results Display Successful Ramp-Up;
 2024 Guidance For Juanicipio Issued; Reiterate Buy; PT Lower**

| Stock Data | | 3/19/2024 | | |
|--|-------|-----------|-------|--|
| Price | | \$9.06 | | |
| Price Target | | \$18.50 | | |
| 52-Week High | | \$14.42 | | |
| 52-Week Low | | \$8.20 | | |
| Enterprise Value (M) | | \$863.6 | | |
| Market Cap (M) | | \$932 | | |
| Shares Outstanding (M) | | 102.9 | | |
| 3 Month Avg Volume | | 637,340 | | |
| Short Interest (M) | | 2.72 | | |
| Balance Sheet Metrics | | | | |
| Cash (M) | | \$68.7 | | |
| Total Debt (M) | | \$0.0 | | |
| Total Cash/Share | | \$0.67 | | |
| General: All figures in US\$ unless otherwise noted. | | | | |
| EPS (\$) Diluted | | | | |
| Full Year - Dec | 2022A | 2023A | 2024E | |
| FY | 0.18 | 0.47 | 0.63 | |
| Revenue (\$M) | | | | |
| Full Year - Dec | 2022A | 2023A | 2024E | |
| FY | 215.7 | 442.3 | 595.9 | |

On 100% basis.



2023 financial results. On March 19, MAG Silver announced its 2023 and 4Q23 financial results. During the year, MAG recorded \$65.1M of income from its equity-accounted investment in Juanicipio, which is a JV with Fresnillo (FRES.L; not rated). In addition, the company reported total net income of \$48.7M (\$0.47 per share) after its expenses, which mostly account for \$13.6M of G&A. This compares to \$40.8M of income from MAG's equity-accounted investment, and net income of \$17.6M (\$0.18 per share), during 2022. Mineralized material processed at the Juanicipio, Saucito and Fresnillo Plants (on a 100% basis) came in at \$442.3M (+105% YoY). In turn, Juanicipio generated \$129.4M in net income (on a 100% basis) during 2023 (+43% YoY). We also highlight that MAG's balance sheet remains quite solid, with \$67.3M of working capital as of December 31, 2023, which compares to \$29.2M at the end of 2022.

4Q23 financial results. During the quarter, MAG realized \$21.1M in income from its equity-accounted investment at Juanicipio, which resulted in a net income of \$15.7M, or \$0.15 per share. This compares to \$2.9M in income from MAG's equity-accounted investment at Juanicipio that ultimately resulted in a net loss of \$0.8M, or (\$0.01) per share. We note that during 4Q23 Juanicipio was able to generate cash flow and free cash flow of \$84.0M and \$62.0M, respectively. Additionally, Juanicipio returned a total of \$18.8M in interest and loan principal repayments to MAG during the fourth quarter. Finally, we stress that the company has finalized a \$40.0M senior secured revolving credit facility at the beginning of 4Q23.

2024 guidance for Juanicipio. On March 5, MAG released preliminary 2024 guidance for Juanicipio. In short, the company expects head grades at Juanicipio to range between 380 grams per tonne (g/t) and 420 g/t silver in 2024. This figure is mostly in-line with our estimate of 405 g/t for the year, though we note that grades are likely to decline a bit throughout this time. Importantly, we expect Juanicipio to operate mostly at its nameplate capacity with an effective recovery rate of 91%. Management anticipates publication of its updated technical report by the end of the month. Looking ahead, we expect this report to offer improved guidance and a stronger outlook for Juanicipio.

We reiterate our Buy rating on shares of MAG Silver while lowering our PT to \$18.50 from \$19.50. Our lowered PT can be mainly attributed to the inclusion of the firm's 2024 guidance for Juanicipio. This impact was exacerbated by some lowered estimates for 2025 and beyond. 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. Going forward, 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.

H.C. Wainwright 1868

Near-term catalysts. We expect to receive the company's updated technical report by the end of the March, which is only two weeks away. In our view, the revised report is likely to provide for some longer-term visibility on grades and production from the Juanicipio mine. During the remainder of the year, we also expect management to undertake additional drilling and exploration at the firm's Deer Trail and Larder projects in order to unlock the value of its asset base. Longer-term, we believe that MAG's two exploration assets should provide additional upside for the company and its shareholders that is currently not priced into analyst estimates.

