

Pan American Silver

Finishing the year on a strong note

Results update

Metals and mining

28 February 2025

Pan American Silver (PAAS) reported FY24 revenues and EBITDA of US \$2.8bn and US\$1.0bn, up 22% and 51% y-o-y, respectively. The company achieved record net operating and free cash flows of US\$724m and US \$401m and moved to a net cash position of US\$84m at end FY24. We have adjusted our estimates to reflect the results, FY25 operating and cost guidance and strong commodity prices, maintaining our discounted cash flow (DCF)-based valuation of PAAS at US\$26.0/share. On our estimates, the stock trades at an undemanding FY25e EV/EBITDA of 6.4x and yields 1.8%.

Year end	Revenue (\$m)	EBITDA (\$m)	EPS (\$)	DPS (\$)	Yield (%)	EV/EBITDA (x)
12/23	2,316.1	680.6	0.19	0.41	1.7	11.5
12/24e	2,818.9	1,028.6	0.80	0.40	1.7	7.6
12/25e	2,875.3	1,220.3	0.95	0.44	1.8	6.4
12/26e	2,836.2	1,213.5	1.09	0.52	2.2	6.5

Note: EPS is Edison normalised.

FY24 results: Record cash flow generation

As expected, PAAS enjoyed a strong finish to the year, delivering a 14% q-o-q increase in revenues and a 29% increase in EBITDA in Q424 on strong silver sales and higher commodity prices. For the full year, the company reported revenues of US\$2,819m, EBITDA of US\$1,029m and adjusted EPS of US\$0.80. Despite lower silver and gold sales and higher costs in both segments versus FY23, stronger gold/silver prices resulted in record operating cash flow of US\$724m (FY23: US\$450m; Q424: US\$274m) and free cash flow of US\$401m (FY23: US\$71m). As a result, the company moved to a net cash position of US\$84m at end FY24.

Strong commodity prices outweigh neutral guidance

In 2025, PAAS expects to produce 20–21Moz of silver (FY24: 21.1Moz) and 735–800koz of gold (893koz) at a silver segment all-in sustaining cost (AISC) of US \$16.25–18.25/oz (FY24: US\$19.0/oz excluding net realisable value, NRV) and gold segment AISC US\$1,525–1,625/oz (US\$1,501/oz excl. NRV). As usual, production is expected to be second half weighted and unit costs are guided to reduce gradually throughout the year. We have updated our estimates to reflect the results, FY25 guidance and higher consensus commodity price expectations, reducing our FY25 EBITDA estimate by 2% to US\$1,220m. We expect further improvements in cash flow generation during the year, potentially leading to higher dividends in H225.

Valuation: Maintained at US\$26.0/share

Having updated our estimates, we retain our DCF-based valuation of PAAS at US \$26.0/share. Our slightly lower FY25 earnings expectations were offset by the small reduction in WACC due to lower equity risk premium (Damodaran), inclusion of the La Arena gold net smelter return (NSR) royalty valued at US\$30m (PAAS) and the company moving to the net cash position at end FY24. The stock is currently trading at an FY25e EV/EBITDA of 6.4x, which we view as an undemanding multiple both historically and compared to peers, and yields 1.8%.

Price	\$23.90
Market cap	\$7,913m
Net cash/(debt) at end FY24	\$84.0m
Shares in issue	362.1m
Free float	100.0%
Code	PAAS
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance



%	1m	3m	12m
Abs	14.9	15.1	103.0
52-week high/low		\$25.9	\$11.9

Business description

Pan American Silver is one of the largest global primary silver producers and a sizeable gold miner, with operations in North, Central and South America since 1994. Following the acquisition of selected assets as part of the Yamana transaction, the company owns 10 producing operations, the suspended top-tier Escobal silver mine and several large-scale advanced exploration and development projects.

Next events

Q125 results	May 2025
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FY24 results: Big step up in earnings and cash flow generation

PAAS has finished the year on a high note, delivering a 14% q-o-q increase in revenues to US\$815m and a 26% increase in EBITDA to US\$347m in Q424, driven by higher silver and gold sales and stronger commodity prices. Silver production and sales were up 10% and 15%, respectively, while gold sales grew 4% despite flat production. At the same time, silver segment cash cost fell from US\$15.9/oz in Q324 to US\$14.1/oz on the back of the strong operational performance at La Colorada and Cerro Moro. The former saw a 24% q-o-q reduction in unit cash cost to US\$15.0/oz as it continued to ramp up production following the completion of the ventilation infrastructure upgrade in mid-2024, while the latter enjoyed a 61% drop in cash cost to US\$7.4/oz, mainly due to higher by-product gold sales. In the gold segment, El Penon and Minera Florida performed strongly both in terms of production/sales and costs, while Timmins detracted from the overall performance. As a result, the gold segment cash cost was up 2% q-o-q in Q424 to US\$1,223/oz.

