

Pan American Silver

Outlook

Consistency boosting returns

After a couple of transitional years, Pan American Silver (PAAS) is in a much better position to deliver more consistent operational and cost performance as the Yamana assets are integrated, La Colorada ventilation issues are resolved and the asset portfolio is largely streamlined. We are upgrading our estimates on higher commodity price assumptions and raising our valuation to US\$26.0/share. The stock has been derated on improving earnings momentum and is now trading at below average historical multiples. The recent M&A provides additional valuation support.

Year end	Revenue (US\$m)	EBITDA (US\$m)	EPS* (US\$)	DPS (US\$)	EV/EBITDA (x)	Yield (%)
12/22	1,494.7	272.0	0.09	0.45	30.9	2.0
12/23	2,316.1	680.6	0.12	0.41	12.4	1.8
12/24e	2,833.5	1,016.0	0.73	0.40	8.3	1.8
12/25e	2,927.6	1,243.2	1.11	0.40	6.8	1.8

Note: *EPS is adjusted company definition.

FY24 performance is a turning point

The last couple of years have been transitional for PAAS as the company focused on integrating the Yamana assets, addressing operational issues at La Colorada and optimising its asset portfolio. Yet it is on track to deliver record financial results in FY24, albeit largely driven by higher gold prices. We believe that PAAS is now in a better position to show more consistent operating and cost performance and to further benefit from near-record commodity prices. With La Colorada's performance improving, we expect lower gold production in FY25e (814koz), due to the La Arena sale and the Dolores phase-out, to be offset by stronger silver segment performance and higher gold and silver prices. Despite the recent shift towards gold, PAAS's project portfolio remains heavily skewed towards silver. Taking a hint from its well-timed M&A track record, we expect PAAS to grow its silver exposure at the right point in economic and commodity cycles.

Higher earnings estimates, better shareholder returns

We are upgrading our PAAS estimates on higher commodity price assumptions (gold US\$2,376/oz FY24e, US\$2,594/oz FY25e), which are now more closely aligned with consensus expectations. We expect FY24e EBITDA of US\$1,016m (+10%), rising to US\$1,243m (+55%) in FY25e. Proceeds from La Arena sale and improving cash flow generation could move PAAS into a small net cash position at end-FY24e, with further improvements likely next year. This should enable the company to distribute more cash to shareholders/repay debt and to invest.

Valuation: Below historical averages

Having underperformed gold for some time, PAAS shares have appreciated 36% ytd, supported by positive earnings momentum. As a result, the shares have been visibly derated and are now trading below historical averages for consensus P/E and EV/EBITDA. On our updated estimates the stock trades at FY25e EV/EBITDA of 6.8x, which looks undemanding, assuming PAAS continues to deliver operationally and commodity prices remain elevated. Our DCF-based valuation rises to US\$26.0/share from US\$23.5/share. Recent silver sector M&A points to high single-digit EV/EBITDA multiples and bodes well for the sector valuations.

Metals and mining

9 December 2024

Price US\$22.2
Market cap US\$8,069m

Net debt (US\$m) at Q324, including short-term investments of US\$31m	345
Shares in issue	363m
Free float	100%
Code	PAAS
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance



%	1m	3m	12m
Abs	(1.3)	19.1	44.5
Rel (local)	(3.9)	5.7	8.0
52-week high/low	US\$25.85	US\$12.21	

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

FY25 guidance	January 2025
Event	Date

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Investment summary

Company description: Top-tier silver producer with upside

PAAS is the second-largest global primary silver producer and a mid-tier gold miner with operations in the Americas. Following the acquisitions of Tahoe Resources and, more recently, selected Yamana assets, the company controls four producing silver mines and six gold operations. In addition, PAAS owns the top-tier Escobal mine in Guatemala, which is currently suspended subject to completion of the consultation process with local communities but is capable of almost doubling the company's silver output once restarted, as well as the large-scale greenfield projects, La Colorada Skarn and Navidad. Both acquisitions were well timed, allowing the company to increase its exposure to gold and benefit from the commodity's improving fundamentals. However, in the longer term PAAS's asset portfolio allows for a more balanced silver/gold exposure.

Financials: Upgrading estimates on commodity prices

The last couple of years have been transitional for PAAS as the company focused on integrating the Yamana assets, optimising its asset portfolio and resolving operational issues at La Colorada. With these steps largely completed, PAAS is on track to deliver record financial results in FY24 by a wide margin, although to a significant extent driven by the favourable gold price. We believe the company is now in a much better position to achieve more consistent operational performance and to further benefit from elevated commodity prices. We have revised our earnings estimates on higher gold and silver price assumptions, which are now more aligned with near-term consensus expectations, and forecast EBITDA of US\$1,016m (+10%) in FY24e and US\$1,243m (+55%) in FY25e. Improving cash flow generation should move the company into a substantial net cash position next year, potentially allowing it to further increase its shareholder returns via dividends/share buybacks, reduce debt as well as to invest in growth projects (La Colorada Skarn, Jacobina) and participate in M&A.

Valuation: Improved earnings momentum

Having underperformed commodity prices for a period of time, the company's earnings momentum started to improve earlier this year, with its shares appreciating 36% year to date, versus 28% for gold and 30% for silver. As a result, PAAS shares have been visibly derated and are now trading below the historical averages for both forward-looking consensus P/E and EV/EBITDA multiples. On our updated estimates the stock trades at FY25e EV/EBITDA of 6.8x (6.2x consensus), which we believe is an undemanding multiple compared to past valuations. This view is supported by our cash flow-based valuation, which we have upgraded from US\$23.5/share to US\$26.0/share on higher commodity price assumptions and earnings estimates. Of note is the increased M&A activity in the silver space, with both the First Majestic/Gatos Silver and Coeur Mining/SilverCrest transactions pointing to a high single-digit last 12-month (LTM) EV/EBITDA multiples, providing additional valuation support to the sector.

Sensitivities: Commodity prices, Latin American exposure

The company is exposed to the standard set of risks attached to a metals and mining company. Its earnings and valuation are most sensitive to changes in commodity prices. Significant exposure to Latin America (c 90% of revenues at Q224) means additional political risks as well as increased earnings sensitivity to changes in exchange rates that affect operating costs denominated in local currencies. A weaker US dollar can have a negative effect on cash costs, but at the same time it typically results in a stronger gold price.

Company description

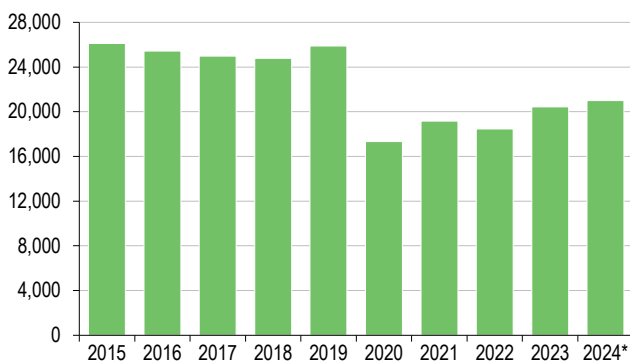
PAAS is one of the largest global primary silver producers and a sizeable gold miner. It currently owns four operational silver mines, six gold operations and several high-profile silver assets in Central and South America. The company actively manages its asset portfolio and pursues value-accretive M&A. After buying Tahoe Resources in 2019, PAAS recently completed an acquisition of selected Yamana assets for a combined consideration of c US\$4bn. Both transactions were well timed and had a transformational impact on the company, leading to an almost fivefold increase in gold production. As part of the Tahoe deal, PAAS gained control of the top-tier past producing Escobal silver project in Guatemala. It is also advancing its own large-scale polymetallic La Colorada Skarn deposit. Each of these assets could nearly double the company's silver output, reinforcing its position as a leading global primary silver player and boosting the share of silver in production back to close to 50% over the medium to long term. Despite M&A and significant project investment, PAAS continues to return cash to shareholders through dividends and share buybacks, while maintaining a relatively conservative balance sheet.

Top global primary silver producer

PAAS enjoys a unique industry position as it has the greatest exposure to gold among all major and intermediate primary silver producers, and vice versa. With 20.4Moz of silver and 883koz of gold output in FY23, the company is the second-largest primary silver producer globally after Fresnillo and the fourth-biggest producer overall. We estimate that gold accounted for c 73% of total revenues in FY23, with silver contributing c 20% and base metals another 7%. Despite the recent pick-up in silver sector M&A, with the proposed acquisitions of Gatos Silver by First Majestic and SilverCrest by Coeur Mining, it is unlikely that PAAS's industry-leading position will be challenged.

