



# Americas Silver Corporation<sup>6</sup>

**BUY**

USA-TSX

April 4, 2019

Last: **C\$2.23**  
Target: **C\$5.50**

## Financing package de-risks Relief Canyon and brings Sandstorm as strategic equity partner

Last night, Americas Silver announced the closing of the Pershing transaction and a financing package provided by Sandstorm Gold to fund the construction of the Relief Canyon heap leach gold mine in Nevada.

### Sandstorm provides funding and becomes strategic partner

Sandstorm is providing construction financing of \$42.5mm by way of a \$25mm precious metals delivery and stream agreement, a \$10mm convertible debenture which converts at a 35% premium to the 5-day VWAP, and a \$7.5mm equity placement done at the 5-day VWAP. With the equity placement and convertible, Sandstorm will own ~6% of USA shares.

The \$25mm gold purchase/stream entails fixed delivery of 33 koz over the first 5.5 years of the mine life, and a 4% gold and silver stream afterwards in exchange for between 30-65% of spot price. At spot prices, it looks to be around ~18% IRR for Sandstorm, in line with recent peer transactions.

The company is also selling its San Felipe property option to Premier Gold for \$10.8mm, \$7mm of which will be paid now and the remainder is dependent on future construction/production milestones. This is a positive development as it both reduces exposure to zinc and provides non-dilutive cash to the balance sheet.

### San Rafael Zone 120/El Cajón PFS results

The company also released the results of a PFS on the EC120 project, which would see an additional 2.5 Moz of silver and 4.6 Mlbs copper production annually over a 5-year mine life. While the initial reserves came in a bit lighter than we modeled, most study metrics were in line with our model.

### Recommendation

The financing package has de-risked the Relief Canyon development plan and also brings Sandstorm as a strategic equity partner. Management is targeting first gold pour by late 4Q19/early 1Q20, and we believe the financing package removes the balance sheet risk in the construction phase.

We reiterate our BUY recommendation and maintain our target of C\$5.50, derived from a P/NAV multiple of 1.0x and a CAD/USD assumption of 0.75.

What's Changed	Old	New
Rating	BUY	n.c.
Target	C\$5.50	n.c.
Silver Equivalent Production 2019E (kSEO)	7,262	7,210
Silver Equivalent Production 2020E (kSEO)	14,376	13,263
Silver Equivalent Production 2021E (kSEO)	16,953	18,130

Share Data	
Share o/s (mm, basic/f.d. f.f itm)	52/87
52-week high/low	C\$5.37/C\$1.66
Market cap (\$mm)	\$128
EV (\$mm)	\$96
Net debt (\$mm)	(\$32)
Projected return	147%
NAV/share	\$4.14
P/NAV	0.40x
P/NAV at spot	0.43x

Financial Data			
YE Dec. 31	2019E	2020E	2021E
Silver Eq. Production (kSEO)	7,210	13,263	18,130
Total cash costs (\$/SEO)	\$9.42	\$8.50	\$8.16
AISC (\$/SEO)	\$11.96	\$9.91	\$9.36
FCF to equity (\$mm)	(\$37)	\$24	\$75
EPS	\$0.13	\$0.39	\$0.58
CFPS	\$0.34	\$0.70	\$1.10
P/E	13.3 x	4.3 x	2.9 x
P/CF	4.9 x	2.4 x	1.5 x
EV/EBITDA	3.4 x	1.7 x	1.0 x

All figures in US\$ unless otherwise noted

Current Chart

Previous Research

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## AMERICAS SILVER CORP.



