

Pan American Silver

Quarterly results

Q126 results: Cash is king

Pan American Silver (PAAS) delivered strong Q126 results, with EBITDA more than doubling y-o-y to US\$757m, silver segment costs well below quarterly guidance and attributable free cash flow of US\$488m. This lifted cash and short-term investments to a record US\$1.6bn, excluding US\$199m attributable to Juanicipio, and underpinned a new shareholder distribution policy targeting returns of 35–40% of annual attributable free cash flow via increased dividends and share buybacks. We have upgraded our earnings estimates on stronger commodity prices and Q1 performance, raising our DCF-based valuation to US\$65.0/share.

Year end	Revenue (\$m)	EBITDA (\$m)	EPS (\$)	DPS (\$)	Yield (%)	EV/EBITDA (x)
12/24	2,818.9	1,028.6	0.80	0.40	0.6	24.8
12/25	3,619.1	1,817.0	2.53	0.54	0.9	14.0
12/26e	4,979.5	3,208.3	4.20	0.72	1.2	7.9
12/27e	4,779.0	3,114.1	4.10	0.72	1.2	8.2

Note: EPS is Edison normalised, excluding investment income/loss.

Q126 results: Strong delivery and cash generation

Q126 reported revenue was up 49% y-o-y to US\$1.15bn, with attributable revenue, including PAAS's 44% share of Juanicipio, reaching US\$1.33bn, up 73% versus Q125. EBITDA increased 127% y-o-y to US\$757m, implying a 65.6% margin, while adjusted EPS was US\$1.09, up 160% y-o-y. Production was in line with PAAS's quarterly guidance, with attributable silver and gold output of 6.44Moz and 169koz, respectively. Silver segment AISC of US\$6.63/oz was significantly below guidance, driven by strong by-product credits and low-cost ounces from Juanicipio. The result translated into attributable free cash flow of US\$488m and boosted end-Q126 net cash to US\$769m, from US\$467m at end-FY25. PAAS declared a record quarterly dividend of US\$0.18/share.

Enhanced shareholder returns

Strong cash flow generation has led PAAS to introduce an enhanced shareholder distribution policy, targeting returns of 35–40% of annual attributable free cash flow through dividends and buybacks. The stated return of up to US\$1bn in 2026 implies attributable free cash flow of c US\$2.5–2.9bn, or attributable operating cash flow of c US\$2.8–3.2bn. With US\$305m earmarked for dividends, the remaining cash of c US\$700m could be directed to buybacks. At the current share price, this would imply the repurchase of c 12m shares and c 2% EPS accretion, with further upside if the average buyback price is lower. In Q126, PAAS returned a total of US\$101m to shareholders, comprising US\$76m in dividends and US\$25m in share repurchases.

Valuation: Upgraded on stronger earnings outlook

Following the Q1 results and recent upward revisions to consensus precious metal price expectations, we have upgraded our earnings estimates, raising our FY26 EBITDA forecast by 5% to US\$3.2bn. Consequently, we have increased our DCF-based valuation of PAAS, before any P/NPV premium, from US\$63.3/share to US\$65.0/share. On our updated estimates, the stock trades on an FY26e P/E of 14.6x, a significant discount to the post-COVID average 12-month forward multiple of 22.7x. The shares also continue to lag both silver and gold prices.

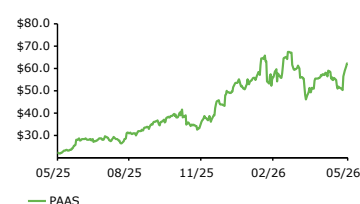
Metals and mining

12 May 2026

Price **\$62.29**
Market cap **\$26,251m**

Net cash at end Q126	\$769.0m
Shares in issue	421.4m
Free float	100.0%
Code	PAAS
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance



%	1m	3m	12m
Abs	8.8	4.3	177.0
52-week high/low		\$69.4	\$21.8

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

Investor day 1 June

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Q126 results: Strong cash flows boost shareholder returns

PAAS delivered a strong set of Q126 results, supported by robust precious metal prices, disciplined cost performance in the silver segment and the first full quarterly contribution from Juanicipio. Reported revenue increased 49% y-o-y to US \$1.15bn, while attributable revenue, including PAAS's 44% share of Juanicipio, rose 73% to US\$1.33bn. EBITDA more than doubled to US\$757m, implying a 65.6% margin, while adjusted EPS increased 160% y-o-y to US\$1.09.

The strong operating result translated into reported cash flow from operations of US\$505m and attributable free cash flow of US\$488m (attributable operating cash flow of US\$582m less sustaining capex of US\$94m), boosting end-Q1 cash and short-term investments to a record US\$1.6bn, excluding US\$199m in attributable cash at the Juanicipio level. As a result, the company's net cash position increased to US\$769m at end-Q126, from US\$467m at end-FY25.