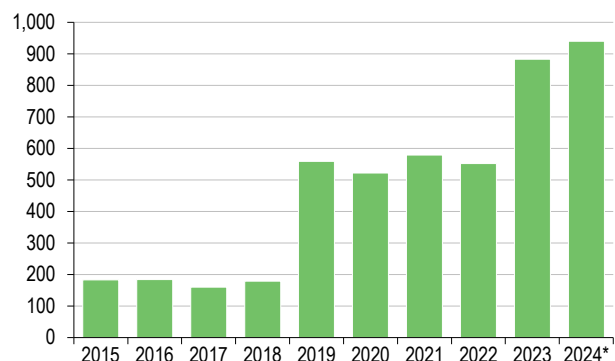
The company's transformation into a more diversified gold and silver producer came on the back of two major acquisitions that saw gold output increasing almost fivefold in 2018–23. At the same time, post the COVID-19 recovery in silver production was relatively muted with the effects of acquisitions largely offset by asset divestments/closures and well-publicised operational issues at La Colorada. However, despite the recent shift towards gold, PAAS maintains unparalleled silver growth optionality through the La Colorada Skarn and Navidad projects, as well as the past producing Escobal mine, one of the largest silver operations globally, which is currently on care and maintenance. In the gold segment, Jacobina provides significant organic growth potential.

Exhibit 1: PAAS historical silver production, koz



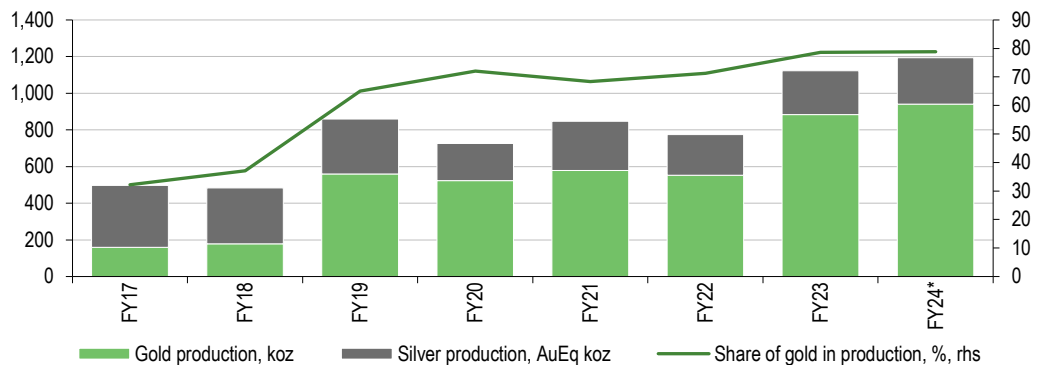
Source: PAAS. Note: *FY24 production is based on the low end of the guidance range of 21–23Moz.

Exhibit 2: PAAS historical gold production, koz



Source: PAAS. Note: *FY24 production is based on the middle of the guidance range of 880–1,000koz.

Exhibit 3: PAAS historical silver and gold production in gold equivalent terms



Source: PAAS, Edison Investment Research. Note: *FY24 production is based on the low end of the guidance range for silver and mid-range for gold.

Segment reporting: Short term – gold; long term – silver

The company reports in two segments: silver and gold. Following the Yamana acquisition, Manantial Espejo closure and Morococha divestment, the silver segment comprises four operating mines: La Colorada (Mexico), Huaron (Peru), San Vicente (Bolivia) and Cerro Moro (Argentina). With the sale of La Arena completed on 2 December, the gold segment now consists of six mines: Jacobina (Brazil), El Penon (Chile), Timmins (Canada), Shahuindo (Peru), Minera Florida (Chile) as well as Dolores (Mexico), which ceased mining earlier in 2024 and is currently being phased out.

In the last 12 months, from Q423 to Q324, the silver segment produced 13.7Moz of Ag and 88koz of Au, generating revenues of US\$627m and a mine EBITDA of US\$120m, implying a margin of 19%. The segment's results were undermined by the weak performance at La Colorada, which during the period continued to experience ventilation issues. These operational challenges restricted access to the higher-grade sections of the mine, resulting in lower production and elevated costs. Nevertheless, the segment's overall cash cost was a respectable US\$14.4/oz in 9M24, supported by the strong performance at Cerro Moro and Huaron.

The gold segment continues to dominate the company's financial performance. In the last 12 months, it produced 848koz of Au and 6.2Moz of Ag and was significantly more profitable than the silver segment with LTM revenues of US\$2,047m and mine EBITDA of US\$835m, implying a margin of 41%. The segment's profitability was driven by the flagship Jacobina mine (margin of 59%) as well as Shahuindo (55%) and El Penon (42%). Following the Yamana deal, the gold segment's silver output has gone up significantly, representing 31% of the total output on an LTM basis. In 9M24, the gold segment had a very competitive cash cost of US\$1,196/oz.

Exhibit 4: Key project-level performance metrics

	Location	LTM production		LTM revenue	LTM mine EBITDA	9M24 costs, US\$/oz	
		Silver, koz	Gold, koz	US\$m	US\$m	Cash cost	AISC
Silver segment							
La Colorada	Mexico	4,077	2	120	4	23.0	26.4
Cerro Moro	Argentina	3,026	85	247	29	10.4	14.8
Huaron	Peru	3,504	0	159	55	7.4	12.6
San Vicente (95%)	Bolivia	3,111	0	101	33	14.8	17.0
Subtotal		13,718	88	627	120	14.4	18.3
Gold segment							
Jacobina	Brazil	0	195	442	262	963	1,243
El Penon	Chile	3,549	128	368	155	973	1,293
Timmins	Canada	275	135	315	172	965	1,349
Shahuindo	Peru	13	131	291	79	1,662	1,976
Minera Florida	Chile	486	84	205	55	1,539	1,842
La Arena *	Peru	46	94	198	78	1,342	1,617
Dolores	Mexico	1,789	80	229	34	1,277	2,089
Subtotal		6,158	848	2,047	835	1,196	1,553

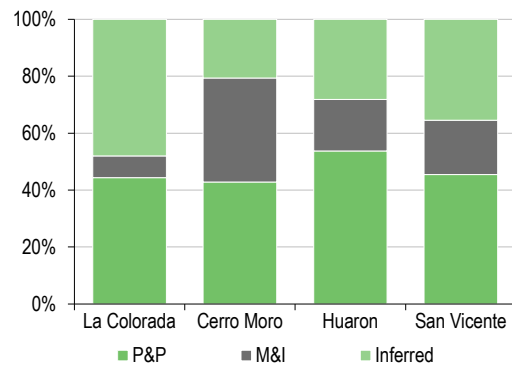
Source: PAAS, Edison investment Research. Note: LTM refers to last 12 months, from Q423 to Q324. AISC, all-in sustaining cost. * La Arena sale was completed on 2 December 2024

The company's two flagship operations, La Colorada and Jacobina, have the longest lives of 15 and 18 years, respectively. On the opposite end of the spectrum are Cerro Moro (two year mine life) and Minera Florida (three years). However, as shown in Exhibits 6 and 7, both mines have a significant portion of contained metal (silver and gold respectively) in measured and indicated (M&I) resources, which, given PAAS's track record of reserves replenishment (discussed below), suggest a potential for reserves upgrades and mine life extensions.

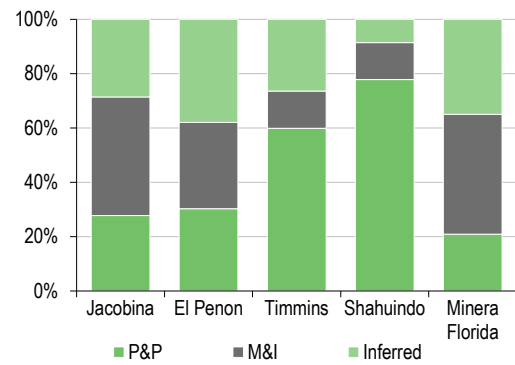
Exhibit 5: Projects' mine life estimates

Project	Segment	June 2024 P&P reserves			FY24e tonnes mined*	Implied mine life
		Mt	Ag, Moz	Au, koz	kt	years
La Colorada	Silver	9.0	87	56	593	15
Cerro Moro	Silver	1.0	8	246	445	2
Huaron	Silver	9.7	53	0	930	10
San Vicente	Silver	1.4	14	0	375	4
Jacobina	Gold	54.3	0	3,162	3,065	18
El Penon	Gold	4.8	22	653	898	5
Timmins	Gold	9.8	0	868	1,548	6
Shahuindo	Gold	84.5	18	1,059	12,480	7
Minera Florida	Gold	3.0	2	317	933	3
La Arena	Gold	22.7	0	242	9,800	2

Source: PAAS; * At mid-range based on FY24 operating outlook by mine

Exhibit 6: Silver segment reserves and resources distribution, contained Ag


Source: PAAS

Exhibit 7: Gold segment reserves and resources distribution, contained Au


Source: PAAS

Below we provide a brief description of the company's two flagship operations: La Colorada in the silver segment and Jacobina in gold. With the ventilation issue now resolved, La Colorada has the biggest turnaround potential, while at Jacobina, the company is conducting optimisation work that could further boost output, potentially compensating for the production loss from La Arena and Dolores.

