

Pan American Silver

Strong Q125, MAG Silver acquisition

Pan American Silver (PAAS) delivered strong quarterly results, with higher commodity prices boosting revenues and lowering costs. Q125 EBITDA was US\$330m, just 5% shy of the seasonally strongest Q4 number, as costs were markedly below and production was in line with quarterly guidance for both segments. The company maintained its FY25 operating outlook, which points to seasonally strong quarters ahead. PAAS also announced a proposed acquisition of MAG Silver (MAG), valuing the company at US \$2.1bn. MAG owns 44% in a top-tier Juanicipio silver operation in Mexico. In this note, we provide an initial take on the transaction, while keeping our revised estimates and valuation of PAAS on a standalone basis.

Year end	Revenue (\$m)	EBITDA (\$m)	EPS (\$)	DPS (\$)	EV/EBITDA (x)	Yield (%)
12/23	2,316.1	680.6	0.19	0.41	11.9	1.8
12/24	2,818.9	1,028.6	0.80	0.40	7.8	1.8
12/25e	3,163.1	1,421.3	1.23	0.44	5.7	1.9
12/26e	3,117.3	1,464.3	1.41	0.52	5.5	2.3

Note: EPS is Edison normalised.

Q125 results: Strong start to the year

PAAS produced 5.0Moz of silver and 182koz of gold in Q125, with sales for both metals exceeding production. At US\$13.9/oz, silver segment all-in sustaining cost (AISC) fell significantly versus Q124 and Q424 and was markedly below the company's quarterly operating outlook, supported by strong by-product credits, weaker currencies and lower sustaining capex. Similarly, the gold segment AISC of US\$1,485/oz was visibly below guidance and broadly in line with Q4. Strong cost performance and higher commodity prices led to a 29% y-o-y increase in revenues to US\$773m and an 88% boost to EBITDA of US\$330m. Despite significant cash tax payments and working capital outflows, net operating cash flow almost tripled versus Q124 to US\$175m. PAAS saw a further increase in the net cash position to US\$119m, with gross cash and short-term investments reaching US\$923m.

Proposed acquisition of MAG Silver

On 11 May, PAAS announced its intention to acquire 100% of MAG for US\$2.1bn in a cash and shares transaction. MAG's main asset is a 44% interest in the large-scale, low-cost Juanicipio silver operation in Mexico, which is co-owned and operated by Fresnillo. Juanicipio is a highly cash generative business with a FY24 free cash flow (FCF) of US\$292m. At the current PAAS share price, the transaction values MAG at an FY24 EV/FCF multiple of 14.4x versus PAAS's multiple of 24.9x.

Valuation: Positive earnings moment to continue

We have upgraded our DCF-based valuation of PAAS to US\$33.7/share on higher commodity and earnings expectations and will review our estimates for the MAG deal following its shareholder meeting. Despite the initial share price weakness, we believe the transaction is positive for PAAS. Juanicipio is a large-scale, highly cash generative operation of a similar calibre to Escobal. The deal will allow the company to rebalance its asset portfolio towards silver, with the primary silver producers trading at premium valuations to gold, and further improve its cash flows. It also provides a useful read-across for the Escobal valuation.

Q125 results, acquisition

Metals and mining

16 May 2025

Price	\$22.85
Market cap	\$8,189m
Net cash/(debt) at end Q125	\$118.6m
Shares in issue	362.2m
Free float	100.0%
Code	PAAS
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance



%	1m	3m	12m
Abs	(16.8)	(7.2)	13.1
52-week high/low		\$28.5	\$17.7

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

Q225 results	August 2025
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Q125 results: Strong start to the year

PAAS reported a strong set of quarterly results, with higher commodity prices driving revenues up and pushing costs down. The company produced 5.0Moz of silver and 182koz of gold in Q125, both lower quarter-on-quarter and year-on-year but in line with quarterly operating guidance. At 5.2Moz and 194koz, silver and gold sales exceeded production, supporting the overall performance.

Silver segment AISC of US\$13.9/oz was down 30% q-o-q and 12% y-o-y, and was markedly below the company's guidance of US\$21.0–22.3/oz, while the segment's cash cost came in at just US\$9.8/oz compared to US\$14.1/oz in Q424 and US\$12.7/oz in Q124. All silver segment operations performed relatively strongly in Q125, with Cerro Moro being the main highlight as it benefited from strong gold by-product credits. Weaker local currencies was another factor contributing to the reduction in costs during the quarter.

