Pan American Silver

Q226 results: Cash generation remains strong

Pan American Silver (PAAS) delivered another quarter of strong cash generation in Q226, with attributable free cash flow of US$344m and net cash increasing to US$864m after a record US$300m of shareholder returns under the enhanced framework announced in May. Silver production was at the upper end of quarterly guidance, while gold output was below guidance and segment costs increased. FY26 guidance was maintained, although management now expects gold production at the low end of the range and gold AISC at the high end. We reduce our FY26 EBITDA estimate by 13% to US$2.81bn, mainly reflecting lower consensus commodity price assumptions and revised operating expectations, while increasing our DCF-based valuation from US$65.0/share to US$68.2/share.

Year end	Revenue ($m)	EBITDA ($m)	EPS ($)	DPS ($)	Yield (%)	EV/EBITDA (x)
12/24	2,818.9	1,028.6	0.79	0.40	0.8	18.6
12/25	3,619.1	1,817.0	2.54	0.54	1.1	10.5
12/26e	4,658.1	2,805.8	3.65	0.72	1.5	6.8
12/27e	4,914.2	3,163.0	4.24	0.72	1.5	6.0

Note: EPS is company adjusted; dividend as declared for the period

Q226 results: Strong cash generation

Reported revenue was US$1.12bn in Q226, down 3% q-o-q but up 38% y-o-y, while EBITDA including Juanicipio was US$620m and adjusted EPS US$0.73. Attributable operating cash flow was US$418m and free cash flow US$344m, despite US$205m of cash taxes. This increased net cash to US$864m from US $769m at end-Q1, after US$224m of share buybacks and US$76m of dividends during the quarter. Attributable silver production of 6.47Moz was at the upper end of Q2 guidance, while gold production of 166koz was below guidance. Silver and gold segment all-in sustaining costs (AISC) were US$17.8/oz and US$1,984/oz.

FY26 guidance maintained; estimates reduced

PAAS maintained FY26 guidance of 25–27Moz of silver and 700–750koz of gold, although gold production is now expected at the low end of the range and gold AISC at the high end of US$1,700–1,850/oz. The midpoint of silver guidance requires 13.1Moz in H2, broadly in line with H1, while reaching the low end of gold guidance requires c 365koz, c 9% above H1, with the recovery weighted towards Q4. We reduce our FY26 EBITDA estimate by 13% to US$2.81bn and adjusted EPS by 14% to US$3.65, reflecting lower consensus-based gold and silver price assumptions and revised gold production and cost expectations.

Valuation: DCF increases to US$68.2/share

Our DCF-based valuation increases modestly from US$65.0/share to US$68.2/share, including an increase in our long-term silver price assumption from US$35/oz to US$40/oz from 2030. The change reflects persistent industry cost pressures and continued undersupply in the silver market. At the current share price, PAAS trades on FY26e and FY27e EV/EBITDA multiples of 6.8x and 6.0x. Its 12-month forward multiple has also moved below the peaks reached in late 2025 and early 2026. PAAS shares have lagged the recent recovery in precious metal prices following the post-results weakness.

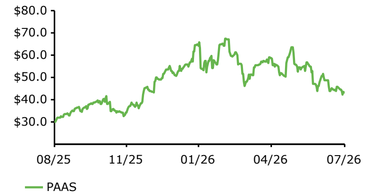
Results update

Metals and mining

18 August 2026

Price	**$48.11**
Market cap	**$19,947m**
Net cash/(debt) at Q226	$863.8m
Shares in issue as of August	414.6m
Free float	100.0%
Code	PAAS
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance



%	1m	3m	12m
Abs	(4.4)	(22.1)	55.1
52-week high/low		$69.2	$26.4

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. Its portfolio includes 10 producing operations, the currently suspended top tier Escobal silver mine and a number of large-scale advanced exploration/development projects.