La Colorada. PAAS holds 100% in the 56 mining concessions that comprise the La Colorada property, located in Zacatecas, Mexico. The project consists of the three silver-lead-zinc underground deposits, with mining currently conducted at the Candelaria and Estrella mines. Economically significant mineralization is hosted within quartz veins of 1–2 meters in average width. Processing occurs through two different circuits for sulphide and oxide ores, with c 95% of ore going through the sulphide plant. The sulphides processing circuit has a nameplate capacity of 2,000tpd (metallurgical recoveries of 93% in 2023), while the oxides plant can process c 400tpd (82% recovery). Due to the well-publicised ventilation issues that prevented access to the deeper, higher-grade Candelaria East zone, La Colorada has seen a significant reduction in production in recent years. In 2023, the project's combined throughput was 1,469tpd compared to 2,106tpd in 2019, while silver grades fell from 360g/t in 2020 to 250g/t in 2023 for oxides and from 375g/t in 2019 to 279g/t in 2023 for sulphides. In its Q224 results announcement, the company reported that the ventilation infrastructure at the mine was installed in July, on time and on budget, and that it expects production to gradually recover in H224, reaching approximately 2,000tpd by year-end. The recent technical report anticipates average silver production of 6.5Moz in 2024–29.

Jacobina is PAAS's flagship gold operation acquired as part of the Yamana transaction in March 2023. Located in the Bahia region, Brazil, Jacobina is an underground mine, producing gold doré through a conventional leaching process. The gold mineralization is hosted within quartz pebble conglomerates, with the gold-bearing reefs ranging from less than 1.5m to 25m in thickness. In mid-2022, the project's processing capacity was expanded to 8,500tpd and it is permitted for throughput of up to 10,000tpd. At 96% metallurgical recovery, the life-of-mine plan assumes production of 200koz of gold per annum over the initial 11 years. PAAS is currently undertaking an optimization study to explore alternative mining, processing and waste-handling options, which could lead to production expansion. Alternative mining methods and paste backfill could help increase the mining extraction and convert more mineral resources to mineral reserves. At June 2024, only 28% of the project's contained gold was in proven and probable (P&P) reserves, with 44% in M&I and 29% in inferred resources. In addition, historically drilling at Jacobina only focused on the 11km-long main mining area, leaving the majority of the 58,000ha of exploration concessions yet to be drilled. This could potentially further expand the project's mineral resources.

Future project pipeline is heavily skewed towards silver

The company's project pipeline consists of two large-scale exploration-stage projects, La Colorada Skarn and Navidad, as well as the past producing top-tier Escobal mine. Each of these operations could potentially increase the company's silver output by more than 50%, therefore balancing its exposure to gold in the medium to long term.

Escobal: Top-tier silver asset awaiting restart

Escobal is a world-class silver operation that was put on care and maintenance in 2017 under the previous owner Tahoe Resources. In 2018, the Constitutional Court of Guatemala determined that an ILO 169 consultation process with the Xinka indigenous people had to take place before the project's mining licence could be reinstated. The government is responsible for conducting the consultation with the Xinka, and the Ministry of Energy and Mines of Guatemala (MEM) leads that process. PAAS is a participant in the process and contributes to the dialogue when requested by the MEM. Having completed the first two stages (review and pre-consultation), the project is currently in the consultation stage. In the final verification stage the Guatemalan Supreme Court is expected to confirm that the consultation process has been followed. After that, the project's licence

can be reinstated and PAAS would be permitted to restart operations. There is no indication as to how long the process could take. However, the recent change in the Guatemalan government has caused some slowdown in the consultation process. In its Q3 results the company mentioned that in August the MEM appointed Mr Luis Pacheco as vice minister of sustainable development, a position responsible for overseeing the ILO 169 consultation process. During the third quarter, MEM representatives visited the mine and held meetings regarding the consultation process. At present, the Xinka parliament is in the process of conducting meetings in its communities. No new timeline for the consultation has yet been provided.

In 2016, the last full year of operation before the suspension, Escobal produced 21.2Moz of silver at an impressive silver grade of 477g/t and a cash cost of US\$5.8/oz after by-products.

Exhibit 8: Escobal historical production metrics

	2015	2016
Tonnes milled, kt	1,508	1,594
Silver grade, g/t	487	477
Silver recovery, %	86	87
Silver produced, Moz	20.4	21.2
Cash cost before by-products, US\$/oz	8.75	8.44
Cash after by-products, US\$/oz	6.16	5.84
AISC after by-products, US\$/oz	9.11	8.06

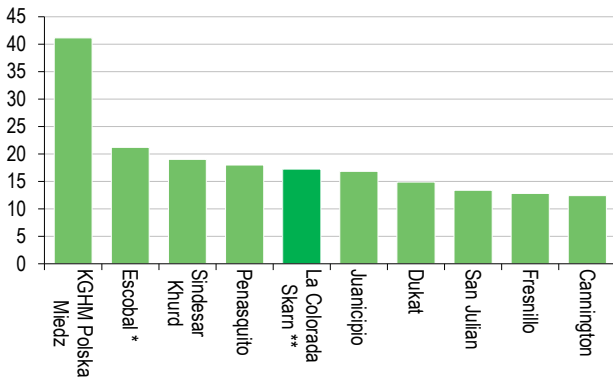
Source: Tahoe Resources

La Colorada Skarn

La Colorada Skarn is a large silver-bearing polymetallic deposit discovered in 2018 and located under the currently producing La Colorada vein mine. In December 2023, PAAS published a preliminary economic assessment (PEA) that envisaged processing 50kt of ore per day to produce an average 17.2Moz of silver, 427kt of zinc and 218kt of lead per annum over the initial 10 years of operation, with an overall mine life of 17 years. The estimated mine life was based on mineral resources as at December 2022. At June 2024, the project's reserves and resources were upgraded to 265Mt at 36g/t Ag in indicated resources and 62Mt at 30g/t in inferred resources, with 368Moz in total contained silver. With the construction period of six years and overall pre-production capital expenditure of US\$2.8bn, PAAS expects Skarn to generate an after-tax internal rate of return of 14% and to have an undiscounted payback period of just 4.3 years. At a life-of-mine silver price of US\$22/oz (US\$2,800/t for zinc and US\$2,200/t for lead), PAAS estimates the project's after-tax NPV₈ at US\$1.1bn.

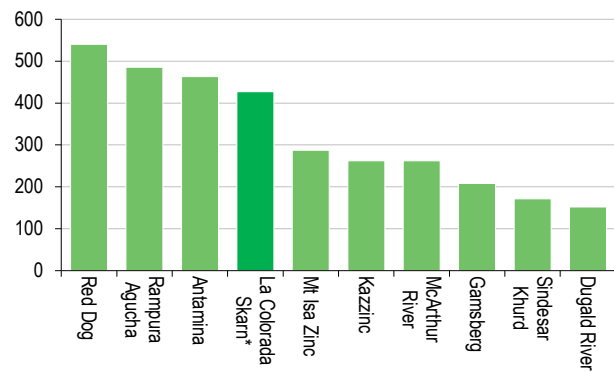
The company has been in early discussions with various potential co-development partners, while also advancing the project to the pre-feasibility/revised PEA stage in light of the higher-grade drilling results that were included in the latest mineral resource statement. This study should determine the mining method and consequently the project's capex, operating costs and economics. Skarn's key strength is the large quantity of contained silver in a long-life, large-scale development, with the potential to attract parties in the zinc market given the amount of zinc in the deposit, which bodes well for the project given depleting large zinc mines.

Exhibit 9: Largest silver mines in 2023, Moz



Source: PAAS. Note: *Based on 2016 silver production. **Based on average production for first 10 years.

Exhibit 10: Largest zinc mines in 2023, kt



Source: PAAS. Note: *Based on average production for first 10 years.

Navidad

Navidad is a 100%-owned, large-scale, open-pit project in Argentina consisting of eight individual adjacent silver deposits. The company acquired the project in late 2009. As of June 2024, Navidad had 155Mt in M&I resources at 127g/t and 632Moz of contained Ag.

In 2010, the company published a PEA for the project. It envisaged production of 275.5Moz of silver over the project's life of c 17 years, or c 16Moz per year, along with lead and copper concentrates. Initial capex was estimated at US\$760m, with sustaining capex of US\$161m and total operating cost of US\$27.4/t of ore (including mine G&A, smelting and refining).

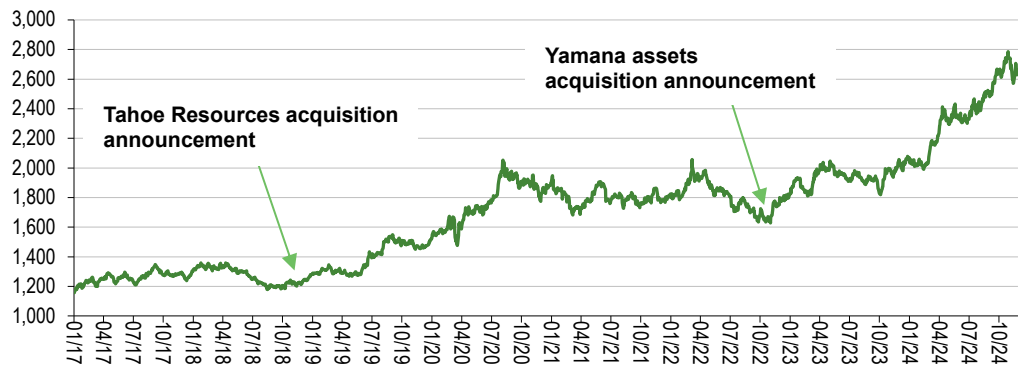
In 2003, the Province of Chubut passed a law prohibiting open pit mining and the use of cyanide in mineral processing. This law remains in place, preventing the development of the project.

