

Pan American Silver

Another quarter of record cash flow generation

Pan American Silver's (PAAS's) Q2 production and AISC for both silver and gold were in line with quarterly guidance. Despite some sequential increase in costs and slightly lower sales, stronger commodity prices have led to a 10% increase in EBITDA and record operating cash flow, resulting in a higher net cash position and a 2c increase in its quarterly dividend. We have upgraded our estimates on higher commodity prices and raised our discounted cash flow (DCF)-based valuation to US\$38.0/share. The MAG Silver acquisition has been approved by shareholders and is on track to complete in H2.

Year end	Revenue (\$m)	EBITDA (\$m)	EPS (\$)	DPS (\$)	EV/EBITDA (x)	Yield (%)
12/23	2,316.1	680.6	0.19	0.41	16.6	1.3
12/24	2,818.9	1,028.6	0.80	0.40	11.0	1.3
12/25e	3,352.9	1,548.3	1.69	0.46	7.3	1.5
12/26e	3,434.2	1,732.1	1.98	0.52	6.5	1.6

Note: EPS is Edison normalised.

Q225 results: Strong cash flow generation

PAAS produced 5.1Moz of silver and 179koz of gold in Q2, in line with quarterly guidance. After the stronger-than-expected cost performance in the first quarter, Q2 saw some cost escalation in the silver segment, while gold segment costs were more consistent with Q1. Nevertheless, all-in sustaining costs (AISC) for both segments came in comfortably within the guided ranges. Lower sales and higher costs were more than offset by stronger commodity prices, with EBITDA up 10% q-o-q to US\$362m. Once again, cash flow generation was the main highlight of the results: operating cash flow of US\$293m reached another record and boosted net cash to US\$289m. As a result, the quarterly dividend was raised by 2c to US\$0.12.

Upgrading estimates, MAG transaction on track

Following the results we have upgraded our estimates on stronger commodity price expectations, raising our FY25e and FY26e EBITDA by 9% and 18%. On 10 July, MAG shareholders approved the proposed acquisition by PAAS; the transaction is expected to close in H225. MAG's main asset, a 44% interest in the large-scale, low-cost Juanicipio mine in Mexico, will boost PAAS's exposure to silver and lower costs. In H125, Juanicipio generated US\$279m in EBITDA and US\$173m in net profit at a negative cash cost of US\$2.4/oz and an AISC of just US\$1.4/oz. It distributed US\$62m in cash to MAG Silver.

Valuation: Raised to US\$38.0/share pre-MAG

We have revised our valuation of PAAS (ex-MAG) from US\$33.7/share to US\$38.0/share. Despite the upward share price move post results, on a standalone basis, PAAS continues to trade at an attractive FY25e EV/EBITDA of 7.3x, falling to 6.5x in FY26. We see further upside as earnings momentum continues to build through the seasonally stronger H2, supported by favourable commodity prices. PAAS valued 44% in Juanicipio at US\$1.9bn, citing significant exploration potential and a bullish silver outlook. Our modelling, based on the current mine plan and latest mineral reserves, yields a more conservative value for MAG of c US\$2 per PAAS share and can be viewed as a floor valuation.

Quarterly results

Metals and mining

14 August 2025

Price **\$31.66**
Market cap **\$11,580m**

Net cash/(debt) at end Q225, including short-term investments of US\$28m **\$288.5m**

Shares in issue **361.8m**

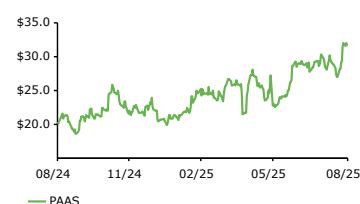
Free float **100.0%**

Code **PAAS**

Primary exchange **TSX**

Secondary exchange **NYSE**

Share price performance



%	1m	3m	12m
Abs	7.6	40.9	64.5
52-week high/low		\$32.1	\$18.3

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

Mineral resources update	September 2025
--------------------------	----------------

Analysts

Andrew Keen	+44 (0)20 3077 5700
Andrey Litvin	+44 (0)20 3077 5700

mining@edisongroup.com

[Edison profile page](#)

Pan American Silver is a research client of Edison Investment Research Limited

Q2 results review

PAAS delivered another strong set of quarterly results, with higher commodity prices offsetting slightly lower sales and some sequential cost increases. In Q2, the company produced 5.1Moz of silver, up 2% q-o-q, and 179koz of gold, down 2%, while sales were down 8% q-o-q for silver (following an inventory draw of 0.45Moz in Q1) and 4% for gold. Silver production was within the quarterly guidance range and at the lower end of the range for gold.