Next events

Q3 results	November

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Strong cash generation despite lower prices and higher costs

PAAS delivered another set of strong financial results in Q226 against a backdrop of lower realised precious metal prices and higher unit costs. Reported revenue was US$1.12bn, down 3% q-o-q but up 38% y-o-y, while attributable revenue, including PAAS's 44% share of Juanicipio, reached US$1.27bn, down 5% q-o-q and up 56% y-o-y. EBITDA including Juanicipio was US$620m, down 18% q-o-q but up 70% y-o-y, implying a margin of 55.2%, while company adjusted EPS was US$0.73 compared with US$1.09 in Q1 and US$0.43 in Q225. Reported silver sales increased 31% q-o-q to 4.99Moz following the Q1 inventory build, while gold sales were broadly unchanged at 166koz. Realised silver and gold prices averaged US$71.0/oz and US$4,402/oz, respectively, compared with US$89.4/oz and US$4,859/oz in Q1.

Attributable silver production was 6.47Moz, broadly unchanged q-o-q and 27% higher y-o-y, and at the upper end of the Q2 guidance range of 6.05–6.55Moz. Gold production of 165.9koz was 2% lower q-o-q and 7% lower y-o-y, and below the guided range of 174.5–186.5koz. Silver segment AISC increased to US$17.8/oz from an exceptionally low US$6.6/oz in Q1 and was slightly above Q2 guidance of US$15.0–17.5/oz, although it remained 9% below Q225. Gold segment AISC increased 7% q-o-q and 23% y-o-y to US$1,984/oz, slightly above Q2 guidance of US$1,825–1,950/oz. For H126, silver segment AISC of US$12.64/oz remained well below the H1 guidance range, while gold segment AISC of US$1,918/oz was within guidance.

Cash generation remained strong, with attributable operating cash flow of US$418m and attributable free cash flow of US$344m, compared with US$582m and US$488m in Q1. Q2 included US$205m of cash taxes, which management expects to be the highest quarterly payment this year due to the final settlement of FY25 taxes. Reported operating cash flow was US$320m. Cash and short-term investments increased to US$1.71bn at end-Q2, excluding US$97m attributable to PAAS at Juanicipio, while total debt was US$841m. Separately, PAAS received US$192m of dividends from Juanicipio during the quarter, above our expectations.

On our definition, net cash therefore increased to US$864m from US$769m at end-Q1 and US$467m at end-FY25. This was after a record US$300m of Q2 shareholder returns, comprising US$224m of share buybacks and US$76m of dividends, taking H1 returns to US$401m. The Q2 distributions are consistent with the enhanced shareholder return framework announced in May, which targets 35–40% of annual attributable free cash flow through dividends and buybacks, or up to c US$1bn in 2026.

Exhibit 1: Summary of Q2 results, US$m

	Q226	Q126	Q225	Q-o-q	Y-o-y
Attributable silver production, koz	6,469	6,435	5,094	1%	27%
Silver sales*, koz	4,993	3,826	4,769	31%	5%
Silver segment AISC, US$/oz	17.8	6.6	19.7	169%	-9%
Attributable gold production, koz	166	169	179	-2%	-7%
Gold sales*, koz	166	164	186	1%	-11%
Gold segment AISC, US$/oz	1,984	1,851	1,611	7%	23%
Attributable financials					
Revenue	1,268	1,332	811	-5%	56%
Cash flow from operations	418	582	294	-28%	42%
Free cash flow	344	488	234	-30%	47%
Reported financials					
Revenue	1,124	1,154	812	-3%	38%
Mine operating earnings	457	608	273	-25%	67%
EBITDA incl. Juanicipio	620	757	365	-18%	70%
- margin, %	55.2	65.6	44.9	(10.4)pp	10.3pp
Adjusted EPS, US$	0.73	1.09	0.43	-33%	70%
Cash flow from operations	320	505	294	-37%	9%
Net cash**	864	769	289	12%	199%

Source: PAAS, Edison Investment Research. Note: EBITDA is calculated including PAAS's share of income from Juanicipio. *Reported sales exclude Juanicipio. **Edison definition: cash and cash equivalents plus short-term investments less total debt and leases.