Production was in line with PAAS's quarterly guidance, with attributable silver output of 6.44Moz (guidance of 6.1–6.6Moz), up 29% y-o-y, and attributable gold production of 169koz (164.5–175.5koz), down 7% y-o-y. The silver segment all-in sustaining cost (AISC) of US\$6.63/oz was significantly below the company's quarterly outlook of US\$14.75–17.00/oz and down 52% y-o-y, reflecting very strong by-product credits from higher gold and base metal prices and the contribution of low-cost ounces from Juanicipio. The gold segment AISC of US\$1,851/oz was in line with guidance (US \$1,775–1,925/oz), albeit 25% higher y-o-y.

Exhibit 1: Summary of Q126 results, US\$m

	Q126	Q125	Change, %
Attributable silver production, koz	6,435	5,003	29
Silver segment AISC, US\$/oz	6.6	13.9	(52)
Attributable gold production, koz	169	182	(7)
Gold segment AISC, US\$/oz	1,851	1,485	25
Attributable financials			
Revenue	1,332	771	73
Cash flow from operations	582	176	231
Free cash flow	488	114	328
Reported financials			
Revenue	1,154	773	49
Mine operating earnings	608	251	142
Mine EBITDA	708	358	98
G&A	(39)	(25)	56
Income from Juanicipio	88	0	n/a
EBITDA	757	334	127
- margin, %	65.6	43.2	22.4pp
PBT	641	214	200
Reported EPS, US\$	1.08	0.47	130
Adjusted EPS, US\$	1.09	0.42	160
DPS, US\$	0.18	0.10	80
Cash flow from operations			
	505	177	185
Net cash	769	119	546

Source: PAAS

The silver segment was the key driver of Q1 cost outperformance. Juanicipio contributed 1.75Moz of attributable silver production at a negative AISC of US\$3.1/oz, while Cerro Moro delivered a particularly strong cost outcome, with AISC reaching negative US\$70.4/oz, supported by higher gold by-product credits and higher grades. La Colorada's silver production increased 13% y-o-y on higher throughput and grades, although AISC rose to US\$37.0/oz due to higher royalty payments, reduced sales volumes (inventory build of 741koz) and higher sustaining capital. Huaron and San Vicente also saw higher AISC, mainly due to lower grades, higher costs and royalty effects, partially offsetting the strong performances at Juanicipio and Cerro Moro.

In the gold segment, production was lower y-o-y, mainly reflecting the continued phasing out of Dolores and lower production at El Peñon, partly offset by the 5koz contribution from Juanicipio. The segment's cost performance was mixed. El Peñon's AISC fell sharply to US\$137/oz on higher silver by-product credits, while Jacobina, Timmins, Shahuindo and Minera Florida recorded higher unit costs, largely due to higher sustaining capital, maintenance, labour, haulage, consumables and the impact of lower grades or lower production volumes.

At La Colorada Skarn, the company invested US\$8m in Q126, largely on exploration and in-fill drilling and advancing engineering work. PAAS has also approved US\$265m of initial capital over the next five years for the 588 Decline Project, which will provide underground access to the skarn mineralisation from the existing La Colorada vein mine and

form the backbone of the Skarn development. Including the 588 Decline, PAAS now expects to spend US\$92–95m on La Colorada Skarn in 2026, while continuing engineering work ahead of further staged investment decisions. We covered the recently published updated PEA on the Skarn project in more detail in our [report dated 31 March](#).

At Jacobina, PAAS spent US\$12m of project capital in Q126, focused on infrastructure upgrades, plant improvements and long-term optimisation studies. Work included two new carbon-in-pulp tanks, improvements to the tailings pump system and engineering for upgrades to the main substation and motor control centre, while the process plant optimisation programme continued to advance through conceptual engineering.

Enhanced shareholder returns: Cash flow and EPS implications

Robust cash flow generation and balance sheet strength have led PAAS to formalise an enhanced shareholder return framework. The company is targeting distributions of 35–40% of annual attributable free cash flow (defined as attributable operating cash flow less attributable sustaining capex) to shareholders through dividends and share repurchases and, assuming the current strong free cash flow generation continues, expects to return up to US\$1bn in 2026. Under the framework, PAAS expects to pay US\$305m in dividends in 2026, equivalent to US\$0.18/share per quarter, with excess attributable free cash flow to be directed to buybacks at the company's discretion. In Q126, PAAS returned a total of US\$101m to shareholders, comprising US\$76m in dividends at US\$0.18/share and US\$25m in share repurchases (0.46m shares at an average price of US\$54/share).

