

Resources: Metals & Mining
Analysis of Sales/Earnings

Target Price Changed

MAG Silver Corp. | MAG-\$12.44-NYSE | Buy

Stock Data				
52-Week Low - High	\$8.24-\$13.12			
Shares Out. (mil)	102.98			
Mkt. Cap.(mil)	\$1,311.92			
3-Mo. Avg. Vol.	929,063			
12-Mo.Price Target	\$14.50			
Cash (mil)	\$74.7			
Tot. Debt (mil)	\$0.1			
Rev (\$M)				
Yr Dec	— 2023—	— 2024E—		— 2025E—
		Curr	Prev	Curr
1Q	0.0A	0.0A		0.0E
2Q	0.0A	0.0E		0.0E
3Q	0.0A	0.0E		0.0E
4Q	0.0A	0.0E		0.0E
YEAR	0.0A	0.0E		0.0E
EPS \$				
Yr Dec	— 2023—	— 2024E—		— 2025E—
		Curr	Prev	Curr
1Q	0.05A	0.14A	0.14A	0.12E
2Q	0.19A	0.19E	0.19E	0.12E
3Q	0.08A	0.19E	0.18E	0.12E
4Q	0.15A	0.16E	0.16E	0.12E
YEAR	0.47A	0.68E	0.68	0.49E
P/E	26.5x	18.3x	18.3x	25.4x

MAG One-Year Price and Volume History													
Vol (m)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Price
	16.0	14.0	12.0	10.0	8.0	6.0	4.0	2.0	0.0	0.0	0.0	0.0	16.00
	14.0	12.0	10.0	8.0	6.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0	14.00
	12.0	10.0	8.0	6.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	12.00
	10.0	8.0	6.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.00
	8.0	6.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.00
	6.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.00
	4.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.00
	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.00
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00

MAG: Q1 EPS in Line; Increasing Price target

On May 14, 2024, MAG announced its financial results for Q1 2024. EPS was in line with our results, but we made some minor adjustments to our forward estimates. As a result of these adjustments, we are increasing our price target to \$14.50 and reiterating our Buy rating.

Q1 EPS in line, but JV payability higher than anticipated. On May 14, 2024, MAG Silver announced its financial results for Q1 2024. EPS of \$0.14 was in line with our estimate. On a 100% basis, the Juanicipio JV reported \$123.7 million in revenue beating our \$115.8 million estimate. The JV revenue beat was driven by higher payability on metal sales. As a result, we increased our long-term payability assumptions. Additionally, JV consulting costs were higher than anticipated, which partially offset the benefit of higher payability. As a result, we increased our long-term consulting cost assumptions.

MAG received \$17.5 million in cash from JV. One item of note from MAG's financial results was that it received \$17.5 million in cash from the Juanicipio JV during Q1. We view this as a significant development as this allowed the company to report an increase in its cash balance despite spending \$5.1 million on exploration at other projects and acquiring the Goldstake project for \$3.8 million. We believe cash distributions are likely to increase in the quarters ahead allowing MAG to consider paying a dividend by year end 2024.

Increasing price target to \$14.50. Mainly as a result of our higher payability assumptions going forward, we are increasing our price target from \$14.00 to \$14.50. Additionally, we continue to believe MAG is in the process of receiving a rerating from the market as it generates positive cash flow. Thus, we are reiterating our Buy rating.

MAG intraday price: \$12.62 as of 12:04 PM ET.

VALUATION

We base our valuation of MAG Silver on a combination of an annualized DCF and a sum-of-the-parts analysis. We use a 7% discount rate on free cash flow to equity for MAG due to its combination of low political risk and our view that the company generates strong cash flow. Our DCF returns a value of \$585.7 million to which we add a 50% premium (\$292.9 million) for the potential of a buyout by Fresnillo (FRES.L-NC) or another producer and the quality of its underlying assets. We also add a value of \$500 million for potential production and exploration upside at Juanicipio and a value of \$75.0 million for MAG's other assets including the Deer Trail, Larder, and Cinco de Mayo projects. After adjusting for year-end 2023 net cash of \$68.6 million and current JV cash of \$13.6 million (MAG's 44% share), we arrive at a total value of \$1.5 billion or \$14.56 per fully diluted share. We round this down to reach our \$14.50 price target, and we are reiterating our Buy rating.

Factors that would impede share of MAG from achieving our price target include, but are not limited to: dilutive transactions, under-performance of metal prices, cost overruns, construction delays, operational or technical issues, and other unexpected events.