In the gold segment, AISC of US\$1,485/oz was down 6% y-o-y, broadly flat quarter-on-quarter but visibly below the quarterly guidance (US\$1,575–1,675/oz), while cash cost of US\$1,178/oz was lower compared to both Q124 and Q424. The gold segment's cost performance would have been stronger if it had not been for Minera Florida, which saw a visible reduction in production and corresponding cost escalation due to lower grades and delayed development rates as a result of high absenteeism during the period.

Overall, strong cost performance coupled with higher realised metal prices led to a 29% y-o-y increase in revenues to US\$773m and a 253% expansion in mine operating earnings. EBITDA rose 88% y-o-y to US\$330m and was just 5% shy of the seasonally strongest Q424 number. At US\$0.42, company adjusted EPS grew 20% q-o-q (Q124: US\$0.01). Despite paying US\$95m in cash taxes (c 30–40% of full-year guidance) and US\$65m in working capital outflows, net operating cash flow of US\$175m nearly tripled compared to Q124, while free cash flow was US\$107m. As a result, PAAS's net cash position increased further from year-end, reaching US\$119m, with gross cash of US\$900m (US\$923m including short-term investments). PAAS declared a quarterly dividend of US\$0.10/share and spent US\$20m on buying back shares during Q125.

Exhibit 1: Summary of Q125 results, US\$m

	Q125	Q124	y-o-y, %	Q424	q-o-q, %
Silver production, koz	5,003	5,009	(0.1)	6,018	(16.9)
Gold production, koz	182	223	(18.3)	224	(18.7)
Silver segment AISC, US\$/oz	14	16	(12.3)	20	(29.6)
Gold segment AISC, US\$/oz	1,485	1,580	(6.0)	1,463	1.5
Revenue	773	601	28.6	815	(5.1)
Mine operating earnings	251	71	253.2	185	35.6
EBITDA	330	176	87.5	347	(4.9)
Reported PBT	214	4	nm	226	(5.4)
Reported EPS	0.47	(0.08)	nm	0.30	57.0
Adjusted EPS (PAAS), US\$	0.42	0.01	nm	0.35	20.0
Net debt/(cash)	(119)	475	nm	(84)	41.2

Source: PAAS, Edison Investment Research

The company maintained its full-year production and cost guidance. Given the strong Q1 performance and higher commodity prices, we have upgraded our near-term earnings estimates and valuation. In line with consensus expectations, our gold and silver price assumptions have increased to US\$3,008/oz (from US\$2,730/oz) and US\$33.50/oz (US\$32.00/oz) for FY25, and US\$2,915/oz and US\$34.4/oz for FY26. With some minor adjustments to cost and production forecasts, our FY25 revenue and EBITDA estimates increase by 10% and 16%. We note that the company's FY25 cost outlook is based on gold and silver prices of US\$2,650/oz and US\$30.00/oz, which are significantly below spot at c US\$3,200/oz and US\$32.20/oz, respectively. This should continue to provide strong support to PAAS's cost performance throughout the year.

We have upgraded our DCF-based valuation of PAAS from US\$26.0/share to US\$33.7/share on higher earnings expectations and an unchanged nominal weighted average cost of capital of 7%. On a standalone basis, the shares continue to trade at a very undemanding FY25e EV/EBITDA of 5.7x, and we see further upside potential as earnings momentum continues to improve throughout the year, supported by the stronger operational performance and favourable commodity prices. We will update our estimates and valuation for the MAG acquisition following its shareholder meeting in July.

Exhibit 2: Earnings estimates revisions, US\$m

	FY25e		FY26e	
	New	Old	New	Old
Silver production, Moz	20.8	20.8	21.3	21.6
Silver segment AISC, US\$/oz	16.0	16.3	14.5	16.0
Gold production, koz	783	782	783	783
Gold segment AISC, US\$/oz	1,531	1,520	1,435	1,420
Revenue	3,163	2,875	3,117	2,836
EBITDA	1,421	1,220	1,464	1,213
PBT	871	694	948	721
Reported EPS, US\$	1.24	0.95	1.41	1.09
Adjusted EPS, US\$	1.20	0.95	1.41	1.09
Net debt/(cash)	(613)	(418)	(1,132)	(769)

Source: Edison Investment Research; Note: Forecasts are on a standalone basis excluding proposed MAG acquisition

Proposed acquisition of MAG Silver

On 11 May PAAS announced a proposed acquisition of MAG in a cash and shares transaction that values the company at US\$2.1bn (US\$1.9bn based on the current PAAS share price). The company expects to issue c 60m new shares and pay US\$500m in cash for MAG. The transaction requires approval by the MAG shareholders at a special meeting expected to take place in July (66 2/3% of the votes cast). Following the completion, PAAS estimates that MAG shareholders will own c 14% of the combined company on a fully diluted basis. MAG board directors and management entered into a voting support agreement with PAAS. The transaction is expected to close in H225.