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 | | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E |
|---|-------|------------------|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Juanicipio | | | | | | | | | | | | |
| Tonnes Milled | | 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) | | 405 | 380 | 330 | 230 | 230 | 230 | 360 | 305 | 310 | 310 | 310 |
| Recovery Rate | | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% | 91.0% |
| Annual Silver production ('000s of oz) | | 16,507 | 15,488 | 13,450 | 9,374 | 9,374 | 9,374 | 14,673 | 12,431 | 12,635 | 12,635 | 8,844 |
| Growth | | -2% | -6% | -13% | -30% | 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 |
| Gold | | | | | | | | | | | | |
| Gold Grade (g/t) | | 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% |
| Annual Gold Production ('000s of oz) | | 47 | 47 | 59 | 41 | 42 | 43 | 58 | 46 | 49 | 49 | 34 |
| Growth | | 4% | -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 |
| 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 |
| Silver Equivalent ('000s of oz) | | 3,576 | 3,548 | 4,483 | 3,080 | 3,218 | 3,300 | 4,401 | 3,493 | 3,741 | 3,741 | 2,618 |
| Lead | | | | | | | | | | | | |
| Lead Grade | | 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% |
| Annual Lead Production ('000s of pounds) | | 33,054 | 36,329 | 44,667 | 50,028 | 55,090 | 42,285 | 42,583 | 58,663 | 48,836 | 48,836 | 34,185 |
| Growth | | 6% | 10% | 23% | 12% | 10% | -23% | 1% | 38% | 0% | 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 |
| Value of Lead (in '000s of \$) | | 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) | | 1,124 | 1,235 | 1,519 | 1,701 | 1,873 | 1,438 | 1,448 | 1,995 | 1,660 | 1,660 | 1,162 |
| Zinc | | | | | | | | | | | | |
| Zinc Grade | | 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% |
| Annual Zinc Production ('000s of pounds) | | 65,781 | 63,552 | 69,684 | 79,718 | 84,735 | 68,290 | 84,457 | 93,376 | 87,801 | 87,801 | 61,461 |
| Growth | | 35% | -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 |
| Value of Zinc (in '000s) | | 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) | | 2,631 | 2,542 | 2,787 | 3,189 | 3,389 | 2,732 | 3,378 | 3,735 | 3,512 | 3,512 | 2,458 |
| Silver & Gold | | | | | | | | | | | | |
| | | 20,083 | 19,036 | 17,933 | 12,455 | 12,592 | 12,675 | 19,074 | 15,924 | 16,376 | 16,376 | 11,463 |
| Base Metal Credits (in '000s) | | 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 | | 23,838 | 22,813 | 22,239 | 17,344 | 17,855 | 16,844 | 23,900 | 21,654 | 21,548 | 21,548 | 15,084 |
| Total Cash Cost per ounce of silver equivalent | \$ | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 |
| Revenue | | | | | | | | | | | | |
| Revenue from Silver ('000s) | \$ | 412,675 | 387,201 | 336,253 | 234,358 | 234,358 | 234,358 | 366,822 | 310,780 | 315,874 | 315,874 | 221,112 |
| % of total revenue | | 69.2% | 67.9% | 60.5% | 54.0% | 52.5% | 55.7% | 61.4% | 57.4% | 58.6% | 58.6% | 58.6% |
| Revenue from Gold ('000s) | \$ | 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 | | 15.0% | 15.6% | 20.2% | 17.8% | 18.0% | 19.6% | 18.4% | 16.1% | 17.4% | 17.4% | 17.4% |
| Revenue from Lead ('000s) | \$ | 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 | | 4.7% | 5.4% | 6.8% | 9.8% | 10.5% | 8.5% | 6.1% | 9.2% | 7.7% | 7.7% | 7.7% |
| Revenue from Zinc ('000s) | \$ | 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% | 11.1% | 12.5% | 18.4% | 19.0% | 16.2% | 14.1% | 17.3% | 16.3% | 16.3% | 16.3% |
