

# Pan American Silver

## Proxy advisors support Yamana vote

Operational update

Metals and mining

20 January 2023

**Price** **US\$18.6**  
**Market cap** **US\$3,915m**

Net cash (US\$m) at Q322 (excluding short-term investments) 84.6

Shares in issue 210.5m

Free float 100%

Code PAAS

Primary exchange TSX

Secondary exchange NYSE

### Share price performance



### 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. The company owns eight producing operations, the currently suspended top-tier Escobal silver mine and a number of large-scale advanced exploration projects.

### Analyst

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Pan American Silver (PAAS) has reported preliminary operational results for FY22. Consolidated silver and gold production of 18.5Moz and 552.5koz were within the earlier guidance ranges (previously revised for silver). PAAS continues to progress its recently announced plan of arrangement to buy all non-Canadian assets of Yamana Gold. Shareholder votes for both companies are scheduled for 31 January, while the leading proxy advisors ISS and Glass Lewis have recommended PAAS shareholders to vote in favor of the proposed share issue to acquire all outstanding Yamana shares. We put our forecasts and valuation of PAAS under review pending upcoming shareholder approvals of the deal, which we believe could be an important catalyst for the stock.

Year end	Revenue (US\$m)	EBITDA (US\$m)	EPS* (US\$)	DPS (US\$)	P/E (x)	Yield (%)
12/20	1,338.8	469.1	0.57	0.22	32.6	1.2
12/21	1,632.8	593.2	0.60	0.34	31.0	1.8
12/22e	1,540.8	296.6	(0.26)	0.45	N/A	2.4

Note: \*EPS is normalised, excluding exceptional items.

PAAS reported preliminary FY22 silver production of 18.5Moz, which was at the top end of the recently revised guidance range of 18.0–18.5Moz (earlier guidance of 19.0–20.5Moz), and gold production of 552.5koz, which was towards the lower end of the 550–605koz guidance range (reiterated in November). We had [estimated FY22 silver and gold production of 18.4Moz and 563koz, respectively](#). Despite the marginal production miss to our estimate for gold, we note that the 2022 gold price averaged at c US\$1,802/oz versus our estimate of US\$1,800/oz, while the average silver price was c US\$21.8/oz compared to our estimate of US\$21.7/oz. The company has not provided metal sales numbers at this stage and plans to release its full FY22 financial and operational results on 22 February after market close.

PAAS continues to move forward with its acquisition of Yamana Gold. Shareholder votes to approve the transaction for both companies are scheduled for 31 January. In the meantime, leading proxy advisors ISS and Glass Lewis have recommended that PAAS shareholders vote in favor of the proposed share issuance to acquire all outstanding Yamana shares.

We put our forecasts and valuation of PAAS under review pending the upcoming shareholder votes. Despite the recent strong recovery in gold and silver prices, driven by expectations of less aggressive interest rate hikes and milder economic recession, PAAS's share price performance remains muted as, we believe, investors await further progress on the transaction. To this end, we believe that the upcoming shareholder votes could be a strong share price catalyst. Overall, we continue to believe that PAAS has a clear rationale for the proposed Yamana acquisition as it allows the company to acquire established silver and gold operations in Latin America (with Agnico Eagle being a part of the transaction buying the Canadian assets) that are low cost, generate substantial cash flows, have relatively long mine lives with expansion potential and are located in the region where PAAS has significant operational expertise.

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