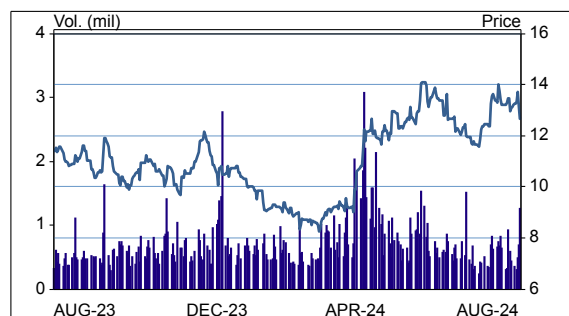


MAG Silver Corp (MAG)
Rating: Buy

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2Q24 Financial Results; Increased Earnings YoY; Increased Guidance at Juanicipio; Reiterate Buy; PT Up to \$18

Stock Data		8/2/2024		
Price		\$12.67		
Price Target		\$18.00		
52-Week High		\$14.30		
52-Week Low		\$8.20		
Enterprise Value (M)		\$1,210.2		
Market Cap (M)		\$1,308		
Shares Outstanding (M)		103.2		
3 Month Avg Volume		659,267		
Short Interest (M)		2.91		
Balance Sheet Metrics				
Cash (M)		\$97.3		
Total Debt (M)		\$0.0		
Total Cash/Share		\$0.94		
General: All figures in US\$ unless otherwise noted.				
EPS (\$) Diluted				
Full Year - Dec	2023A	2024E	2025E	
FY	0.47	0.67	0.64	
Revenue (\$M)				
Full Year - Dec	2023A	2024E	2025E	
FY	442.3	624.4	565.3	

On 100% basis.



2Q24 financial results. On August 2, 2024, MAG Silver announced its 2Q24 financial results. During the quarter, the firm recorded \$25.1M of income related to MAG's equity-accounted investment in Juanicipio, which yielded net income of \$21.6M, or \$0.21 per share. This figure compares to \$22.4M of income from the firm's equity investment in 2Q23 and net income of \$19.4M, or \$0.19 per share. The firm's greater attributable share of earnings was based on higher net revenues, which reached \$167.1M (+24% YoY) on a 100% basis. We also note that the firm recognized \$21.4M in operating income (+12% YoY). MAG further strengthened its balance sheet, and the firm now has \$97.3M of cash and cash equivalents.

Drilling and exploration updates. During the quarter, Juanicipio conducted 10,699 meters (m) of underground infill drilling to enhance near-term mineralization. Importantly, the firm also completed 4,546m of surface drilling to expand deeper zones and explore the Cañada Honda Structure. We remind our readers that the 2024 drilling plan presently aims for 50,000m at Juanicipio, with 33,000m underground and 17,000m from the surface. We also note that drilling at MAG's Deer Trail project progressed to Phase 4, focusing on lower elevations and high-potential targets, with 1,610m drilled and results pending. Although the firm briefly halted its exploration operations due to a fire, drilling was resumed as of July 29, 2024, following containment of 82% of the fire. Lastly, the company drilled 10,776m at its Larder Project, focused on the Cheminis, Bear, and other new regional targets. In short, drilling focused on the Bear East zone's high-grade extension, the "Twist" zone along the Cadillac-Larder Break, the down-plunge extension of the Cheminis south mine sequence, and regional targets along secondary structures and unconformities.

We reiterate our Buy rating on shares of MAG Silver and increase our PT to \$18 from \$17. Our increased PT is driven by incorporating the most recent financials into our model. We currently value Juanicipio at \$1.58B based on a DCF of operations for the site as we continue to utilize our reasonably low discount rate of 7.0% on the asset. This figure remains intentionally lower than the discount rates applied to most other Mexican assets throughout our coverage universe and accounts for MAG's high-grade orebody, profitable joint venture agreement, and extensive production potential. We estimate an overall NAV of \$1.87B for MAG that accounts for the firm's exploration assets and \$97.3M in cash and equivalents. This provides a value of \$17.72 per share, which we round to our final price target of \$18.00.