Ticker (TSX)	USA
Current price	C\$2.23
52-week high/low	C\$5.37/C\$1.66
Market cap (\$mm)	\$128.2
Net debt (\$mm)	(\$31.9)
EV (\$mm)	\$96.3

GMP MACRO ASSUMPTIONS	2018A	2019E	2020E	2021E	2022E
Gold price (\$/oz)	\$1,272	\$1,301	\$1,300	\$1,300	\$1,300
Silver price (\$/oz)	\$15.72	\$16.14	\$16.25	\$16.25	\$16.25
Copper price (\$/lb)	\$2.94	\$2.88	\$3.10	\$3.10	\$3.10
Zinc price (\$/lb)	\$1.33	\$1.28	\$1.30	\$1.30	\$1.10
Lead price (\$/lb)	\$1.02	\$0.98	\$1.00	\$1.00	\$1.00

OPERATIONS SUMMARY	2018A	2019E	2020E	2021E	2022E
Gold production (koz)	-	-	64	82	83
Silver production (koz)	1,418	1,889	2,620	5,167	5,166
Copper production (klbs)	-	-	-	4,623	4,623
Zinc production (klbs)	34,219	40,109	41,913	41,913	38,251
Lead production (klbs)	30,467	35,170	35,862	35,862	34,502
Silver equivalent production (kSEO)	6,287	7,210	13,263	18,130	17,392
Total cash costs (\$/SEO) - co-product	\$10.43	\$9.42	\$8.50	\$8.16	\$8.75
AISC (\$/SEO) - co-product	\$13.91	\$11.96	\$9.91	\$9.36	\$9.83

FINANCIAL STATEMENTS	2018A	2019E	2020E	2021E	2022E
<b>Income statement (\$mm)</b>					
Revenue	\$68.4	\$88.9	\$178.9	\$249.3	\$240.4
Operating costs	\$52.1	\$51.6	\$110.3	\$144.2	\$142.5
EBITDA	\$5.6	\$28.0	\$58.1	\$94.0	\$86.7
Depreciation	\$10.6	\$14.9	\$22.9	\$40.7	\$37.0
Adj. net income	(\$6.1)	\$9.5	\$32.0	\$47.4	\$37.2
Weighted average shares out (mm)	43.6	71.9	81.7	81.7	81.7
<b>Cash flow statement (\$mm)</b>					
Operating cash flow	\$9.0	\$20.3	\$52.9	\$90.0	\$76.3
Investing cash flow	(\$19.2)	(\$40.2)	(\$23.3)	(\$15.0)	(\$12.0)
Financing cash flow	\$4.3	\$32.7	(\$5.5)	(\$0.1)	\$0.0
Net change in cash	(\$5.9)	\$12.9	\$24.1	\$74.9	\$64.3
Ending cash balance	\$3.5	\$16.3	\$40.4	\$115.3	\$179.6

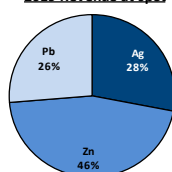
<b>Balance sheet (\$mm)</b>					
Cash & equivalents	\$3.5	\$16.3	\$40.4	\$115.3	\$179.6
Current assets	\$29.4	\$46.3	\$74.4	\$149.3	\$213.5
Current liabilities	\$23.0	\$19.9	\$14.5	\$14.4	\$24.4
Working capital	\$6.4	\$26.4	\$59.9	\$134.9	\$189.2
Short term debt	\$8.6	\$5.5	\$0.1	\$0.0	\$10.0
Long term debt	\$5.5	\$10.1	\$10.0	\$10.0	\$0.0
Net debt	\$10.6	(\$0.7)	(\$30.3)	(\$105.3)	(\$169.6)

FINANCIAL HIGHLIGHTS	2018A	2019E	2020E	2021E	2022E
Adj. EPS (\$/sh)	(\$0.14)	\$0.13	\$0.39	\$0.58	\$0.46
Adj. CFPS (\$/sh)	\$0.16	\$0.34	\$0.70	\$1.10	\$0.93
Free cash flow to firm (\$mm)	(\$5.9)	(\$26.9)	\$29.6	\$75.0	\$64.3
Free cash flow to equity (\$mm)	(\$9.8)	(\$36.6)	\$24.1	\$74.9	\$64.3
FCF to equity per share (\$/sh)	(\$0.22)	(\$0.51)	\$0.30	\$0.92	\$0.79
FCF to equity per AgEq ounce (\$/SEO)	(\$1.55)	(\$5.08)	\$1.82	\$4.13	\$3.70