Well-timed, transformational acquisitions

M&A is an integral part of the company's strategy, facilitating production growth and allowing it to optimise its asset portfolio. Historically PAAS has targeted medium-sized companies rather than standalone projects, with a focus on value and strategic fit. In February 2019, the company completed the acquisition of Tahoe Resources, paying US\$1.1bn for the three producing gold mines and the suspended Escobal silver project. More recently, in March 2023, PAAS acquired the Latin American assets of Yamana Gold, gaining control over one silver and three gold operations as well as the development-stage copper/gold MARA project (56.25%) for US\$2.8bn.

Both acquisitions were value accretive and executed at the cusp of a significant step change in the gold price, highlighting the fact that the company's approach to acquisitions, while opportunistic, is well aligned with commodity and economic cycles (Exhibit 11). PAAS's expansion into gold coincided with the COVID-19 pandemic, increased geopolitical uncertainty and a weaker global economy, which, despite higher interest rates, boosted gold prices. Silver, with its greater exposure to industrial growth and the green energy transition, is likely to perform better later in the cycle when economic conditions improve. This bodes well for the company's strong medium- to long-term silver project pipeline. The company's acquisition history suggests that it can take advantage of the economic and commodity cycles.

Exhibit 11: Gold price (US\$/oz) and the timeline of PAAS acquisitions



Source: LSEG Data & Analytics

Exhibit 12: Summary of acquisitions

	Completion date	Equity value, US\$bn	Key assets acquired before disposals
Tahoe Resources	Feb 2019	1.1	Shahuindo (gold), La Arena (gold), Timmins (gold), Escobal (silver)
Yamana LatAm assets	Mar 2023	2.8	Jacobina (gold), El Penon (gold/silver), Minera Florida (gold), Cerro Moro (silver), MARA (copper/gold)

Source: PAAS, Edison Investment Research

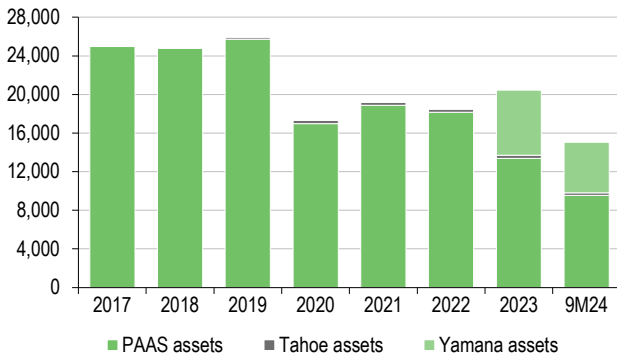
In the 12 months following the transaction (Q219–Q120), the Tahoe assets produced 489koz of gold, or c 77% of the company’s total during the period. The immediate impact on the silver output from the Tahoe assets was minimal. However, acquired as part of the transaction, the past producing and currently suspended Escobal silver mine produced c 21Moz of silver in 2016. It is currently under the ILO 169 consultation process, with a restart possible in the medium term.

The Yamana transaction increased the company’s exposure to gold even further. The Yamana assets produced 521koz of gold in the 12 months from Q223 to Q124, which represented 53% of the company’s total gold output. The impact on the silver production was somewhat less pronounced as only one operation – Cerro Moro – was classified as silver, with El Penon generating significant silver by-product revenues. Nevertheless, the Yamana assets contributed 39% to the company’s silver output in Q223–Q124.

Overall, PAAS grew its gold production from 179koz in FY19 to 983koz in Q223–Q124, while the silver output fell from 24.8Moz to 21.6Moz during the period as the effect of acquisitions was offset by the closure of Morococha (FY21: 2.2Moz), Manantial Espejo (FY22: 3.5Moz) and operational issues at La Colorada. The latter has seen a reduction in silver output from 7.6Moz in FY18 to 4.4Moz in FY23. As ventilation issues at La Colorada were resolved in mid-2024, PAAS guides its total silver output to increase towards the lower end of 21–23Moz in FY24, with a further increase likely in FY25 as the silver segment performance normalises.

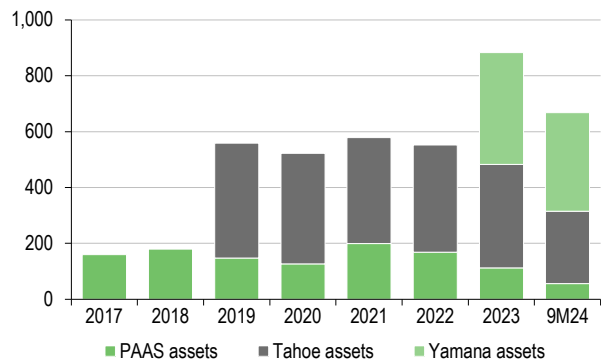
Along with production growth, the acquisitions, Yamana in particular, resulted in better geographical diversification. In Q224, no single jurisdiction contributed more than 25% to revenues, with Peru and Chile accounting for 24% each, followed by Brazil at 16%, Mexico at 12% and Canada at 10%. For comparison, in FY21, post-Tahoe but pre-Yamana deals, 44% of revenues came from Peru, 29% from Mexico and 15% from Canada. That said, Latin America’s overall share had increased to c 90% by Q224.

Exhibit 13: Breakdown of historical silver production – organic versus acquisitions, koz



Source: PAAS, Edison Investment Research

Exhibit 14: Breakdown of historical gold production – organic versus acquisitions, koz



Source: PAAS, Edison Investment Research

We discussed the Tahoe Resources acquisition in detail in our [initiation](#) report published in April 2022. The recent Yamana acquisition had a more profound impact on the company’s operational and financial performance, partly due to Yamana’s larger scale and partly because of the increase in commodity prices. We covered this transaction in two notes published on [17 November 2022](#) and [24 May 2023](#). In this note, we provide post-acquisition analysis of the Yamana deal in light of the more detailed disclosure and subsequent asset divestments.

At the time of the completion, we estimated that the deal valued Yamana at 8.1x EV/EBITDA on a combined PAAS/Agnico Eagle basis, which compared to PAAS’s respective multiple of 10.5x. In FY22, Yamana’s Latin American operations produced 9.2Moz of silver and 565koz of gold and generated US\$1.2bn in revenues and US\$676m in mine EBITDA compared to PAAS’s revenues of US\$1.5bn and mine EBITDA of US\$365m. However, given PAAS’s more conservative approach to cost accounting (less capitalisation and more expensing) and mining (less high grading), the superior performance of the Yamana assets was unlikely to continue after the transaction.

In the 12 months after the full consolidation (Q223–Q124), the Yamana projects generated revenues of US\$1.2bn and mine EBITDA of US\$426m. The profitability was affected by higher costs, due to changes in cost reporting and cost inflation; revenues were supported by higher gold prices despite lower production. Adjusting for transaction-related cash/debt movements, asset divestments and transaction and integrating costs, we estimate that the Yamana acquisition was valued at an EV of US\$3.2bn, which implies a post-transaction EV/EBITDA multiple of 7.4x (before group level G&A). Yamana’s opex was overheads heavy: with average 2020–22 G&A of US\$94m versus US\$33m for PAAS, and US\$127m in 2022 on a pro-forma basis. PAAS estimated G&A synergies at c US\$60m, plus c US\$90m in other cost savings. In the first nine months of 2024 (9M24), the company reported US\$64m in G&A, or US\$85m annualised compared to FY24 guidance of US\$73m.

