

Pan American Silver

Shareholders approve Yamana transaction

Company update

Metals and mining

2 February 2023

Price **US\$18.2**

Market cap **US\$3,831m**

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

Pan American Silver (PAAS) has reported that its shareholders approved the proposed share issue to acquire all outstanding Yamana Gold shares as part of its recently announced plan of arrangement to buy all non-Canadian assets of Yamana. At the same time, Yamana shareholders voted in favour of the special resolution approving the acquisition by PAAS of all the issued and outstanding shares in the company following the sale of all Canadian assets to Agnico Eagle. The transaction is expected to be completed in Q123 subject to receiving a number of regulatory approvals.

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	31.9	1.2
12/21	1,632.8	593.2	0.60	0.34	30.3	1.9

Note: *EPS is normalised, excluding exceptional items.

PAAS has reported that on 31 January its shareholders approved the resolution to authorise an issue of up to 156.9m shares in respect of the arrangement involving Pan American, Agnico Eagle and Yamana. The resolution was approved by 97.3% of shareholders who cast their votes at the special meeting. At the same time, Yamana shareholders voted in favour of the resolution approving the acquisition by PAAS, with 98.9% of shareholders approving the transaction (out of 61.6% of shareholders participating). The transaction is now expected to be completed in Q123 subject to a number of regulatory approvals.

Our forecasts and valuation of PAAS remain under review and we are looking to revisit them shortly. Despite the supportive strength of gold and silver prices, driven by expectations of less aggressive interest rate hikes and a milder economic recession, PAAS's share price performance remains relatively muted and, in our opinion, does not reflect the transformative nature of the Yamana transaction. Overall, we continue to believe that the Yamana acquisition has a clear rationale for PAAS as it brings highly cash-generative assets in Latin America (with Agnico Eagle being a part of the transaction buying the Canadian assets), where PAAS has significant operational expertise, and is likely to result in visible financial and operational synergies. While the company's gold exposure is likely to increase following the deal, we note that PAAS is still adding significant silver volumes to its production mix. It also has a pipeline of high-quality and large-scale silver assets such as Escobal and La Colorada Skarn which, once brought into production, should reinforce PAAS's position as one of the leading independent silver players.

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.

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