MAG's main asset is its 44% interest in the large-scale, low-cost Juanicipio silver/gold operation in Zacatecas (Fresnillo district), Mexico. The project started commercial production in 2023 and is operated by the world's largest primary silver producer, Fresnillo, which owns the remaining 56%. In 2024, Juanicipio produced 18.6Moz of silver (at a head grade of 468g/t) and 39koz of gold, generating US\$627m in net revenues and US\$449m in EBITDA on a 100% basis. Production attributable to MAG was 8.2Moz for silver and 17koz for gold, representing c 40% and 2% of PAAS production respectively. On a pro-forma, attributable basis this implies PAAS 2024 silver output of 29Moz (9.5Moz for Q125 vs 5.0Moz for PAAS standalone). Juanicipio is a low-cost operation with silver cash cost and AISC of US\$0.9/oz and US\$5.5/oz in 2024 compared to US\$13.3/oz and US\$18.7/oz for PAAS, respectively.

For 2025, Fresnillo/MAG guide Juanicipio silver production of 14.7–16.7Moz (6.5–7.3Moz attributable) at a silver cash cost of US\$(1.0)–1.0/oz and AISC of US\$6.0–8.0/oz. This compares to PAAS's FY25 guidance of 20.0–21.0Moz in silver production at a silver segment AISC of US\$16.3–18.3/oz and implies pro forma, annualised silver production of 27.4Moz and a silver segment AISC of US\$14.0/oz (at mid-point of guidance). Juanicipio has a large resource base (18.9Mt in M&I resources at 288g/t Ag inclusive of mineral reserves) and a 10-year mine life, which is likely to be extended given that only about 10% of the 7,679ha property has so far been explored.

Due to its low-cost nature Juanicipio is a highly cash generative business. In 2024, it generated US\$357m in operating cash flow, with US\$63m spent on capex/exploration and US\$282m paid back to project owners as part of the shareholder loan repayment and dividends. MAG received US\$124m from Juanicipio in 2024 and an additional US\$62m in April 2025. Consensus for MAG suggests an equity contribution from Juanicipio of US\$124m in FY25 (implied project net profit of US\$282m). However, market expectations for cash flows do not look reliable to us and the project's FCF of US\$200m suggested by PAAS/MAG appears to be conservative (Q125 FCF of US\$79m). For the valuation purposes we, therefore, consider FY24 multiples, with the current transaction EV of US\$1.7bn pointing to an implied EV/FCF of 14.4x (based on MAG FY24 FCF adjusted for exploration spend on Deer Trail and Larder projects) compared to PAAS's multiple of 24.9x (see Exhibit 3). On our updated estimates, PAAS trades at an FY25e EV/FCF of c 14.0x (Edison FY25e FCF of US\$710m (OCF of US\$1,080m less capex of US\$369m) versus consensus of US\$696m (OCF of US\$1,050m less capex of US\$362m)).

Overall, our initial take on the transaction is positive for PAAS. Juanicipio is the largest scale and lowest cost primary silver operation globally of a similar calibre to Escobal (21.2Moz of silver production at a head grade of 477g/t in 2016; 16.5Mt in M&I resources at 208g/t Ag, plus reserves of 24.7Mt at 334g/t Ag; processing capacity of 4,500tpd vs 4,000tpd for Juanicipio). The acquisition will allow the company to partly rebalance its asset portfolio towards silver, with primary silver producers trading at premium valuations to pure gold companies, boost attributable silver production with lower operating risks and, more importantly, its cash flows. It will also strengthen PAAS's position as the second largest global primary silver producer after Fresnillo. Given the company's strong track record of well-timed acquisitions (Tahoe/

Yamana), the deal might suggest a structural shift away from gold to silver and potentially indicate a more protracted Escobal restart process. At US\$4.2bn undisturbed MAG/Juanicipio valuation, the acquisition also provides a useful read-across for Escobal, which on our updated numbers contributes c US\$3.8bn to PAAS's overall DCF-based valuation.

Exhibit 3: MAG transaction details and valuation implications (US\$m unless otherwise stated)

PAAS share price - undisturbed, US\$	27.1
PAAS share price - current, US\$	22.6
PAAS cash consideration	500
PAAS new shares, m	60
Implied equity value - undisturbed	2,126
Implied equity value - current	1,857
MAG net cash at end Q125	160
Implied EV - undisturbed	1,966
Implied EV - current	1,696
MAG adjusted FY24 FCF	118
Implied transaction FY24 EV/FCF - current	14.4
Implied transaction FY24 EV/FCF - undisturbed	16.7
PAAS FY24 EV/FCF	24.9

Source: Company data, Edison Investment Research. Note: MAG FY24 FCF is adjusted for US\$23m exploration spend on Deer Trail and Larder projects.