AISC for both segments were comfortably within the respective quarterly guidance ranges and broadly in line with Q224. The silver segment AISC of US\$19.7/oz was up 3% y-o-y, while cash cost increased 2% to US\$14.7/oz. At the project level, Huaron saw the biggest increase in costs due to a number of technical reasons, including higher mining costs, while Cerro Moro remained the top performer thanks to high gold by-product credits. In the gold segment, AISC was up 2% y-o-y to US\$1,611/oz, while the cash cost grew 11% to US\$1,312/oz. Higher segment costs were mainly a result of lower grades at Timmins and Minera Florida and a higher strip ratio at Shahuindo, offset by the earlier divestment of the relatively high-cost La Arena operation.

Overall, despite sequentially lower metal sales and somewhat higher costs, strong realised commodity prices led to a 5% q-o-q increase in reported revenue to US\$812m, with EBITDA increasing 10% to US\$362m (c 3% above consensus estimate). Adjusted EPS grew 2% while reported EPS was up 12%. Once again, strong cash flow generation was the main highlight of the results. Thanks to tight working capital management and lower cash taxes versus Q1, the company reported record operating cash flow (OCF) of US\$293m, resulting in free cash flow of US\$233m (OCF less capex). As a result, net cash increased from US\$119m in Q125 to US\$289m (including short-term investments of US\$28m), leading to a 2c rise in the declared quarterly dividend to US\$0.12/share. Including share buybacks, the company distributed US\$47m in cash to shareholders in Q2 and US\$103m in H125. Despite the US\$500m cash payment as part of the MAG Silver transaction (c US\$343m net of acquired cash), it is possible that the quarterly dividend will remain above the US\$0.10/share base level throughout the year.

Exhibit 1: Summary of Q225 results

	Q225	Q125	y-o-y, %	Q224	q-o-q, %
Silver production, koz	5,094.0	5,003.0	1.8	4,567.0	11.5
Gold production, koz	178.7	182.2	(1.9)	220.4	(18.9)
Silver segment AISC, US\$/oz	19.7	13.9	41.2	19.1	3.3
Gold segment AISC, US\$/oz	1,611.0	1,485.0	8.5	1,584.0	1.7
Revenue, US\$m	811.9	773.2	5.0	686.3	18.3
Mine operating earnings, US\$m	273.3	250.8	9.0	116.9	133.8
EBITDA, US\$m	362.0	329.8	9.8	236.3	53.2
Reported PBT, US\$m	234.4	213.9	9.6	71.7	226.9
Reported EPS, US\$	0.52	0.47	12.3	(0.06)	nm
Adjusted EPS (PAAS), US\$	0.43	0.42	2.4	0.11	290.9
Net debt/(cash), US\$m	(288.5)	(118.6)	143.3	440.9	nm

Source: PAAS

Revising estimates on higher commodities

The company has maintained its operating guidance for FY25, noting that gold production will be more heavily weighted to Q4 than originally indicated. Typical seasonality and a favourable precious metals price environment point to a strong H2 ahead. Having made some small adjustments to our operating assumptions on the back of the Q2 results, we are revising our financial estimates on stronger gold and silver prices. Consensus commodity price expectations for FY25 have moved from US\$3,008/oz for gold and US\$33.5/oz for silver at the time of our previous report in May to US\$3,169/oz and US\$35.8/oz, respectively, with even more pronounced upgrades to FY26. As a result, we now expect FY25 and FY26 EBITDA of US\$1,548m (+9%) and US\$1,732m (+18%). Our estimates are c 3% below consensus for FY25 and c 9% lower for FY26.

Exhibit 2: Near-term earnings expectations

	FY25e		FY26e	
	New	Old	New	Old
Silver production, Moz	20.4	20.8	21.0	21.3
Silver segment AISC, US\$/oz	16.7	16.0	14.4	14.5
Gold production, koz	780	783	770	783
Gold segment AISC, US\$/oz	1,568	1,531	1,500	1,435
Revenue	3,353	3,136	3,434	3,117
EBITDA	1,548	1,421	1,732	1,464
PBT	1,018	871	1,198	948
Reported EPS, US\$	1.68	1.24	1.98	1.41
Adjusted EPS, US\$	1.54	1.20	1.98	1.41
Net debt/(cash)	(727)	(613)	(1,468)	(1,132)