For the full year, the company reported revenues of US\$2,819m (Edison: US\$2,834m) and EBITDA of US\$1,029m (US\$1,016m). Total silver production and sales came in at 21.1Moz (+3% y-o-y) and 19.5Moz (-7%), respectively, while gold production and sales were 893koz (+1%) and 892koz (flat). Silver sales were somewhat below our expectations (19.9Moz) and the company ended the year with a total silver inventory build of c 0.5Moz. Silver segment cash cost increased 9% y-o-y to US\$14.3/oz; gold segment cash cost was up 8% to US\$1,203/oz. Production for both metals and gold segment costs were within the company's annual guidance, while silver segment costs were slightly above the upper end of the guided range. At the consolidated level, G&A expense came in at just US\$70m (Q424: US\$6.3m), with the company successfully capturing c US\$60m in synergies targeted as part of the Yamana transaction. PAAS reported FY24 headline EPS of US\$0.31 (Q424: US\$0.30). Adjusted for one-off and other non-cash items, FY24 EPS was US\$0.79 (company definition; Edison: US\$0.80) compared to US\$0.12 in FY23. A dividend of US\$0.10/share was declared for the quarter, translating into a full-year payout of US\$0.40/share.

The main highlight of the results was record cash flow generation, with net operating cash flow (OCF) of US\$274m in Q424 and US\$724m in FY24. Full-year free cash flow (OCF less total capex excluding lease payments) was an impressive US\$401m (Q424: US\$189m). Strong cash flow generation plus higher proceeds from the sale of La Arena resulted in an US\$463m increase in cash to US\$863m. As a result, the company moved into a net cash position of US\$84m (including short term investments) at end FY24 versus our estimate of US\$26m.

Exhibit 1: PAAS FY24 and Q424 results summary, US\$m

	Q424	Q324	q-o-q, %	FY24	FY23	y-o-y, %
Silver production, koz	6,018	5,467	10.1	21,061	20,437	3.1
Gold production, koz	224	225	(0.4)	893	883	1.1
Silver segment cash cost, US\$/k	14.1	15.9	(11.5)	14.3	13.1	9.4
Silver segment AISC, US\$/oz	19.8	19.6	0.9	18.7	18.2	2.9
Gold segment cash cost, US\$/oz	1,223	1,195	2.3	1,203	1,113	8.1
Gold segment AISC, US\$/oz	1,463	1,496	(2.2)	1,530	1,371	11.6
Revenue	815	716	13.8	2,819	2,316	21.7
Mine operating earnings	185	176	5.2	549	297	84.8
EBITDA	347	270	28.6	1,029	681	51.1
Reported PBT	226	130	73.3	432	(59)	-
Reported EPS	0.30	0.16	89.8	0.31	(0.32)	-
Adjusted EPS (PAAS), US\$	0.35	0.32	9.4	0.79	0.12	558.3

Source: PAAS, Edison Investment Research
AISC include NRV inventory adjustments

FY25 guidance: Mixed initial impressions

With the FY24 results, PAAS has also provided its FY25 operational and cost guidance. The company expects to produce 20.0–21.0Moz of silver and 735–800koz of gold this year. Compared to FY24, higher production at La Colorada (5.5–5.8Moz vs 4.9Moz; higher throughput due to improved ventilation conditions) and Huaron (3.7–3.9Moz vs 3.5Moz; higher throughput and silver grades) is expected to offset lower output at San Vicente (2.7–2.9Moz vs 3.1Moz; lower grades, scheduled plant maintenance) and Dolores (residual leaching stage). Gold production will be affected by the sale of La Arena and the reduction in output at Dolores. Although lower gold production was to a large extent anticipated, guided silver output is below our initial expectations. While the company still guides for La Colorada to achieve its nominal 2,000tpd throughput rate during 2025, we expected it to occur earlier, in late FY24/beginning FY25. As per management's comments during the results call, we understand that this is mainly due to additional development

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work that will result in higher strip ratio (ie the share of waste removal to ore extraction). Overall, as always, production is expected to be second-half weighted, resulting in a gradual reduction in unit costs throughout the year (see Exhibit 2).