The increase in silver segment AISC from Q1 partly reflects the normalisation of exceptionally strong by-product credits, alongside higher price-linked royalties and operating costs, as well as the drawdown of inventory built at La Colorada in Q1. As La Colorada is currently one of the higher-cost operations in the silver segment, the higher weighting of its ounces in Q2 sales also contributed to the increase in segment AISC.

Juanicipio continued to perform strongly, contributing 1.74Moz of attributable silver production at a negative AISC of US $6.1/oz, while Cerro Moro produced 0.59Moz of silver and 26koz of gold at a negative silver AISC of US$58.4/oz. These contributions partly offset higher costs at La Colorada, Huaron and San Vicente. La Colorada's AISC increased to US $48.6/oz, mainly due to higher net-profit-linked royalty payments on ore mined from an adjacent concession and higher employee-related costs. Huaron’s US$36.25/oz AISC reflected lower grades and higher labour, tailings and maintenance costs, while San Vicente was affected by higher price-linked royalties and labour and material costs.

Gold production was weaker and costs higher across several operations. Jacobina produced 41koz at an AISC of US $1,805/oz, with lower grades reflecting changes to mine sequencing introduced to reduce geotechnical risk associated with seismicity. Shahuindo produced 24koz at US$1,967/oz, with lower grades and higher haulage, maintenance and labour costs, while Timmins produced 24koz at US$2,820/oz. At El Peñon, gold production declined to 22koz due to lower throughput and lower-than-expected continuity in certain secondary structures, although strong silver by-product credits reduced AISC to US$452/oz.

FY26 outlook maintained; gold production expected at low end

PAAS maintained its FY26 production guidance of 25–27Moz of silver and 700–750koz of gold, although management now expects gold production to be at the low end of the range. H126 silver production of 12.90Moz represents approximately half of the full-year midpoint, while gold production of 335koz represents 46% of the midpoint. The midpoint of silver guidance requires 13.1Moz in H2, broadly in line with H1, while reaching the low end of gold guidance requires c 365koz, c 9% above H1. Q3 gold production is now expected to be 3–6koz below the low end of the original quarterly guidance range of 178.5–192.0koz, with production still expected to increase in H2 and remain weighted towards Q4.

The revised gold outlook primarily reflects lower expected production at Jacobina and El Peñon. Jacobina is now expected to produce approximately 10koz below the lower end of its original 181–191koz annual range following the changes to mine sequencing, while El Peñon is also expected to be approximately 10koz below the lower end of its original 104–111koz range due to lower-than-expected continuity in secondary structures. Higher production at Timmins and Shahuindo is expected to provide some offset in H2. Management also noted that El Niño-related extreme rainstorms have affected site access in Chile and Argentina in July and August and may continue to cause disruptions through the remainder of the year.

FY26 AISC guidance was maintained at US$15.75–18.25/oz for the silver segment and US$1,700–1,850/oz for the gold segment. Management now expects gold AISC at the upper end of the range, reflecting the lower production outlook and higher labour and consumables costs. Silver segment H1 AISC of US$12.64/oz was below H1 guidance, although actual AISC remains sensitive to realised metal prices through price-linked royalties, workers’ participation and by-product credits. Sustaining capex guidance remains US$340–360m and project capex US$240–255m. PAAS invested US$84m of project capital in H1, below the original H1 range of US$103–110m, implying a higher rate of project spending in H2.

The company also increased its FY26 guidance for taxes paid to US$585–635m following higher-than-assumed metal prices and profitability in H1, based on H2 silver and gold price assumptions of US$60/oz and US$4,000/oz, respectively. We model FY26 taxes paid of US$620m.