The announced shareholder return framework has two immediate financial implications: it indicates the company's confidence in its cash flow generation this year and points to potential EPS accretion from share buybacks. First, the total maximum distribution of US\$1bn and the 35–40% range imply an attributable free cash flow of up to US\$2.5–2.9bn. At the mid-point of guided attributable sustaining capex of US\$330m (US\$320–340m), this implies attributable operating cash flow of US\$2.8–3.2bn for FY26. This compares to Q126 attributable operating cash flow of US\$582m (including US\$79m from Juanicipio) and implies US\$2.2–2.6bn for the remainder of the year.

Second, with US\$305m in guided dividend payments, the maximum US\$1bn distribution implies c US\$700m in potential share buybacks. With US\$25m repurchased in Q1, this leaves c US\$675m for the rest of the year. As a rough indication, at the current share price of c US\$60, this would imply the repurchase of c 11.3m additional shares, or c 12m for the full year. This would reduce the total number of shares at end FY26 to c 410m and translate into a weighted average number of shares for the year of c 416m, indicating a c 2% EPS accretion. A lower average repurchase price would increase the potential EPS accretion. We note that the repurchase of 12m of shares would fall comfortably within the company's normal course issuer bid, which authorises PAAS to repurchase up to 21.1m shares by 5 March 2027.

Maintained guidance, upgraded estimates and valuation

PAAS reiterated its FY26 operating outlook, except for the increase in guided consolidated project capital to US\$240–255m from US\$195–210m as a result of higher spend at La Colorada Skarn, as discussed above. This increases overall consolidated capital expenditure guidance for FY26 to US\$560–595m. The company expects to produce 25–27Moz of silver and 700–750koz of gold this year, albeit gold production should now be more heavily weighted to the fourth quarter. Despite the strong cost performance in Q1, 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.

We have slightly updated our estimates following the Q1 results and given the current backdrop of strong commodity prices. Consensus gold and silver price expectations have been revised materially upwards recently, to c US\$4,800/oz and US\$75/oz, respectively. Our FY26 assumptions of US\$4,725/oz for gold and US\$75/oz for silver are broadly in line with consensus, albeit slightly more conservative on gold, reflecting persistent volatility amid heightened geopolitical and macroeconomic uncertainty. Based on average prices year-to-date and assuming spot prices for the rest of the year, FY26 gold and silver prices would average US\$4,740/oz and US\$81/oz, respectively, implying a gold-silver ratio of 58x versus our current 63x assumption and 86x for FY25. We see upside risk to our estimates should commodity prices remain at current elevated levels.

Overall, our EBITDA estimates increase by 5% to US\$3,208m for FY26 and by 10% to US\$3,114m for FY27. These revisions include a slightly higher equity contribution from Juanicipio, which continues to demonstrate stronger-than-expected operating and financial performance. We have also revised upwards our expectations for dividend distributions from Juanicipio, which accumulated US\$453m in cash and cash equivalents at end-Q1. This had a positive impact on our net cash estimates, although for FY26 it was partly offset by the higher assumed project capital spend. Finally,

we have raised our FY26 dividend forecast to US\$0.72/share, in line with PAAS's increased shareholder return expectations, which implies a payout ratio of c 17% on our upgraded EPS estimate of US\$4.25.

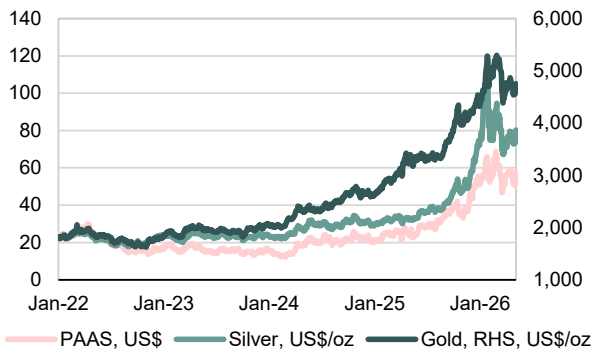
Exhibit 2: Revised PAAS estimates, US\$m

	FY26e		FY27e	
	New	Old	New	Old
Silver price, US\$/oz	75.0	70.0	68.0	60.0
Gold price, US\$/oz	4,725	4,550	4,600	4,300
Attributable silver production, Moz	26.5	26.5	26.5	26.4
Silver segment AISC, US\$/oz	14.0	14.2	10.5	11.6
Attributable gold production, koz	729	736	733	760
Gold segment AISC, US\$/oz	1,718	1,721	1,606	1,622
Revenue	4,980	4,821	4,779	4,508
EBITDA	3,208	3,047	3,114	2,831
Adjusted EPS, US\$	4.25	3.78	4.10	3.49
Net cash	1,985	1,929	3,475	3,087

Source: Edison Investment Research; Note: EPS is company adjusted

Having revised our estimates upwards, we have also upgraded our DCF-based valuation of PAAS from US\$63.3/share to US\$65.0/share, before applying any P/NPV premium. On our updated estimates, the stock trades at an FY26e P/E of 14.6x, which implies a significant discount to historical averages (Exhibit 4), in particular the post-COVID average 12-month forward P/E of 22.7x. The shares also continue to visibly lag both gold and silver prices (Exhibit 3). We believe the prevailing favourable commodity price environment, coupled with anticipated share buybacks and strong operating execution through the year, should continue to support the share price. In addition, the stock currently yields 1.2%, excluding any potential additional shareholder returns from share repurchases.