Exhibit 4: Juanicipio key operating and financial metrics, US\$m

	Q125	FY24
Silver production, Moz	4.5	18.6
Gold production, koz	10.2	39.0
Revenue	175.2	627.4
EDITDA	135.2	449.1
PBT	115.2	352.7
Net income	76.9	201.5
Operating cash flow	86.4	356.7
Investing cash flow	(8.8)	(63.3)
Financing cash flow	(0.1)	(282.3)
Cash cost, US\$/oz	(0.9)	0.9
AISC, US\$/oz	2.0	5.5

Source: MAG Silver

Exhibit 5: PAAS financial summary and forecasts

US\$m	2022	2023	2024	2025e	2026e
	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	1,495	2,316	2,819	3,163	3,117
Cash production costs	(1,094)	(1,479)	(1,634)	(1,522)	(1,461)
DD&A	(316)	(484)	(572)	(479)	(439)
Royalties	(36)	(56)	(65)	(89)	(79)
Gross Profit	48	297	549	1,073	1,138
G&A	(29)	(61)	(70)	(85)	(78)
Other operating costs	(63)	(97)	(42)	(42)	(35)
Operating profit (before amort. and excepts.)	(44)	196	553	946	1,025
EBITDA	272	681	1,029	1,421	1,464
Other operating expenses	(6)	3	11	0	0
Exceptionals	(212)	(104)	84	0	0
Reported operating profit	(262)	38	531	946	1,025
Net Interest and other finance expense	(23)	(91)	(85)	(81)	(77)
Profit Before Tax (norm)	(73)	108	479	865	948
Investment income (loss)	(16)	(6)	(14)	5	0
Profit Before Tax (reported)	(301)	(59)	432	871	948
Reported tax	(39)	(46)	(319)	(418)	(436)
Profit After Tax (norm)	(112)	62	291	447	512
Profit After Tax (reported)	(340)	(105)	113	453	512
Minority interests	2	(1)	1	3	3
Net income (normalised)	(114)	63	290	445	509
Net income (reported)	(342)	(104)	112	450	509
Average Number of Shares Outstanding (m)	211	327	363	362	362
EPS - basic normalised (\$)	(0.54)	0.19	0.80	1.23	1.41
EPS - basic reported (\$)	(1.62)	(0.32)	0.31	1.24	1.41
EPS - adjusted company (\$)	0.09	0.12	0.79	1.20	1.41
Dividend (\$)	0.45	0.41	0.40	0.44	0.52
BALANCE SHEET					
Fixed Assets	2,444	5,823	5,482	5,357	5,188
Tangible assets	2,226	5,675	5,325	5,200	5,031
Investments	121	0	0	0	0
Other	97	148	157	157	157
Current Assets	804	1,390	1,720	2,286	2,797
Inventories	472	712	606	625	621
Receivables	137	138	165	182	179
Cash	107	399	863	1,392	1,911
ST investments	35	41	25	25	25
Other	54	99	62	62	62
Current Liabilities	(381)	(624)	(687)	(698)	(694)
Creditors	(308)	(498)	(489)	(500)	(496)
Short term borrowings and leases	(27)	(52)	(47)	(47)	(47)
Other	(45)	(74)	(150)	(150)	(150)
Long Term Liabilities	(666)	(1,816)	(1,799)	(1,932)	(1,932)
LT debt and leases	(200)	(749)	(756)	(756)	(756)
Other long term liabilities	(467)	(1,067)	(1,043)	(1,176)	(1,176)
Net Assets	2,202	4,772	4,717	5,013	5,359
Minority interests	(6)	(12)	(13)	(16)	(18)
Shareholders' equity	2,195	4,761	4,704	4,998	5,341
CASH FLOW					
Operating Cash Flow	(340)	(105)	113	453	512
D&A, exceptionals, other	555	664	926	969	952
Working capital movement	(42)	69	(128)	(26)	4
Tax	(138)	(149)	(164)	(285)	(436)
Net Interest	(3)	(28)	(23)	(31)	(28)
Net operating cash flow	32	450	724	1,080	1,003
Capex	(275)	(379)	(323)	(369)	(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)	(1)	0
Net Cash Flow	(308)	685	489	550	518
Opening net debt/(cash), including ST investments	(289)	85	361	(84)	(613)
FX and other	(66)	(961)	(44)	(21)	0
Closing net debt/(cash)	85	361	(84)	(613)	(1,132)
Closing net debt/(cash), excluding ST investments	120	402	(59)	(589)	(1,107)

Source: PAAS, Edison Investment Research

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