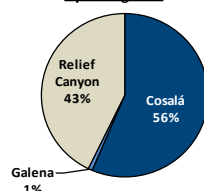
RATIO ANALYSIS	2018A	2019E	2020E	2021E	2022E
P/E	nm x	13.3 x	4.3 x	2.9 x	3.7 x
P/CF	10.6 x	4.9 x	2.4 x	1.5 x	1.8 x
EV/EBITDA	17.3 x	3.4 x	1.7 x	1.0 x	1.1 x
Net debt/EBITDA	1.9 x	(0.0)x	(0.5)x	(1.1)x	(2.0)x

## METAL EXPOSURE AND ASSET BREAKDOWN

2019 Revenue at spot



Operating NAV

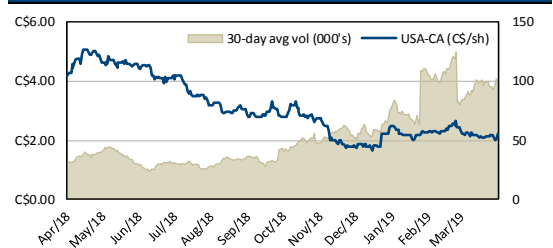


Source: GMP estimates, USA reports, FactSet

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Date	4-Apr-19
Rating	BUY
Target	C\$5.50
Implied return	147%
Current basic shares o/s (mm)	76.8
GMP model fully diluted ITM, fully financed shares (mm)	87.0

## 1-YEAR PRICE CHART



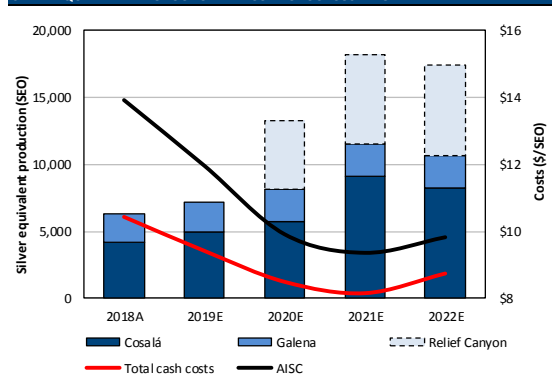
## NAV SUMMARY

Item	Location	Discount rate	Value \$mm	\$/sh	% of total NAV
Cosalá	Mexico	5%	\$183	\$2.10	51%
Galena	Idaho	5%	\$3	\$0.03	1%
Relief Canyon	Nevada	5%	\$139	\$1.60	39%
San Felipe	Mexico		\$11	\$0.12	3%
Working capital			\$52	\$0.60	14%
Long term debt			(\$6)	(\$0.06)	(2%)
ITM options and warrants			\$1	\$0.01	0%
Other corporate adjustments		5%	(\$23)	(\$0.26)	(6%)
<b>Total NAV</b>			<b>\$360</b>	<b>\$4.14</b>	<b>100%</b>

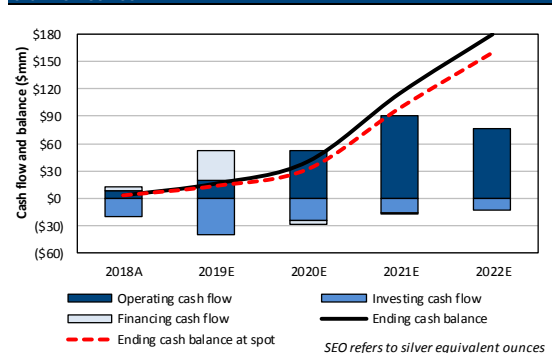
<b>Total NAV at spot</b>	<b>\$337</b>	<b>\$3.87</b>
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P/NAV at GMP metal price deck	0.40x
P/NAV at spot metal prices	0.43x

## SILVER EQUIVALENT PRODUCTION AND CO-PRODUCT COST PROFILE



## CASH FLOW OUTLOOK



SEO refers to silver equivalent ounces

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