Separately, development of the 588 Decline at La Colorada Skarn commenced in August, with the first cut completed early in the month. Engineering for the next phase, including the material handling system and ventilation shafts, remains scheduled for consideration by the board in H226.

Exhibit 2: H126 key performance indicators and FY26 guidance

	H126 guidance	H126 actual	FY26 guidance	Current outlook
Attributable silver production, Moz	12.15–13.15	12.9	25.0–27.0	Unchanged
Attributable gold production, koz	339–362	335.0	700–750	Low end
Silver segment AISC, US$/oz	14.87–17.25	12.6	15.75–18.25	Unchanged
Gold segment AISC, US$/oz	1,800–1,938	1,918.0	1,700–1,850	High end
Sustaining capex, US$m	162–172	168.0	340–360	Unchanged
Project capex, US$m	103–110	84.0	240–255	Unchanged

Source: PAAS. Note: Company AISC guidance assumes average silver and gold prices of US$70/oz and US$4,200/oz, respectively; actual AISC is also affected by price-linked royalties, workers’ participation and by-product credits.

FY26 estimates reduced; FY27 broadly maintained

We have reduced our FY26 earnings estimates following the Q2 results and updated operating outlook. Our commodity price deck is based on consensus expectations, which have moved since our Q1 results update. Our current FY26 silver and gold price assumptions decline to US$72/oz and US$4,550/oz, from US$75/oz and US$4,725/oz, respectively. We also reduce attributable gold production to 706koz from 729koz and increase our gold segment AISC forecast to US $1,850/oz from US$1,718/oz, in line with management's expectation for costs at the high end of FY26 guidance. Our silver production estimate is effectively unchanged at 26.5Moz, while silver AISC increases modestly to US$15.1/oz from US$14.0/oz.

Overall, we reduce our FY26 reported revenue forecast by 6% to US$4.66bn and EBITDA including Juanicipio contribution by 13% to US$2.81bn. Adjusted EPS declines by 14% to US$3.65. Our FY26 net cash estimate falls to US $1.34bn from US$1.99bn, reflecting the lower operating cash flow outlook and higher shareholder distributions, including US$358m spent on buying back 7.3m shares by 11 August. The revised estimate still implies a further meaningful increase in net cash from the US$864m position at end-Q2.

Our FY27 estimates are little changed at the EBITDA level. We increase our gold price assumption to US$4,775/oz from US$4,600/oz and silver to US$68.5/oz from US$68.0/oz, in line with current consensus expectations. This offsets higher cost assumptions, with FY27 EBITDA increasing 2% to US$3.16bn and adjusted EPS rising 3% to US$4.24. Compared with FY26, we expect AISC to decline as current operating and cost pressures normalise, with silver segment costs also benefiting from lower price-linked royalties and workers' participation at the lower assumed silver price. Our FY27 net cash estimate declines by 18% to US$2.86bn, principally reflecting the lower estimated FY26 closing cash position. This does not assume any further share repurchases beyond those already reflected in our FY26 forecasts.

Exhibit 3: Revised PAAS estimates, US$m

	FY26e New	FY26e Old	FY27e New	FY27e Old
Silver price, US$/oz	72.0	75.0	68.5	68.0
Gold price, US$/oz	4,550	4,725	4,775	4,600
Attributable silver production, Moz	26.5	26.5	26.5	26.5
Silver segment AISC, US$/oz	15.1	14.0	10.9	10.5
Attributable gold production, koz	706	729	736	733
Gold segment AISC, US$/oz	1,850	1,718	1,719	1,606
Revenue	4,658	4,980	4,914	4,779
EBITDA	2,806	3,208	3,163	3,114
Adjusted EPS, US$	3.65	4.25	4.24	4.10
Net cash	1,345	1,985	2,864	3,475