In terms of costs, silver segment AISC is expected to reduce from US\$18.7/oz (US\$19.0/oz excluding NRV inventory adjustment) in FY24 to US\$16.3–18.3/oz, driven by La Colorada (higher production) and Cerro Morro (higher gold by-product credits). At the same time, cost performance at La Colorada will be affected by additional payments due to mining concessions adjacent to the project. The gold segment AISC is guided at US\$1,525–1,625/oz, a moderate increase compared to US\$1,530/oz (US\$1,501/oz excluding NRV adjustment) in FY24, driven by the anticipated cost escalation at Shahuindo and Timmins.

2025 capital expenditure guidance of US\$374m is broadly in line with FY24. This includes US\$90–100m in project capital, of which US\$39–42m is expected to be spent on further advancing the Skarn project. Other notable project investments include Jacobina (US\$11.0–12.5m), where the company continues to advance its mine and plant optimisation study, with some results likely to be announced around mid-2025.

Exhibit 2: PAAS operating, cost and selected financial guidance for FY25

	Q1	Q2	Q3	Q4	FY25	FY24
Silver production, Moz	4.8-5.0	5.0-5.2	5.1-5.4	5.2-5.5	20.0-21.0	21.1
Gold production, koz	175-189	179-194	189-205	192-212	735-800	893
Silver segment AISC, US\$/oz	21.0-22.3	19.5-21.3	14.3-16.3	10.3-13.0	16.3-18.3	18.7
Gold segment AISC, US\$/oz	1,575-1,675	1,550-1,650	1,500-1,600	1,500-1,600	1,525-1,625	1,530
Total capital expenditure, US\$m					360-385	374
G&A, US\$m					80-85	70
Income tax payments, US\$m					240-260	164

Source: PAAS

Estimates revisions and valuation update

We have updated our operating and financial estimates to reflect the FY24 results and FY25 guidance. We have reduced our silver and gold production for FY25 and increased our cost estimates for both segments. At the same time, these changes were largely offset by higher consensus gold and silver price expectations. As a result, our FY25 EBITDA estimate is only 2% lower, at US\$1,220m. We have also introduced our FY26 forecasts, which point to a broadly flat EBITDA, with lower expected commodity prices offset by higher silver production and a gradual reduction in costs in both segments. We note that the company's FY25 cost guidance is based on gold and silver prices of US\$2,650/oz and US\$30/oz, respectively, compared to the current consensus expectations of US\$2,730/oz and US\$32/oz, which we use as our modelling assumptions. As such, our FY25 cost forecasts are at the lower end of the company's guidance range, with the silver segment AISC of US\$16.3/oz and gold segment AISC of US\$1,520/oz. Higher commodity prices result in higher by-product credits for some of the mines.

Overall, PAAS has seen a visible step up in earnings and cash flow generation in FY24 and, subject to commodity price fluctuations, we expect to see further improvements in FY25. Our modelling suggests an increase in OCF from US\$724m in FY24 to US\$885m in FY25e, leading to an increase in gross cash position to US\$1,197m (FY24: US\$863m) and a further expansion in net cash to US\$418m at year-end. This should allow the company to continue investing in its key projects, participate in selective M&A and distribute more cash to shareholders. We conservatively model an increase in the FY25 dividend to US\$0.44/share (FY24: US\$0.40/share) based on the company's current dividend policy. On top of this, PAAS continues with its EPS accretive share buy-back programme, having purchased an additional 0.91m shares at US\$22.0 in January 2025.

We have retained our DCF-based valuation of the company at US\$26.0/share. Our small downward adjustments to earnings estimates are offset by the reduction in nominal WACC from 7.2% to 6.9% (long-term real discount rate of 4.4%) due to the lower equity risk premium (as per Damodaran), the company moving to net cash position at end FY24 as we rolled our model forward and the inclusion of the La Arena gold NSR royalty, valued by the company at US\$29.7m. On a relative basis, the stock currently trades at an FY25e EV/EBITDA of just 6.4x, in our view an undemanding multiple both historically and compared to peers, and yields 1.8%.