Source: Edison Investment Research

As was reported earlier, on 11 May, PAAS entered into a definitive agreement to acquire MAG Silver. On 10 July, MAG shareholders approved the transaction, and it is now expected to close in H225 subject to customary regulatory approvals. PAAS expects to issue 59.7m new shares and pay US\$500m in cash as part of the deal. MAG's main asset is its 44% interest in the large-scale, low-grade Juanicipio mine in Mexico. The remaining 56% is held by Fresnillo, which operates the project. We covered the transaction in our [note](#) published in May. The acquisition will boost PAAS's exposure to silver and lower silver segment costs. Juanicipio is guided to produce 14.7–16.7Moz of silver on a 100% basis in FY25 at a cash cost of US\$(1.0)–1.0/oz and an AISC of US\$6–8/oz. At mid-ranges, this implies FY25 pro-forma silver production of c 27Moz (PAAS standalone 20.5Moz) at an AISC of c US\$14.7/oz (PAAS US\$17.3/oz). Juanicipio is a highly cash-generative operation. In H125, it reported US\$279m in EBITDA and US\$173m in net profit (US\$76m on an attributable basis) and had a cash cost of US\$(2.4)/oz and an AISC of just US\$1.4/oz.

Exhibit 3 below shows pro-forma consolidated financials for Q125 as disclosed by MAG. We note that in Q225 MAG received US\$62m in dividend and loan/interest payments from Juanicipio, with cash at end Q2 increasing to US\$172m (c US\$157m adjusted for the dividend to be paid on 1 September). MAG's income from equity investment in Juanicipio was US\$76m in H125. Our preliminary modelling suggests Juanicipio's FY25e EBITDA and net profit of US\$549m and US\$324m (US\$143m attributable), rising to US\$584m and US\$351m in FY26e as stronger consensus commodity prices and higher by-product metal grades are likely to offset some gradual silver grade normalisation. We will wait for more details from PAAS on the level of disclosure for Juanicipio to adjust our consolidated financial estimates.

Exhibit 3: PAAS and MAG pro-forma financial summary, US\$m

	PAAS	MAG	Adjustments	Pro-forma
Revenue	773	0	0	773
Mine operating earnings	251	0	0	251
G&A	(25)	(5)	0	(30)
Exploration	(4)	0	(3)	(7)
Income from equity accounted investments	0	34	(5)	29
Other	6	0	0	6
Earnings from operations	228	29	(8)	249
Investment income	5	2	0	7
Interest and finance expense	(20)	(0)	0	(20)
PBT	214	30	(8)	236
Income tax	(45)	(2)	0	(46)
Income attributable to equity holders	169	29	(8)	190
Cash and cash equivalents	900	156	(500)	557
PP&E	5,289	86	(14)	5,361
Investment in Juanicipio	0	398	1,532	1,930
Total assets	7,206	643	1,018	8,866
Total liabilities	2,375	39	(4)	2,410
Issued capital	5,926	621	1,005	7,551
Total equity	4,830	603	1,022	6,456

Source: MAG Silver

Valuation: Ex-MAG Silver DCF moves to US\$38/share

Having revised our financial estimates, we are upgrading our ex-MAG DCF-based valuation of PAAS from US\$33.7/share to US\$38.0/share, using an unchanged nominal weighted average cost of capital of 7% (5% real). Despite the upward share price move post results, on a standalone basis, PAAS continues to trade at a relatively undemanding FY25e EV/EBITDA of 7.3x, falling to 6.5x in FY26. We see further upside as earnings momentum continues to build through the seasonally strong H2, driven by the stronger operational performance and favourable commodity prices.

Based on the transaction disclosure, PAAS valued the 44% stake in Juanicipio at US\$1,930m. This valuation is underpinned by the significant exploration potential at Juanicipio, which was described by management during the Q2

results call as having one of the biggest exploration upsides, and the company's bullish view on silver. Our tentative valuation of Juanicipio is more conservative and is exclusively based on the project's current mine plan with some adjustments based on the latest reserves statement, translating into an approximately 10-year mine life. We would therefore view it as a floor value for the project. All in all, our current modelling suggest that on a net present value (NPV) basis the MAG Silver transaction adds c US\$2 per share to the PAAS valuation.