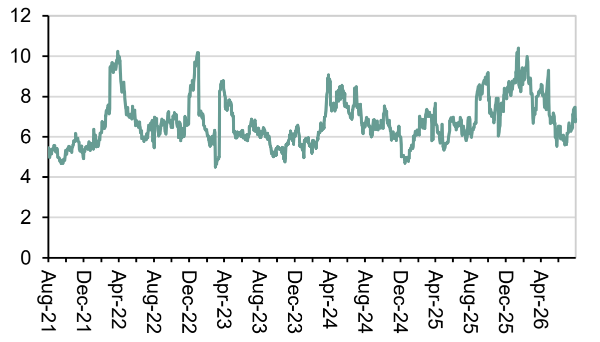
Source: Edison Investment Research. Note: EPS is company adjusted. Revenue is on a reported basis, while EBITDA includes PAAS's share of income from Juanicipio.

Valuation: DCF increases to US$68.2/share

Following the estimate revisions, our DCF-based valuation of PAAS increases modestly from US$65.0/share to US $68.2/share. In addition to the updated near-term forecasts and lower share count following the company's buyback programme, we have increased our long-term silver price assumption from US$35/oz to US$40/oz from 2030. This reflects persistent cost pressures across the mining industry and a silver market that remains in undersupply. Our long-term gold price assumption remains unchanged at US$3,000/oz, implying a gold/silver ratio of 75x.

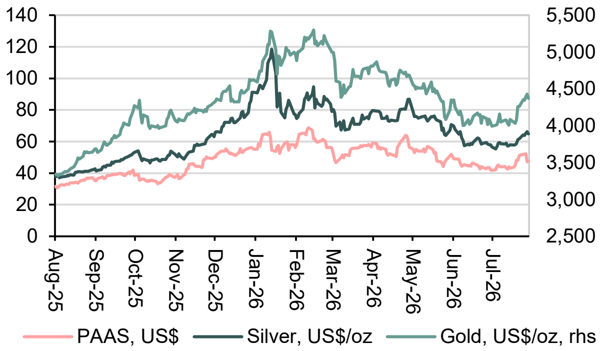
On our estimates, PAAS trades on FY26e and FY27e EV/EBITDA multiples of 6.8x and 6.0x, respectively. The 12-month forward consensus multiple is currently at 7.0x, below the c 9–10x peaks reached in late 2025 and early 2026 but broadly in line with the five-year average of 6.7x and the three-year average of 6.8x. Precious metal prices have continued to recover from their early-August weakness as softer US labour and inflation data reduced expectations of near-term Fed tightening. While PAAS shares have recovered modestly from the post-results low, they continue to lag precious metals, falling c 6% since 7 August compared with gains of c 2% for gold and c 4% for silver (Exhibit 5). The post-results weakness appears to reflect investor focus on the increase in silver AISC from the exceptionally low Q1 level and the softer FY26 gold outlook, overshadowing the strong Q2 cash generation. Our revised US$68.2/share DCF valuation is c 42% above the current share price.

Exhibit 4: PAAS 12-month forward EV/EBITDA (x)