Exhibit 3: PAAS earnings estimates revisions, US\$m

	FY25e		FY26e
	New	Old	New
Silver production, Moz	20.8	23.0	21.6
Silver segment AISC, US\$/oz	16.3	14.5	16.0
Gold production, koz	782	814	783
Gold segment AISC, US\$/oz	1,520	1,407	1,420
Revenue	2,875	2,928	2,836
EBITDA	1,220	1,243	1,213
PBT	694	739	721
Reported EPS, US\$	0.95	1.11	1.09
Adjusted EPS, US\$	0.95	1.11	1.09
Net debt/(cash)	(418)	(427)	(769)

Source: Edison Investment Research

Exhibit 4: Financial summary, US\$m

	2022	2023	2024	2025e	2026e
	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	1,495	2,316	2,819	2,875	2,836
Cash production costs	(1,094)	(1,479)	(1,634)	(1,468)	(1,446)
DD&A	(316)	(484)	(572)	(447)	(420)
Royalties	(36)	(56)	(65)	(69)	(70)
Gross Profit	48	297	549	892	901
G&A	(29)	(61)	(70)	(80)	(75)
Other operating costs	(63)	(97)	(42)	(38)	(32)
Operating profit (before amort. and excepts.)	(44)	196	553	774	794
EBITDA	272	681	1,029	1,220	1,213
Other operating expenses	(6)	3	11	0	0
Exceptionals	(212)	(104)	84	0	0
Reported operating profit	(262)	38	531	774	794
Net Interest and other finance expense	(23)	(91)	(85)	(79)	(73)
Profit Before Tax (norm)	(73)	108	479	694	721
Investment income (loss)	(16)	(6)	(14)	0	0
Profit Before Tax (reported)	(301)	(59)	432	694	721
Reported tax	(39)	(46)	(319)	(347)	(324)
Profit After Tax (norm)	(112)	62	291	347	397
Profit After Tax (reported)	(340)	(105)	113	347	397
Minority interests	2	(1)	1	3	3
Net income (normalised)	(114)	63	290	345	394
Net income (reported)	(342)	(104)	112	345	394
Average Number of Shares Outstanding (m)	211	327	363	362	362
EPS - basic normalised (\$)	(0.54)	0.19	0.80	0.95	1.09
EPS - normalised fully diluted (\$)	(0.54)	0.19	0.80	0.95	1.09
EPS - basic reported (\$)	(1.62)	(0.32)	0.31	0.95	1.09
EPS - adjusted company (\$)	0.09	0.12	0.79	0.95	1.09
Dividend (\$)	0.45	0.41	0.40	0.44	0.52
BALANCE SHEET					
Fixed Assets	2,444	5,823	5,482	5,380	5,232
Tangible assets	2,226	5,675	5,325	5,222	5,075
Investments	121	0	0	0	0
Other	97	148	157	157	157
Current Assets	804	1,390	1,720	2,064	2,431
Inventories	472	712	606	615	634
Receivables	137	138	165	165	163
Cash	107	399	863	1,197	1,547
ST investments	35	41	25	25	25
Other	54	99	62	62	62
Current Liabilities	(381)	(624)	(687)	(680)	(689)
Creditors	(308)	(498)	(489)	(482)	(491)
Short term borrowings and leases	(27)	(52)	(47)	(47)	(47)
Other	(45)	(74)	(150)	(150)	(150)
Long Term Liabilities	(666)	(1,816)	(1,799)	(1,876)	(1,876)
LT debt and leases	(200)	(749)	(756)	(756)	(756)
Other long term liabilities	(467)	(1,067)	(1,043)	(1,120)	(1,120)
Net Assets	2,202	4,772	4,717	4,887	5,098
Minority interests	(6)	(12)	(13)	(16)	(18)
Shareholders' equity	2,195	4,761	4,704	4,872	5,080
CASH FLOW					
Operating Cash Flow	(340)	(105)	113	347	397
D&A, exceptionals, other	555	664	926	873	817
Working capital movement	(42)	69	(128)	(17)	(8)
Tax	(138)	(149)	(164)	(270)	(324)
Net Interest	(3)	(28)	(23)	(48)	(46)
Net operating cash flow	32	450	724	885	835
Capex	(275)	(379)	(323)	(372)	(297)
Acquisitions/disposals	9	759	310	0	0
Equity financing	1	0	0	0	0
Dividends	(95)	(130)	(145)	(159)	(188)
Other	20	(15)	(77)	0	0
Net Cash Flow	(308)	685	489	354	351
Opening net debt/(cash), including ST investments	(289)	85	361	(84)	(418)
FX and other	(66)	(961)	(44)	(20)	0
Closing net debt/(cash)	85	361	(84)	(418)	(769)
Closing net debt/(cash), excluding ST investments	120	402	(59)	(393)	(744)

Source: Edison Investment Research

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