Exhibit 15: Yamana acquisition analysis based on 12-month (Q223–Q124) performance

US\$m	Jacobina	Cerro Moro	El Penon	Minera Florida	Total
Gold production, koz	194	106	127	94	521
Silver production, koz	0	4,313	3,756	385	8,454
Revenue	384	275	332	204	1,194
Cash costs	-173	-205	-228	-162	-768
Mine EBITDA	211	70	103	42	426
EBITDA attributable to Yamana assets, excluding group level G&A					426
Number of shares issued by PAAS, m					154
Share price at deal completion, US\$					18.2
Implied equity value					2,799
Less cash acquired					260
Less MARA disposal, incl. NSR at fair value, adjusted for restricted cash					377
Less Agua de la Falda, incl. NSR at fair value					57
Add Yamana bank debt					880
Add transaction and integration costs					183
Enterprise value					3,169
Implied EV/EBITDA (x), including transaction costs					7.4
Implied EV/EBITDA (x), excluding transaction costs					7.0

Source: PAAS, Edison Investment Research. Note: NSR, net smelter return

Following the completion of the Yamana acquisition, PAAS embarked on a number of asset divestments, aiming to simplify its asset structure and reduce costs. The most sizeable transaction was the sale of its 56.3% interest in the greenfield copper/gold MARA project to Glencore for US\$475m (US\$287m adjusted for restricted cash), plus a life-of-mine copper net smelter return (NSR) royalty of 0.75%. In other divestments, PAAS announced the sale of Morococha and Agua de la Falda (Jeronimo) for a combined US\$75m in cash, and in May disclosed its agreement with Zijin Mining to sell La Arena and La Arena II for US\$245m in an upfront payment, plus NSR royalty (for more details, see our [note](#) published on 2 May). The latter transaction was completed on 2 December 2024. The completed deals have brought in US\$362m in net cash proceeds, a welcome liquidity boost, also reducing opex as both MARA and Morococha incurred US\$38m in care and maintenance costs in 9M23.

Exhibit 16: Summary of recent asset divestments

	Completion	Interest, %	Consideration	Acquirer	Comment
Morococha	September 2023	92.3	US\$29m	Alpayana	The mine was put on care and maintenance in 2022 following the closure of the processing plant
MARA	September 2023	56.3	US\$475m, plus LoM copper NSR of 0.75%	Glencore	Large-scale, pre-production copper/gold deposit in Argentina
Agua de la Falda	November 2023	57.7	US\$45.6m, plus 1.25% NSR royalty on precious metals and 0.2% on base metals	Rio Tinto	Acquired as part of the Yamana transaction, ADLF is an exploration-stage copper/gold deposit in Chile
La Arena	December 2024	100	US\$245m upfront, US\$50m contingent consideration, plus 1.5% gold NSR for La Arena II and an offtake for 60% of copper concentrate	Zijin Mining	Acquired as part of the Tahoe transaction, La Arena comprises the currently producing gold mine and pre-production copper/gold La Arena II project in Peru

Source: PAAS. Note: NSR, net smelter return.

As a result of these divestments, PAAS accumulated a number of future royalty streams, the value of which at end December 2023 it estimated at US\$101m. The valuation of the La Arena II royalty is yet to be disclosed.

Exhibit 17: Summary of PAAS royalty assets

Asset	Royalty summary	Value, US\$m
MARA	0.75% transferable NSR royalty on copper	90.0
La Arena II	1.5% gold NSR royalty	N/A
Agua de la Falda	1.25% NSR royalty on precious metals and 0.2% on base metals from certain concessions	11.1

Source: PAAS. Note: NSR, net smelter return.

Mineral resources: Good replacement rates

PAAS reported its latest mineral reserves and resources estimates as at June 2024. While the overall reserves and resources have fallen compared to 2023 due to the asset divestments, on an adjusted basis the company has fully replaced its P&P reserves and reported a significant increase in measured and indicated M&I resources in the silver segment. The gold segment has seen a visible boost to its inferred resource due to exploration work at Jacobina, which has also seen a healthy increase in its P&P reserves despite maintaining flat M&I resources over the year. Overall, six out of 11 producing operations, including flagship Jacobina and La Colorada, have seen their mineral reserves either fully or almost fully replaced in tonnage terms during the year to June 2024.

Adjusted for the divestment of MARA, Morococha and Jeronimo, PAAS has reported flat P&P reserves in the silver segment of 46Mt at a grade of 289 g/t Ag versus 274 g/t Ag at June 2023, effectively replacing the mined tonnage during the year. In the gold segment, P&P reserves have fallen from c 200Mt (at 1.1 g/t Au) to 180Mt (unchanged) with the biggest drop recorded at La Arena, which is being divested, and Dolores, which ceased mining in Q324. On the same basis, M&I resources in the silver segment increased from 278Mt to 446Mt, albeit at a reduced Ag grade, thanks to the upgrade at La Colorada Skarn, which saw a 53% rise in indicated resource to 265Mt at an increased grade of 36 g/t Ag, with the inferred resource falling 40% as a result. In the gold segment, M&I resources were only slightly lower at 977Mt at 0.48 g/t Au.

Exhibit 18: PAAS global mineral reserves and resources as of June 2024

	Tonnes, m	Ag, g/t	Contained Ag, Moz	Au, g/t	Contained Au, koz
Silver segment					
Proven and probable	46	289	425	0.52	580
Measured and indicated	446	77	1108	0.50	342
Inferred	130	78	328	0.61	304
Total	622		1,861		1,226
Gold segment					
Proven and probable	180	14	43	1.09	6,313
Measured and indicated	977	24	40	0.48	15,182
Inferred	254	21	38	1.12	9,118
Total	1411		121		30,614
Grand total	2,033		1,982		31,840

Source: PAAS

At the project level, La Colorada saw increased grades across all reserves and resources categories, with P&P, M&I and inferred grades increasing to 299 g/t Ag (from 294 g/t), 189 g/t (176 g/t) and 235 g/t (174 g/t). As a result, despite the lower overall tonnage, the project's total contained silver for all categories increased from 186.7moz at June 2023 to 195.3moz in 2024. Also of note is more than 100% reserves replacement at Huaron, which saw unchanged M&I resources and only a small reduction in inferred resources.

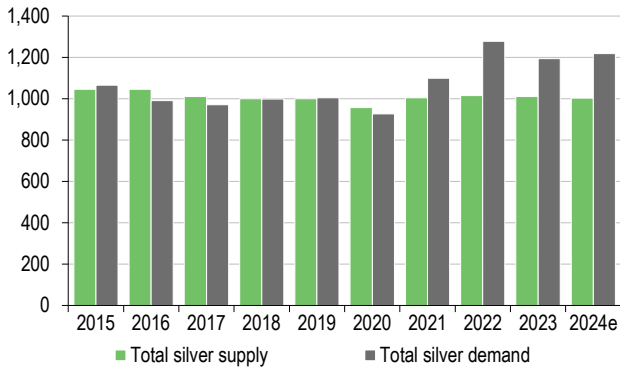
In the gold segment, Jacobina achieved an impressive 12% increase in P&P reserves to 54.3Mt, albeit at a lower grade, while its M&I resources remained broadly unchanged at higher grade and inferred resources increased by 42% to 57Mt at a much-improved grade of 1.77 g/t Au (vs 1.56 g/t). Also in the gold segment, both Minera Florida and Timmins saw their reserves fully replaced in tonnage terms during the year to June 2024.

Commodity markets and prices

Unlike gold, silver demand is to a significant extent driven by industrial applications, the share of which in the overall silver consumption has grown from 43% in 2015 to 58% in 2024e (source: Silver Institute). Within industrial uses, photovoltaics has shown the strongest increase, with its

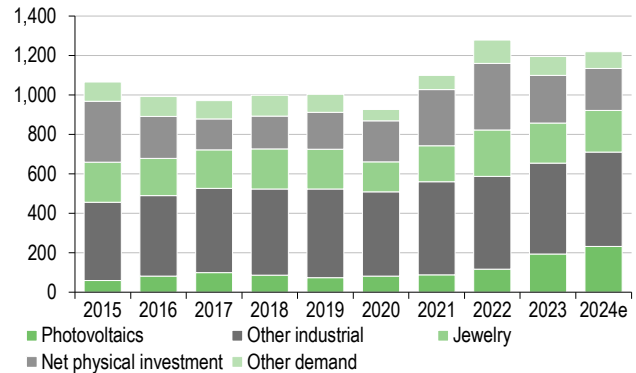
share of total silver consumption increasing from 6% to 19% over the same period. Although the pace of the green energy transition appears to be slowing, it is clear that electronics, photovoltaics in particular, will continue to drive silver demand in the medium to long term. At the same time, silver supply has been stagnating over the recent years (see Exhibit 19), underpinned by the broadly unchanged mine supply and a moderate increase in recycling. An important swing factor for the market has been investments in ETPs, which showed significant net inflows for the majority of recent years, pushing the overall market into undersupply and supporting silver prices.