Near-term catalysts. We anticipate strong results from Juanicipio in 2H24 that should further build upon the favorable performance during 1H24. We also plan to monitor the firm's drilling results at its non-core assets, and believe that positive drilling and exploration results from the company's Deer Trail and Larder projects have the potential to unlock shareholder value over time. We stress that management has increased MAG's full-year guidance. Silver head grades at Juanicipio are expected to be between 420 grams per tonne (gpt) and 460gpt for 2024 (originally 380gpt to 420gpt). In addition, Juanicipio is now expected to produce between 16.3M — 17.3M (originally 14.3M — 15.8M) silver ounces (oz), yielding between 14.5Moz — 15.4Moz (originally 13.2Moz — 14.6Moz) of silver sold at all-in sustaining costs of between \$8.50/oz — \$9.25/oz (originally \$9.50/oz — \$10.50/oz) per silver sold.

Risks. (1) Commodity price risk; (2) operating and technical risks; (3) political risk; and (4) JV-related risks.

MAG Silver Corp		2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Juancipio												
Tonnes Milled		1,302,277	1,304,000	1,294,000	1,300,000	1,318,000	1,297,000	1,308,000	1,309,000	1,308,000	1,302,000	1,302,000
Silver Grade (g/t)		453.5	373	320	287	198	170	198	169	200	245	170
Recovery Rate		91.0%	91.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Annual Silver production ('000s of oz)		16,740	13,767	11,334	10,212	7,143	6,035	7,089	6,055	7,160	8,731	6,058
Silver Sales Price	\$	26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00
Gold Grade (g/t)		1.3	1.5	1.5	1.5	1.9	1.7	1.6	1.7	1.6	1.5	1.4
Recovery Rate		80.8%	80.8%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%
Annual Gold Production ('000s of oz)		41	49	52	52	66	56	55	57	55	51	47
Growth												
Gold Sales Price	\$	2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100
Silver:Gold Ratio		80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8
Silver Equivalent ('000s of oz)		3,331	3,970	4,178	4,197	5,368	4,516	4,444	4,585	4,444	4,149	3,764
Lead Grade		1.4%	1.6%	2.2%	3.1%	3.5%	3.0%	3.0%	2.7%	2.8%	3.1%	2.7%
Recovery Rate		93.8%	93.8%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Annual Lead Production ('000s of pounds)		39,009	42,336	54,728	77,933	88,473	76,243	75,367	67,298	71,561	79,063	68,706
Growth												
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 \$)		33,157	35,986	46,519	66,243	75,202	64,806	64,062	57,203	60,826	67,203	58,400
Silver Equivalent ('000s of oz)		1,275	1,384	1,789	2,548	2,892	2,493	2,464	2,200	2,339	2,585	2,246
Zinc Grade		2.8%	2.7%	3.7%	5.1%	6.2%	5.4%	4.9%	5.2%	4.9%	5.8%	5.9%
Recovery Rate		87.8%	87.8%	77.0%	77.0%	77.0%	77.0%	77.0%	77.0%	77.0%	77.0%	77.0%
Annual Zinc Production ('000s of pounds)		69,369	68,151	81,495	112,548	137,599	118,673	108,578	115,549	109,244	127,088	129,740
Growth												
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)		69,369	68,151	81,495	112,548	137,599	118,673	108,578	115,549	109,244	127,088	129,740
Silver Equivalent ('000s of oz)		2,668	2,621	3,134	4,329	5,292	4,564	4,176	4,444	4,202	4,888	4,990
Silver & Gold		20,071	17,737	15,512	14,409	12,511	10,551	11,533	10,641	11,604	12,880	9,822
Base Metal Credits (in '000s)		102,527	104,137	128,014	178,791	212,801	183,480	172,640	172,753	170,071	194,291	188,140
Total Silver Equivalents & Base Metals		24,015	21,743	20,435	21,286	20,695	17,608	18,173	17,285	18,145	20,353	17,059