| Total Revenue | \$ | 595,940 | 570,333 | 555,983 | 433,611 | 446,370 | 421,103 | 597,490 | 541,345 | 538,701 | 538,701 | 377,090 |
| Gross Profit (in '000s of \$) | | | | | | | | | | | | |
| | | 486,287 | 465,392 | 453,682 | 353,827 | 364,238 | 343,620 | 487,552 | 441,737 | 439,580 | 439,580 | 307,706 |
| CapEx | | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) |
| Tax @ 30.0% plus 7.5% EBITDA & 0.5% revenue | 30.0% | (139,219) | (132,979) | (129,482) | (99,662) | (102,771) | (96,614) | (139,596) | (125,915) | (125,271) | (125,271) | (85,889) |
| Net effective operating cash flow | | 327,068 | 312,413 | 304,200 | 234,164 | 241,466 | 227,006 | 327,956 | 295,823 | 294,309 | 294,309 | 201,816 |
| Cash Flow Discount Rate | 7.0% | | | | | | | | | | | |
| Present Value | | 305,671 | 272,874 | 248,318 | 178,643 | 172,162 | 151,263 | 204,234 | 172,171 | 160,085 | 149,612 | 95,882 |
| % owned by MAG | | 44% | 44% | 44% | 44% | 44% | 44% | 44% | 44% | 44% | 44% | 44% |
| Value to MAG Shareholders | | 134,495 | 120,064 | 109,260 | 78,603 | 75,751 | 66,556 | 89,863 | 75,755 | 70,437 | 65,829 | 42,188 |
| Valuation | | | | | | | | | | | | |
| Total Current Value | \$ | 1,223,647 | <i>Note: Fresnillo owns 56%, MAG the remaining 44%</i> | | | | | | | | | |
| Fully Diluted Shares ('000s) | | 105,098 | | | | | | | | | | |
| Juanicipio NAV per share | \$ | 11.64 | | | | | | | | | | |
| Multiple | | 1.4 | | | | | | | | | | |
| Juanicipio current value | \$ | 1,713,106 | | | | | | | | | | |
| Juanicipio Value per share | \$ | 16.30 | | | | | | | | | | |
| Cinco de Mayo value | | | | | | | | | | | | |
| | \$ | 125,000 | | | | | | | | | | |
| Multiple | | 1.0 | | | | | | | | | | |
| Cinco de Mayo fair value | \$ | 125,000 | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| Plus Cash & Equivalents | \$ | 68,707 | \$ 0.65 per share As of 12/31/23 | | | | | | | | | |
| Plus Finished Goods | \$ | - | | | | | | | | | | |
| Plus Exploratory Assets | \$ | 52,637 | \$ 0.50 per share | | | | | | | | | |
| Plus ownership in Reyna Silver Corp. (RSLV.V) | \$ | 1,288 | \$ 0.01 per share based on 14.6M common shares at C\$0.12 & 0.7373 USD/CAD exchange rate as of 03/19/2024 | | | | | | | | | |
| Less Debt | \$ | - | | | | | | | | | | |
| Total Current Value ('000s of US\$) | \$ | 1,960,738 | | | | | | | | | | |
| Basic shares | | 102,973 | As of 12/31/23 | | | | | | | | | |
| Options, DSU's, RSU's, and PSU's | | 2,125 | As of 12/31/23 | | | | | | | | | |
| Fully Diluted Shares ('000s) | | 105,098 | As of 12/31/23 | | | | | | | | | |
| Summary | | | | | | | | | | | | |
| NAV per share | \$ | 18.66 | | | | | | | | | | |
| Rounded (\$0.50) price target | \$ | 18.50 | | | | | | | | | | |
| Current MAG share price | \$ | 9.06 | 51.0% discount to price target as of 03/19/2024 | | | | | | | | | |
| <i>Source: H.C. Wainwright & Co. estimates.</i> | | | | | | | | | | | | |

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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 March 18, 2024

| Ratings | Count | Percent | IB Service/Past 12 Months | |
|--------------|-------|---------|---------------------------|---------|
| | | | Count | Percent |
| Buy | 555 | 88.66% | 144 | 25.95% |
| Neutral | 59 | 9.42% | 4 | 6.78% |
| Sell | 2 | 0.32% | 0 | 0.00% |
| Under Review | 10 | 1.60% | 4 | 40.00% |

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