Exhibit 19: Global silver demand and supply, Moz



Source: Silver Institute

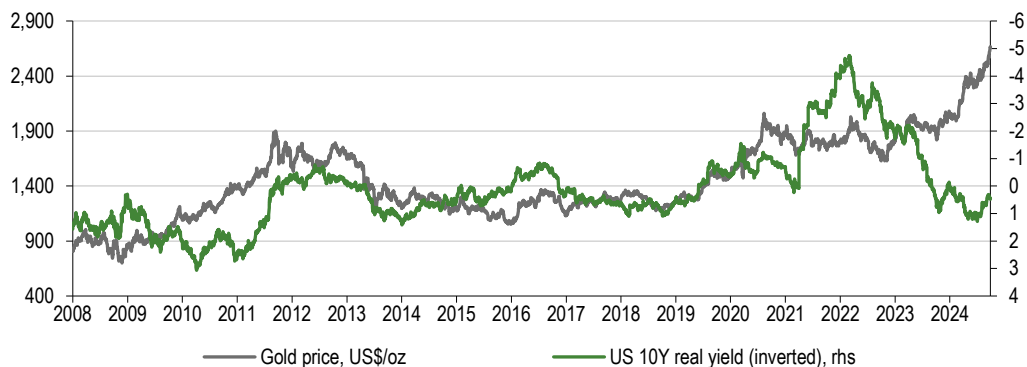
Exhibit 20: Global silver demand by category, Moz



Source: Silver Institute

The gold price reached an all-time high of c US\$2,780/oz shortly before the US presidential election. Despite a short-lived correction following the decisive Trump victory, it has quickly regained ground. Apart from the US politics, key factors behind the unprecedented strength of the gold price have been the increased geopolitical uncertainty, in particular wars in Ukraine and the Middle East, and central banks' buying, both exchange and over-the-counter (OTC). According to the World Gold Council, in 9M24, 32% of the overall gold demand came from official central banks purchases and OTC transactions. This increase in institutional buying has broken a typically close link between gold prices and interest rates, which occurred in 2022 around the time the war in Ukraine started and Russian central bank assets were frozen (see Exhibit 21). Although near-record gold prices may negatively affect demand (jewelry, in particular), geopolitical risks and falling interest rates (gold is a non-yielding commodity) should continue to provide support for gold. Consensus expectations are for gold prices to remain at the elevated levels in 2025 and 2026.

Exhibit 21: Relationship between gold price and interest rates (%)



Source: LSEG Data and Analytics

Given the current low visibility on the commodity price performance, we have brought our near- and medium-term gold and silver price assumptions in line with consensus expectations. Our updated gold and silver price forecasts are shown in the table below. In the longer term, we expect prices to revert to our real-term assumptions.

Exhibit 22: Gold and silver price assumptions, US\$/oz

	2023a	2024e	2025e	2026e	2027e	2028e
Gold price	1,951	2,376	2,594	2,368	2,239	1,977*
Silver price	22.9	28.0	31.0	29.0	27.5	27.0

Source: Edison Investment Research. Note: *2028e gold price is US\$1,791/oz in 2024 real terms inflated at 2.5% pa.

Financial performance and forecasts

PAAS provides detailed operating and cost guidance at the beginning of each year. For 2024, the initial guidance saw the company producing 21–23Moz of silver at a silver segment cash cost of US\$11.7–14.1/oz and 880–1,000koz of gold at a gold segment cash cost of US\$1,165–1,260/oz. In August the company narrowed its outlook for silver production to closer to the lower end of the initial range and for gold and silver production to be more heavily weighted towards Q4, maintaining its cost guidance for the year. In the first three quarters of 2024, the company performed broadly in line with its quarterly guidance with slight variations in the silver output and costs in Q2–Q3 (Exhibit 23). However, overall cost performance during the first nine months was strong and was, among other things, supported by weaker local currencies.

Exhibit 23: FY24 quarterly guidance and actual performance

	Q1e	Q1a	Q2e	Q2a	Q3e	Q3a	Q4e	FY24e
Silver production, Moz	4.8-5.3	5.0	5.4-5.8	4.6	5.4-6.0	5.5	5.5-6.0	21-23
Gold production, koz	204-231	223	221-252	220	229-258	225	226-259	880-1,000
Silver segment cash cost, US\$/oz	16.5-18.5	12.7	15.5-17.5	14.5	10.5-12.9	15.9	4.6-7.7	11.7-14.1
Silver segment AISC, US\$/oz	21.3-23.3	15.9	20.2-22.2	19.1	15.6-18.0	19.6	7.7-11.0	16-18.5
Gold segment cash cost, US\$/oz	1,270-1,370	1,207	1,170-1,240	1,186	1,140-1,220	1,195	1,080-1,160	1,165-1,260
Gold segment AISC, US\$/oz	1,500-1,700	1,580	1,500-1,590	1,584	1,460-1,570	1,496	1,400-1,500	1,475-1,575

Source: PAAS

We covered the company's latest Q324 financial results in [note](#) published in November. The salient features of the results were as follows:

- A 4% q-o-q increase in revenues to US\$716m in Q324, with a 1% reduction in gold sales offset by a 2% increase in silver sales and higher silver and gold prices.
- Silver output jumped 20% to 5,467koz, with La Colorada driving the performance (+59% in production, 26% reduction in cash cost). However, the overall silver segment cash cost was slightly higher quarter-on-quarter (and above the quarterly guidance) at US\$15.9/oz.
- The gold segment performance in Q3 was consistent with the previous quarter, with a slight increase in production (+2% to 225koz), slightly lower sales (-1% to 218koz) and broadly flat cash cost of US\$1,195/oz.
- PAAS demonstrated good cost control during the quarter, leading to a 50% jump in mine operating earnings and a 35% increase in EBITDA to US\$286m. It reported EPS of US\$0.16 (negative US\$0.06 in Q224), an adjusted EPS of US\$0.32 (US\$0.11) and declared a dividend of US\$0.1/share.
- Net cash from operating activities grew 39% q-o-q to US\$226m while free cash flow almost doubled to a record US\$151m. Strong cash flow generation led to a reduction in net debt to US\$345m from US\$441m in Q224.

Changes to estimates

We have updated our FY24 estimates to reflect the company's latest financial performance, higher commodity price assumptions and the slight delay in the La Arena divestment (from end-Q3 to end-FY24, adding another quarter of production). We now expect slightly higher silver segment cash cost and slightly lower gold production, but all still within the company's guidance ranges. Sales are

key to financial performance and, in line with the company's expectations, we model a strong end to the year in Q4, in particular in the silver segment. We note that PAAS accumulated 385koz of silver in finished inventory at end-Q3, which, coupled with typical seasonality, supports our estimate of 6.0Moz in silver sales in Q4 versus production of 5.7Moz. Finished gold inventory at end-Q3 was small at c 7koz. In all, we have increased our revenue and EBITDA estimates for FY24 by 2% and 10%, respectively. Our FY24e EBITDA of US\$1,016m compares to the average consensus estimate of US\$1,017m and implies Q424 EBITDA of c US\$356m (up from US\$286m in Q324).

Our FY25 estimate changes are mostly driven by higher commodity price assumptions, which we expect to offset lower gold production due to the La Arena sale and Dolores phase-out. Stronger silver production, especially at La Colorada, should also support performance. We expect PAAS to maintain good cost control in the gold segment and see potential for the silver segment cash cost to reduce on the back of further production recovery at La Colorada and weak local currencies. While we await the release of the FY25 operating and cost guidance in January, we model a 22% y-o-y improvement in FY25e EBITDA to US\$1,243m compared to the consensus estimate of US\$1,356m.

Exhibit 24: Revised estimates

US\$m	FY24e		FY25e		FY23
	New	Old	New	Old	Actual
Silver production, Moz	20.7	20.9	23.0	23.2	20.4
Silver segment cash cost, US\$/oz	13.5	13.1	10.6	9.8	13.1
Gold production, koz	895	913	814	850	883
Gold segment cash cost, US\$/oz	1,190	1,191	1,110	1,092	1,113
Revenue	2,834	2,791	2,928	2,396	2,316
Mine operating earnings	619	557	942	538	297
EBITDA	1,016	924	1,243	804	681
Normalised PBT	407	325	739	331	(59)
Reported EPS, US\$	0.3	0.2	1.1	0.5	(0.3)
Adjusted EPS – company, US\$	0.7*	0.4	1.1	0.5	0.12
Net debt/(cash), including ST investments	(26)	184	(427)	64	361

Source: PAAS, Edison Investment Research. Note: *FY24e adjusted EPS is company adjusted EPS for 9M24, plus Edison normalised EPS for Q424.

After a visible reduction in net debt at end-Q324, we expect strong cash flow generation and the completion of the La Arena sale in December to move the company into a small net cash position at end-FY24 (including short term investments) with a further increase in cash position in FY25. This will allow the company to either reduce its debt (both senior notes totalling US\$783m are redeemable) and/or increase its shareholder returns, with other potential uses of cash being investments in growth projects such as La Colorada Skarn and Jacobina as well as M&A.

In 9M24, the company continued paying its quarterly dividend of US\$0.1/share, also buying back 1.7m shares for US\$24.3m, in total returning US\$133m, or 30% of its operating cash flow, to shareholders. PAAS's current dividend policy assumes paying a base dividend of US\$0.1/share per quarter, plus a variable component linked to its net cash position (Exhibit 25). While our FY25 net cash estimate of US\$427m (excluding any significant non-sustaining project capex) might prove overly optimistic at this stage, it would imply an increase in quarterly dividend from US\$0.10 to up to US\$0.18 over the course of the year based on the company's existing policy.