RISKS

- **Political risk.** Natural resource companies are subject to significant political risk. Although most mining jurisdictions have known laws, potential exists for these laws to change. MAG's most significant political risk is to the outcome of an appeal by certain members of the Ejido group, which controls the surface rights to the company's Cinco de Mayo project. The outcome of the appeal could significantly impact the company's valuation.
- **Commodity price risk.** All natural resource companies have some form of commodity price risk. This risk is not only related to final products, but can also be in regards to input costs and substitute goods. MAG's most significant commodity price risk is to that of silver, but the company also has exposure to gold, lead, zinc, and input costs such as oil.
- **Operational and technical risk.** Natural resources companies have significant operational and technical risks. Despite completing NI 43-101 compliant resource estimates, deposits can still vary significantly compared to expectations. Additionally, numerous unforeseeable issues can occur with operations and exploration activities. MAG has similar operational and technical risks to other exploration stage mining companies.
- **Market risk.** Although most natural resource companies are more closely tied to individual commodity price performance, large business cycle forces or economic crises can impact a company's valuation significantly. MAG has similar market risk to other silver companies.

Cautionary note to U.S. investors: MAG reports reserves and resources under NI 43-101 and not Sk-1300.

COMPANY DESCRIPTION

MAG Silver Corp. is a Canada-based development and exploration company. The company is focused on acquiring, exploring and developing district-scale projects located primarily in the Americas. The company's principal asset is a 44% interest in the Juanicipio Project located in Zacatecas, Mexico. The Juanicipio Project is engaged in toll milling its mineralized material at two nearby Fresnillo plc (Fresnillo) facilities. The company also includes Cinco de Mayo Property. The Cinco de Mayo Property is located approximately 190 kilometers northwest of the city of Chihuahua, in northern Chihuahua State, Mexico, and covers approximately 25,113 hectares. Its property consists of mineralized zones, including the Upper Manto silver-lead-zinc inferred resource, the Pegaso deep discovery, the Pozo Seco high-grade molybdenum-gold resource and the surrounding Cinco de Mayo exploration area. The company is also executing a multi-phase exploration program at the Deer Trail Project in Utah. *Source: Refinitiv as of 10/25/2023*

MAG Silver Key Estimates

Amounts in USD	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24E	3Q24E	4Q24E	2024E	1Q25E	2Q25E	3Q25E	4Q25E	2025E
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	(4.5)	(19.1)	(9.0)	(18.1)	(50.8)	(14.8)	(23.6)	(22.7)	(19.0)	(80.0)	(18.2)	(18.2)	(18.1)	(18.4)	(73.0)
Operating Income	4.5	19.1	9.0	18.1	50.8	14.8	23.6	22.7	19.0	80.0	18.2	18.2	18.1	18.4	73.0
Other Expenses	(0.5)	(1.0)	(0.7)	(1.2)	(3.5)	(1.2)	(0.5)	(0.5)	(0.5)	(2.7)	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)
Pretax Income	5.0	20.2	9.7	19.3	54.2	16.0	24.1	23.2	19.5	82.7	18.5	18.6	18.5	18.8	74.3
Taxes	0.3	0.8	1.0	3.4	5.6	1.1	3.6	3.5	2.9	11.1	5.6	5.6	5.5	5.6	22.3
Net Income	4.7	19.4	8.7	15.8	48.7	14.9	20.5	19.7	16.5	71.6	13.0	13.0	12.9	13.1	52.0
Basic Shares	101.1	102.9	102.9	103.0	102.5	103.0	103.1	103.1	103.1	103.1	103.1	103.1	103.1	103.1	103.1
FD Shares	101.3	103.5	103.5	102.2	102.6	103.1	105.5	105.5	105.5	104.9	105.5	105.5	105.5	105.5	105.5
Basic EPS	\$0.05	\$0.19	\$0.08	\$0.15	\$0.47	\$0.14	\$0.20	\$0.19	\$0.16	\$0.69	\$0.13	\$0.13	\$0.13	\$0.13	\$0.50
FD EPS	\$0.05	\$0.19	\$0.08	\$0.15	\$0.47	\$0.14	\$0.19	\$0.19	\$0.16	\$0.68	\$0.12	\$0.12	\$0.12	\$0.12	\$0.49
CFPS	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.03)	(\$0.09)	(\$0.03)	(\$0.06)	(\$0.06)	(\$0.05)	(\$0.19)	(\$0.08)	(\$0.08)	(\$0.08)	(\$0.08)	(\$0.33)
FCF to Equity	24.7	(1.9)	5.9	11.2	39.9	6.0	23.0	17.5	14.5	61.0	12.5	12.6	12.8	13.2	51.2

Note: MAG reports under IFRS

Source: SEC Filings, ROTH MKM estimates, and company reports

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Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 05/14/2024	
			Count	Percent
Buy [B]	342	72.00	87	25.44
Neutral [N]	77	16.21	4	5.19
Sell [S]	2	0.42	0	0
Under Review [UR]	54	11.37	1	1.85

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Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

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