Source: LSEG Data & Analytics

Exhibit 5: PAAS share price versus silver and gold



Source: LSEG Data & Analytics

Exhibit 6: Financial summary

US$'m, Dec year end	2023	2024	2025	2026e	2027e
	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	**2,316**	**2,819**	**3,619**	**4,658**	**4,914**
Cash production costs	(1,479)	(1,634)	(1,604)	(1,770)	(1,731)
DD&A	(484)	(572)	(497)	(499)	(485)
Royalties	(56)	(65)	(113)	(230)	(160)
Gross Profit	**297**	**549**	**1,405**	**2,159**	**2,538**
G&A	(61)	(70)	(116)	(108)	(100)
Other operating costs	(97)	(42)	(46)	(51)	(42)
Operating profit (before amort. and excepts.)	**196**	**553**	**1,243**	**2,000**	**2,396**
EBITDA	**681**	**1,029**	**1,817**	**2,806**	**3,163**
Other operating expenses	3	11	(9)	(4)	0
Exceptionals	(104)	84	(78)	0	0
Reported operating profit	**38**	**531**	**1,233**	**2,303**	**2,678**
Net Interest and other finance expense	(91)	(85)	(84)	(94)	(89)
Profit Before Tax (norm)	**108**	**479**	**1,227**	**2,210**	**2,589**
Investment income (loss)	(6)	(14)	89	31	0
Profit Before Tax (reported)	**(59)**	**432**	**1,238**	**2,241**	**2,589**
Reported tax	(46)	(319)	(258)	(717)	(828)
Profit After Tax (norm)	**62**	**291**	**969**	**1,493**	**1,760**
Profit After Tax (reported)	**(105)**	**113**	**980**	**1,524**	**1,760**
Minority interests	(1)	1	2	2	2
Net income (normalised)	**63**	**290**	**967**	**1,491**	**1,758**
Net income (reported)	**(104)**	**112**	**978**	**1,522**	**1,758**
Average Number of Shares Outstanding (m)	327	363	381	418	415
EPS - basic normalised ($)	0.19	0.80	2.53	3.56	4.24
EPS - basic reported ($)	(0.32)	0.31	2.56	3.64	4.24
EPS - adjusted company ($)	0.12	0.79	2.54	3.65	4.24
Dividend declared ($)	0.40	0.40	0.54	0.72	0.72
BALANCE SHEET					
Fixed Assets	**5,823**	**5,482**	**7,546**	**7,686**	**7,678**
Tangible assets	5,675	5,325	5,338	5,362	5,273
Investments	0	0	0	0	0
Other, including investment in Juanicipio	148	157	2,208	2,323	2,405
Current Assets	**1,390**	**1,720**	**2,196**	**3,125**	**4,687**
Inventories	712	606	588	645	654
Receivables	138	165	232	227	260
Cash	400	863	1,215	2,062	3,581
ST investments	41	25	104	135	135
Other	99	62	57	57	57
Current Liabilities	**(624)**	**(687)**	**(817)**	**(850)**	**(861)**
Creditors	(498)	(489)	(549)	(582)	(593)
Short term borrowings and leases	(52)	(47)	(58)	(58)	(58)
Other	(74)	(150)	(210)	(210)	(210)
Long Term Liabilities	**(1,816)**	**(1,799)**	**(1,924)**	**(2,056)**	**(2,089)**
LT debt and leases	(749)	(756)	(794)	(794)	(794)
Other long term liabilities	(1,067)	(1,043)	(1,130)	(1,262)	(1,295)
Net Assets	**4,772**	**4,717**	**7,001**	**7,905**	**9,415**
Minority interests	(12)	(13)	(4)	(6)	(8)
Shareholders' equity	**4,761**	**4,704**	**6,997**	**7,899**	**9,407**
CASH FLOW					
Profit after tax	(105)	113	980	1,524	1,760
D&A, exceptionals, other	664	926	709	971	1,121
Working capital movement	69	(128)	(29)	(19)	(31)
Tax	(149)	(164)	(318)	(620)	(828)
Net Interest	(28)	(23)	(9)	0	0
Net operating cash flow	**450**	**724**	**1,333**	**1,855**	**2,021**
Capex	(379)	(323)	(314)	(521)	(393)
Acquisitions/disposals	759	310	41	0	0
Equity financing	0	(23)	(43)	(358)	0
Dividends	(130)	(145)	(175)	(301)	(298)
Other	(15)	(54)	(392)	203	189
Net Cash Flow	685	489	450	878	1,519
Opening net debt/(cash), including ST investments	**85**	**361**	**(84)**	**(467)**	**(1,345)**
FX and other	(961)	(44)	(67)	0	0
Closing net debt/(cash)	**361**	**(84)**	**(467)**	**(1,345)**	**(2,864)**
Closing net debt/(cash), excluding ST investments	**402**	**(60)**	**(363)**	**(1,210)**	**(2,729)**

Source: PAAS, Edison Investment Research

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