Exhibit 25: PAAS dividend policy, US\$/share

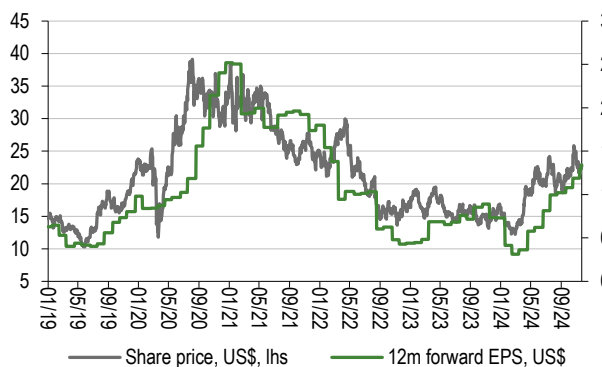
Net cash*	Base dividend	Variable dividend	Total dividend
less than US\$100m	0.10	0.00	0.10
US\$100–200m	0.10	0.01	0.11
US\$200–300m	0.10	0.02	0.12
US\$300–400m	0.10	0.06	0.16
US\$400m and above	0.10	0.08	0.18

Source: Pan American Silver. Note: *Net cash is calculated as cash and cash equivalents plus short-term investments, other than equity securities, less total debt.

Valuation: Below historical averages

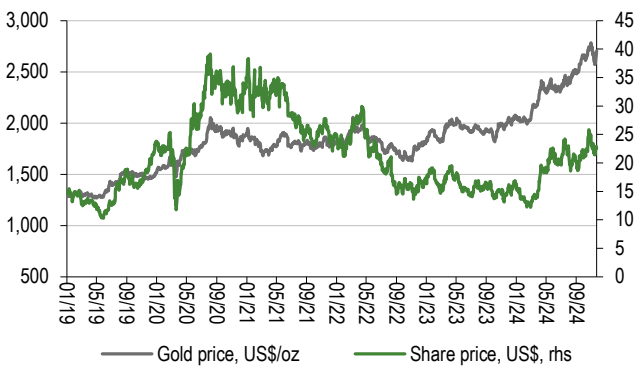
Despite appreciating c 36% year to date and outperforming both gold and silver so far in 2024, over the last several years PAAS shares have consistently lagged commodities (Exhibit 27) as stronger gold and silver prices have not translated into positive earnings momentum. The company has not been immune to the industry-wide COVID-19-related cost escalation and production disruptions, while its performance has also been hindered by the lingering internal operational challenges and the Yamana assets integration. As a result, earnings downgrades have been driving shares down since early 2021 (Exhibit 26). However, with the cost and operational performance normalising and the asset portfolio now largely streamlined, the company appears to be in a much better position to deliver performance that is more aligned with commodity prices. Supporting this view, PAAS's earnings momentum has been improving since Q124 and its shares have derated to below the historical averages for both P/E and EV/EBITDA (Exhibit 29). With higher commodity prices and more consistent operational performance we see further upside in the shares, which is also supported by our NPV-based valuation.

Exhibit 26: PAAS shares vs 12m fwd consensus EPS



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 27: PAAS share price versus gold price



Source: LSEG Data & Analytics, Edison Investment Research

Our fundamental valuation of PAAS remains based on a discounted cash flow analysis for producing operations over their respective mine lives and employs a blend of nominal (WACC of 7.2% for first five years) and real (4.7% in subsequent years) discount rates, both unchanged. To this valuation we add a standalone NPV of Escobal (unchanged) and the value of exploration and development assets. Our combined valuation of PAAS has increased from US\$23.5/share to US\$26.0/share mainly due to the higher commodity prices and our earnings expectations as well as the inclusion of the company-derived value of the royalty streams (US\$101m excl. La Arena II). As before, our valuation reflects the sale of the La Arena project, which was completed in December compared to our previous expectations of end-Q324.

Exhibit 28: PAAS NPV summary, US\$m

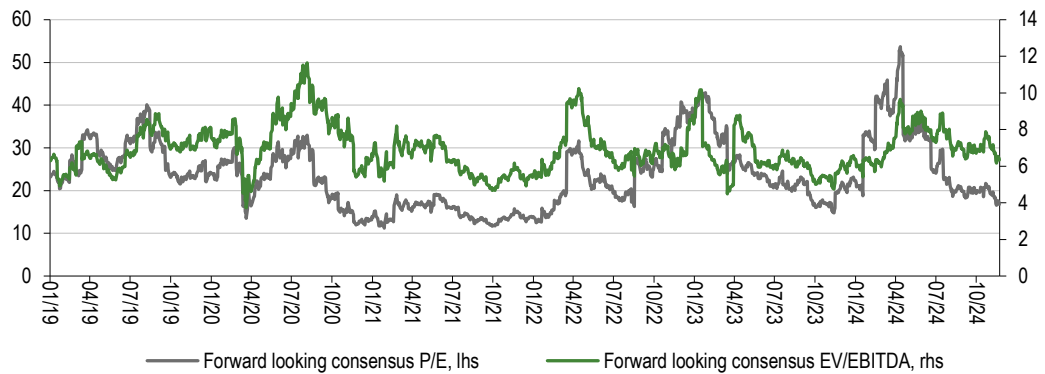
Sum of discounted free cash flow	6,080
Exploration and development assets, plus royalty streams	849
Escobal NPV	2,605
Less FY23 net debt, adjusted for La Arena sale	116
Implied equity value	9,418
Number of shares, m	363.0
Value per share, US\$	26.0

Source: Edison Investment Research

As we noted above, PAAS shares have recently been derated to the levels below the medium-term historical averages for both forward-looking consensus EV/EBITDA and P/E. This derating has been driven by the improving consensus earnings expectations against the backdrop of consistently higher commodity prices and the company's improving operational and financial performance

throughout 2024. The stock currently trades at a forward-looking consensus EV/EBITDA of 6.2x compared to its average of 6.9x (from beginning 2019).

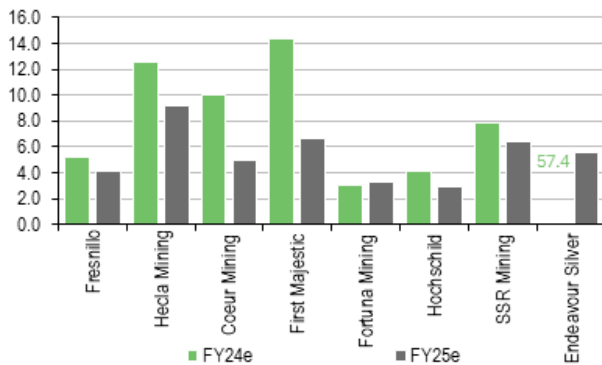
Exhibit 29: Historical forward-looking consensus EV/EBITDA and P/E multiples (x)



Source: LSEG Data & Analytics

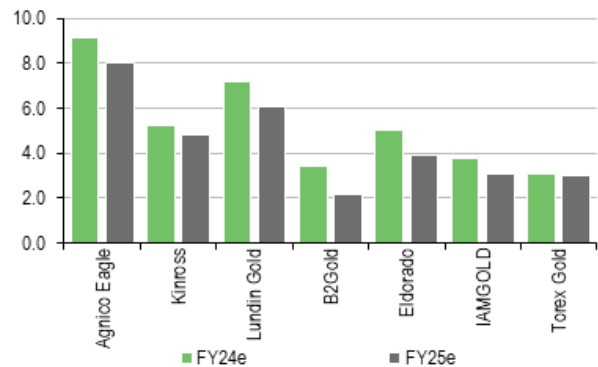
The peer group valuation for PAAS is complicated by the fact that there are very few primary silver producers of comparable size and that the company generates a significant share of its revenues and earnings from gold. In Exhibits 30 and 31 we show separate peer groups of selected silver and gold companies. Based on our estimates, PAAS trades at FY25e EV/EBITDA of 6.8x (FY24e 8.3x) compared to the peer group average multiples of 5.4x (FY24e 14.3x) for silver and 4.4x (FY24e 5.3x) for gold. That said, the peer group valuation ranges are very wide: 2.9–9.2x for silver and 2.2–8.0x for gold in FY25e.

Exhibit 30: Silver peer group EV/EBITDA valuation



Source: LSEG Data & Analytics. Priced at 06/12/24. Companies have the following market caps, from left to right: US\$6.2bn, \$3.5bn, \$2.7bn, \$1.8bn, \$1.5bn, \$1.5bn, \$1.3bn, \$1.1bn.

Exhibit 31: Gold peer group EV/EBITDA valuation



Source: LSEG Data & Analytics. Priced at 06/12/24. Companies have the following market caps, from left to right: US\$41.9bn, \$12.0bn, \$5.9bn, \$3.4bn, \$3.2bn, \$3.1bn, \$1.7bn.

The sector has recently seen two notable M&A transactions, which, although they do not fit exactly with PAAS's scale and approach to acquisitions, may provide a useful comparison.

On 5 September, First Majestic announced a proposed acquisition of Gatos Silver for c US\$970m (US\$1.1bn at the current Majestic share price). Gatos owns 70% in a joint venture (JV) that operates the Cerro Los Gatos mine in Mexico. Gatos accounts for the JV on an equity method since it does not exercise full control over the operation. In the full 12-month period prior to the acquisition (9M24 plus Q423, or LTM), the JV generated US\$185m in EBITDA, or US\$130m at 70% ownership. Taking into account LTM corporate overheads and the company's net cash of US\$117m at end-September, we calculate an implied LTM EV/EBITDA of 10.3x at the current market price (8.7x at the time of the announcement).