Exhibit 3: PAAS share price versus gold and silver



Source: LSEG Data & Analytics

Exhibit 4: PAAS 12-month forward P/E dynamics (x)



Source: LSEG Data & Analytics

Exhibit 5: 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	4,980	4,779
Cash production costs	(1,479)	(1,634)	(1,604)	(1,739)	(1,656)
DD&A	(484)	(572)	(497)	(500)	(481)
Royalties	(56)	(65)	(113)	(223)	(164)
Gross Profit	297	549	1,405	2,518	2,478
G&A	(61)	(70)	(116)	(110)	(100)
Other operating costs	(97)	(42)	(46)	(51)	(42)
Operating profit (before amort. and excepts.)	196	553	1,243	2,357	2,336
EBITDA	681	1,029	1,817	3,208	3,114
Other operating expenses	3	11	(9)	0	0
Exceptionals	(104)	84	(78)	0	0
Reported operating profit	38	531	1,233	2,709	2,633
Net Interest and other finance expense	(91)	(85)	(84)	(95)	(90)
Profit Before Tax (norm)	108	479	1,227	2,614	2,544
Investment income (loss)	(6)	(14)	89	22	0
Profit Before Tax (reported)	(59)	432	1,238	2,636	2,544
Reported tax	(46)	(319)	(258)	(843)	(814)
Profit After Tax (norm)	62	291	969	1,770	1,731
Profit After Tax (reported)	(105)	113	980	1,792	1,730
Minority interests	(1)	1	2	2	2
Net income (normalised)	63	290	967	1,768	1,730
Net income (reported)	(104)	112	978	1,790	1,729
Average Number of Shares Outstanding (m)	327	363	381	421	421
EPS - basic normalised (\$)	0.19	0.80	2.53	4.20	4.10
EPS - basic reported (\$)	(0.32)	0.31	2.56	4.25	4.10
EPS - adjusted company (\$)	0.12	0.79	2.54	4.25	4.10
Dividend (\$)	0.41	0.40	0.54	0.72	0.72
BALANCE SHEET					
Fixed Assets	5,823	5,482	7,546	7,784	7,785
Tangible assets	5,675	5,325	5,338	5,378	5,236
Investments	0	0	0	0	0
Other, including investment in Juancipio	148	157	2,208	2,406	2,549
Current Assets	1,390	1,720	2,196	3,756	5,263
Inventories	712	606	588	619	626
Receivables	138	165	232	243	253
Cash	400	863	1,215	2,711	4,201
ST investments	41	25	104	126	126
Other	99	62	57	57	57
Current Liabilities	(624)	(687)	(817)	(835)	(840)
Creditors	(498)	(489)	(549)	(567)	(572)
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)	(2,204)	(2,238)
LT debt and leases	(749)	(756)	(794)	(794)	(794)
Other long term liabilities	(1,067)	(1,043)	(1,130)	(1,410)	(1,444)
Net Assets	4,772	4,717	7,001	8,501	9,970
Minority interests	(12)	(13)	(4)	(6)	(8)
Shareholders' equity	4,761	4,704	6,997	8,495	9,962
CASH FLOW					
Profit after tax	(105)	113	980	1,792	1,730
D&A, exceptionals, other	664	926	709	1,064	1,088
Working capital movement	69	(128)	(29)	(24)	(12)
Tax	(149)	(164)	(318)	(600)	(814)
Net Interest	(28)	(23)	(9)	0	0
Net operating cash flow	450	724	1,333	2,232	1,991
Capex	(379)	(323)	(314)	(538)	(337)
Acquisitions/disposals	759	310	41	0	0
Equity financing	0	(23)	(43)	(25)	0
Dividends	(130)	(145)	(175)	(303)	(303)
Other	(15)	(54)	(392)	153	139
Net Cash Flow	685	489	450	1,519	1,489
Opening net debt/(cash), including ST investments	85	361	(84)	(467)	(1,985)
FX and other	(961)	(44)	(67)	0	0
Closing net debt/(cash)	361	(84)	(467)	(1,985)	(3,475)
Closing net debt/(cash), excluding ST investments	402	(59)	(363)	(1,859)	(3,349)

Source: Edison Investment Research, PAAS

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