Exhibit 4: Preliminary MAG Silver NPV valuation, US\$m

Juanicipio NPV	2,447
Implied 44% share	1,077
Book value of other assets	69
MAG cash, Q2 adjusted for dividend	157
Total implied MAG value	1,303
Less cash payment	500
Net value before share component	803
Pre-deal number of PAAS shares, m	362
New shares, m	60
Post deal number of PAAS shares, m	422
Value per share, US\$	1.9

Source: Company data, Edison Investment Research

Exhibit 5: Financial summary

	\$'m	2022	2023	2024	2025e	2026e
		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		1,495	2,316	2,819	3,353	3,434
Cash production costs		(1,094)	(1,479)	(1,634)	(1,580)	(1,499)
DD&A		(316)	(484)	(572)	(484)	(456)
Royalties		(36)	(56)	(65)	(90)	(86)
Gross Profit		48	297	549	1,200	1,393
G&A		(29)	(61)	(70)	(88)	(82)
Other operating costs		(63)	(97)	(42)	(43)	(35)
Operating profit (before amort. and excepts.)		(44)	196	553	1,069	1,276
EBITDA		272	681	1,029	1,548	1,732
Other operating expenses		(6)	3	11	15	0
Exceptionals		(212)	(104)	84	0	0
Reported operating profit		(262)	38	531	1,084	1,276
Net Interest and other finance expense		(23)	(91)	(85)	(83)	(78)
Profit Before Tax (norm)		(73)	108	479	1,001	1,198
Investment income (loss)		(16)	(6)	(14)	17	0
Profit Before Tax (reported)		(301)	(59)	432	1,018	1,198
Reported tax		(39)	(46)	(319)	(387)	(479)
Profit After Tax (norm)		(112)	62	291	614	719
Profit After Tax (reported)		(340)	(105)	113	631	719
Minority interests		2	(1)	1	3	3
Net income (normalised)		(114)	63	290	612	716
Net income (reported)		(342)	(104)	112	628	716
Average Number of Shares Outstanding (m)		211	327	363	362	362
EPS - basic normalised (\$)		(0.54)	0.19	0.80	1.69	1.98
EPS - basic reported (\$)		(1.62)	(0.32)	0.31	1.73	1.98
EPS - adjusted company (\$)		0.09	0.12	0.79	1.60	1.98
Dividend (\$)		0.45	0.41	0.40	0.46	0.52
BALANCE SHEET						
Fixed Assets		2,444	5,823	5,482	5,367	5,180
Tangible assets		2,226	5,675	5,325	5,210	5,023
Investments		121	0	0	0	0
Other		97	148	157	157	157
Current Assets		804	1,390	1,720	2,435	3,168
Inventories		472	712	606	649	637
Receivables		137	138	165	193	198
Cash		107	399	863	1,506	2,247
ST investments		35	41	25	25	25
Other		54	99	62	62	62
Current Liabilities		(381)	(624)	(687)	(717)	(707)
Creditors		(308)	(498)	(489)	(519)	(509)
Short term borrowings and leases		(27)	(52)	(47)	(47)	(47)
Other		(45)	(74)	(150)	(150)	(150)
Long Term Liabilities		(666)	(1,816)	(1,799)	(1,896)	(1,896)
LT debt and leases		(200)	(749)	(756)	(756)	(756)
Other long term liabilities		(467)	(1,067)	(1,043)	(1,140)	(1,140)
Net Assets		2,202	4,772	4,717	5,190	5,745
Minority interests		(6)	(12)	(13)	(16)	(18)
Shareholders' equity		2,195	4,761	4,704	5,174	5,727
CASH FLOW						
Operating Cash Flow		(340)	(105)	113	631	719
D&A, exceptionals, other		555	664	926	933	1,013
Working capital movement		(42)	69	(128)	(41)	(2)
Tax		(138)	(149)	(164)	(290)	(479)
Net Interest		(3)	(28)	(23)	(29)	(24)
Net operating cash flow		32	450	724	1,204	1,227
Capex		(275)	(379)	(323)	(372)	(298)
Acquisitions/disposals		9	759	310	0	0
Equity financing		1	0	0	0	0
Dividends		(95)	(130)	(145)	(167)	(188)
Other		20	(15)	(77)	(1)	0
Net Cash Flow		(308)	685	489	664	741
Opening net debt/(cash), including ST investments		(289)	85	361	(84)	(727)
FX and other		(66)	(961)	(44)	(21)	0
Closing net debt/(cash)		85	361	(84)	(727)	(1,468)
Closing net debt/(cash), excluding ST investments		120	402	(59)	(703)	(1,444)

Source: PAAS, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Pan American Silver and prepared and issued by Edison, in consideration of a fee payable by Pan American Silver. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright 2025 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.