On 4 October, Coeur Mining announced a proposed acquisition of SilverCrest for c US\$1.7bn (US\$1.5bn current). SilverCrest generated LTM EBITDA of US\$172m and had US\$158m in cash

and bullion at end-September, which implies an LTM EV/EBITDA multiple of 8.5x (8.9x at the time of the announcement).

Risks and sensitivities

We see a number of risks that could affect PAAS's financials and valuation.

- PAAS cash flows and valuation are most sensitive to changes in commodity prices. While we (and consensus) expect silver and gold prices to remain at relatively elevated levels in the near to medium term, we note that a 10% reduction in our silver/gold price deck would lower our DCF-based valuation by c 18% (and vice versa). A 10% decline in our FY25 silver and gold price assumptions would lower our FY25e EBITDA by 22% (and vice versa).
- A significant share of PAAS's revenues comes from Latin America (c 90% in Q224), a region characterized by relatively high political risks, currency fluctuations and economic uncertainties.
- Some of the company's operations have relatively short mine lives. However, as we noted earlier, historically PAAS has been successful in replenishing its reserves and resources (at least in the silver segment). Further, we expect the company to generate sufficient cash flow in the near term to be able to pursue any attractive opportunities to expand its resource base, either within the current asset portfolio or externally.
- Excluded from our base-case forecasts, Escobal has a significant impact on our valuation. While we believe it is crucial for the company to achieve the restart of the project in a timely manner, we acknowledge the risks associated with the protracted consultation process and possible delays that it could cause.
- Although the company's operational performance has been more consistent over 2024, PAAS has a history of revising its expectations through the years. While the recent cost escalation was significantly affected by the COVID-19 pandemic, which was beyond the company's control, we also note that cash costs are highly sensitive to the by-product metal production, commodity prices and currency fluctuations, which make them difficult to guide and predict.

Exhibit 8: Financial summary

	\$'m	2022	2023	2024e	2025e
31-December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		1,494.7	2,316.1	2,833.5	2,927.7
Cash production costs		(1,094.4)	(1,479.2)	(1,641.7)	(1,496.5)
DD&A		(316.0)	(484.2)	(516.3)	(427.1)
Royalties		(35.9)	(55.9)	(56.7)	(63.3)
Gross Profit		48.4	296.8	618.8	940.8
G&A		(29.0)	(61.4)	(83.5)	(80.0)
Other operating costs		(63.5)	(96.8)	(46.2)	(44.7)
Operating profit (before amort. and excepts.)		(44.1)	196.4	489.1	816.1
EBITDA		272.0	680.6	1,016.0	1,243.2
Other operating expenses		(6.4)	3.4	0.0	0.0
Exceptionals		(211.8)	(103.9)	0.0	0.0
Reported operating profit		(262.3)	38.1	489.1	816.1
Net Interest and other finance expense		(22.5)	(91.4)	(82.0)	(76.9)
Profit Before Tax (norm)		(73.0)	108.4	407.1	739.2
Investment income (loss)		(16.2)	(5.5)	(8.4)	0.0
Profit Before Tax (reported)		(301.0)	(58.8)	398.7	739.2
Reported tax		(39.1)	(46.1)	(287.6)	(332.6)
Profit After Tax (norm)		(112.1)	62.3	228.9	406.6
Profit After Tax (reported)		(340.1)	(104.9)	111.0	406.6
Minority interests		1.7	(1.2)	1.4	5.1
Net income (normalised)		(113.8)	63.5	227.5	401.4
Net income (reported)		(341.8)	(103.7)	109.6	401.4
Average Number of Shares Outstanding (m)		211	327	363	363
EPS - basic normalised (\$)		(0.54)	0.19	0.63	1.11
EPS - basic reported (\$)		(1.62)	(0.32)	0.30	1.11
EPS - adjusted company (\$)		0.09	0.12	0.73	1.11
Dividend (\$)		0.45	0.41	0.40	0.40
BALANCE SHEET					
Fixed Assets		2,444.1	5,823.1	5,399.0	5,267.6
Tangible assets		2,226.4	5,675.1	5,285.8	5,154.4
Investments		121.2	0.0	0.0	0.0
Other		96.6	148.0	113.2	113.2
Current Assets		804.4	1,389.9	1,867.6	2,264.6
Inventories		471.6	711.6	796.1	795.4
Receivables		136.6	138.0	147.5	144.4
Cash		107.0	399.5	810.6	1,211.5
ST investments		35.3	41.3	30.9	30.9
Other		53.8	99.5	82.5	82.5
Current Liabilities		(380.8)	(624.2)	(743.5)	(741.9)
Creditors		(308.1)	(498.0)	(481.3)	(479.7)
Short term borrowings and leases		(27.3)	(52.4)	(52.8)	(52.8)
Other		(45.5)	(73.8)	(209.4)	(209.4)
Long Term Liabilities		(666.0)	(1,816.4)	(1,807.1)	(1,807.1)
LT debt and leases		(199.5)	(749.2)	(762.3)	(762.3)
Other long term liabilities		(466.5)	(1,067.2)	(1,044.8)	(1,044.8)
Net Assets		2,201.6	4,772.4	4,716.1	4,983.2
Minority interests		(6.1)	(11.8)	(13.2)	(18.3)
Shareholders' equity		2,195.5	4,760.6	4,702.9	4,964.9
CASH FLOW					
Operating Cash Flow		(340.1)	(104.9)	111.0	406.6
D&A, exceptionals, other		555.2	663.5	923.2	832.7
Working capital movement		(42.0)	68.9	(133.1)	2.3
Tax		(137.8)	(149.4)	(173.8)	(332.6)
Net Interest		(3.4)	(27.9)	(23.6)	(48.1)
Net operating cash flow		31.9	450.2	703.7	860.7
Capex		(274.7)	(379.0)	(364.0)	(314.7)
Acquisitions/disposals		8.7	759.3	245.0	0.0
Equity financing		0.9	0.0	0.0	0.0
Dividends		(94.7)	(130.4)	(145.2)	(145.2)
Other		20.0	(15.3)	(23.4)	0.0
Net Cash Flow		(307.9)	684.8	416.2	400.8
Opening net debt/(cash), including ST investments		(289.4)	84.5	360.8	(26.4)
FX and other		(66.0)	(961.1)	(28.9)	0.0
Closing net debt/(cash)		84.5	360.8	(26.4)	(427.2)
Closing net debt/(cash), excluding ST investments		119.9	402.1	4.5	(396.3)

Source: Pan American Silver, Edison Investment Research

<p>Contact details</p> <p>625 Howe Street, Suite 1440 Vancouver, British Columbia V6C 2T6 Canada (604) 684-1175 www.panamericansilver.com</p>	<p>Revenue by geography (Q224)</p> <p>Peru 24%, Chile 24%, Brazil 16%, Mexico 12%, Canada 10%, Argentina 8%, Bolivia 5%</p>
<p>Management team</p> <p>President and CEO: Michael Steinmann</p> <p>Mr Steinmann joined PAAS in 2004 and held progressively senior roles before being promoted to president in 2015 and president and CEO in 2016. He has also been a director of the company since 2016. Mr Steinmann has over 25 years of experience in the base and precious metals industry. He holds a PhD in natural science (geology) from the Swiss Federal Institute of Technology (ETHZ), an MSc in geology from the University of Zurich, and a degree in corporate finance from Escuela Superior de Administración y Negocios, Lima.</p>	<p>COO: Steve Busby</p> <p>Mr Busby joined PAAS in 2003 and was promoted to chief operating officer in 2008. He is responsible for the company's operations, projects, safety and corporate social responsibility. Mr Busby has nearly 30 years of experience in the precious metals mining business, having participated in successful mine development and mine construction projects in Mexico, the United States, South Africa, Russia and South America. Mr Busby holds a BS degree in mineral processing engineering and is a member of the Montana Tech Metallurgical Engineering Department Advisory Board.</p>
<p>CFO: Ignacio Couturier</p> <p>Mr Couturier joined PAAS in 2002 and was appointed chief financial officer in 2022. He was previously the vice president, finance, and has worked in the areas of treasury management, financial analysis, insurance, commercial management, precious metal sales, risk management, operations reporting, planning and budgeting. Before joining PAAS, Mr Couturier worked for Minera Antamina and Rio Algom. He holds a BSc in geological engineering from Queen's University and an MBA from McGill University.</p>	
<p>Principal shareholders</p> <p>Van Eck Associates Blackrock The Vanguard Group Fidelity Investments Canada Global X Management Invesco Connor Clark & Lunn Slate Path Capital Norges Bank</p>	<p>(%)</p> <p>11.1 4.7 3.7 3.3 2.3 1.7 1.6 1.5 1.2</p>

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