Total Cash Cost per ounce of silver equivalent	\$	4.60	\$ 4.60	\$ 4.69	\$ 4.79	\$ 4.88	\$ 4.98	\$ 5.08	\$ 5.18	\$ 5.28	\$ 5.39	\$ 5.50
Revenue from Silver ('000s)	\$	435,252	\$ 357,940	\$ 294,679	\$ 265,516	\$ 185,714	\$ 156,911	\$ 184,305	\$ 157,431	\$ 186,167	\$ 227,008	\$ 157,516
% of total revenue		69.7%	63.3%	55.5%	48.0%	34.5%	34.3%	39.0%	35.0%	39.5%	42.9%	35.5%
Revenue from Gold ('000s)	\$	86,599	\$ 103,231	\$ 108,626	\$ 109,130	\$ 139,566	\$ 117,417	\$ 115,542	\$ 119,222	\$ 115,542	\$ 107,869	\$ 97,868
% of total revenue		13.9%	18.3%	20.4%	19.7%	25.9%	25.6%	24.5%	26.5%	24.5%	20.4%	22.1%
Revenue from Lead ('000s)	\$	33,157	\$ 35,986	\$ 46,519	\$ 66,243	\$ 75,202	\$ 64,806	\$ 64,062	\$ 57,203	\$ 60,826	\$ 67,203	\$ 58,400
% of total revenue		5.3%	6.4%	8.8%	12.0%	14.0%	14.2%	13.6%	12.7%	12.9%	12.7%	13.2%
Revenue from Zinc ('000s)	\$	69,369	\$ 68,151	\$ 81,495	\$ 112,548	\$ 137,599	\$ 118,673	\$ 108,578	\$ 115,549	\$ 109,244	\$ 127,088	\$ 129,740
% of total revenue		11.1%	12.1%	15.3%	20.3%	25.6%	25.9%	23.0%	25.7%	23.2%	24.0%	29.3%
Total Revenue	\$	624,378	\$ 565,307	\$ 531,319	\$ 553,436	\$ 538,081	\$ 457,808	\$ 472,488	\$ 449,406	\$ 471,780	\$ 529,168	\$ 443,524
Gross Profit (in '000s of \$)		513,911	465,291	435,436	451,565	437,055	370,135	380,193	359,864	375,901	419,475	349,746
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%	(147,441)	(132,924)	(124,022)	(128,850)	(124,529)	(104,553)	(107,569)	(101,507)	(106,310)	(119,342)	(98,518)
Net effective operating cash flow		346,470	312,367	291,415	302,715	292,526	245,581	252,624	238,357	249,591	280,133	231,227
Cash Flow Discount Rate		7.0%										
Present Value		346,470	291,932	254,533	247,105	223,167	175,096	168,334	148,437	145,264	152,374	117,544
% owned by MAG		44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
Value to MAG Shareholders		152,447	128,450	111,994	108,726	98,193	77,042	74,067	65,312	63,916	67,044	51,719
Total Current Value	\$	1,126,435	Note: Fresnillo owns 56%, MAG the remaining 44%									
Fully Diluted Shares ('000s)		105,520										
Juancipio NAV per share	\$	10.68										
Multiple		1.4										
Juancipio current value	\$	1,577,009										
Juancipio Value per share	\$	14.95										
Cinco de Mayo value	\$	125,000										
Multiple		1.0										
Cinco de Mayo fair value	\$	125,000										
Plus Cash & Equivalents	\$	97,337	\$ 0.92 per share As of 06/30/2024									
Plus Finished Goods	\$	-										
Plus Exploratory Assets	\$	68,722	\$ 0.65 per share As of 06/30/2024									
Plus ownership in Reyna Silver Corp. (RSLV)	\$	1,155	\$ 0.01 per share based on 14.6M common shares at C\$0.11 as of 08/02/2024									
Less Debt	\$	-										
Total Current Value ('000s of US\$)	\$	1,869,222										
Basic shares		103,178	As of 08/01/2024									
Options, DSU's, RSU's, and PSU's		2,342	As of 08/01/2024									
Fully Diluted Shares ('000s)		105,520	As of 08/01/2024									
NAV per share	\$	17.71										
Rounded (\$1.00) price target	\$	18.00										
Current MAG share price	\$	12.67	29.6% discount to price target as of 08/02/2024									
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 August 2, 2024				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	559	88.03%	131	23.43%
Neutral	69	10.87%	4	5.80%
Sell	1	0.16%	0	0.00%
Under Review	6	0.94%	1	16.67%

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