

Ticker: APM CN**Net cash 2Q24:** US\$28m**Project:** San Bartolome/ Soledad Mtn.**Market cap:** C\$142m**Price:** C\$0.85/sh**Country:** Bolivia / USA**REC. (unc):** BUY**TARGET (+0.10):** C\$1.40/sh**RISK RATING (unc):** HIGH

Today's Q2 report shows significant QoQ improvement and cash flow inflection for Andean, with US\$8m of cash flow generation and better production, AISC, and cash flow than our estimates. This is the inflection we've been waiting for from Andean – they've been cheap on valuation vs. production (~US\$80m vs. ~120kozpa AuEq run rate), but the market needed positive FCF to move the stock. Now, going forward, we forecast ~US\$7.5m/quarter (US\$35m/year FCF run rate) with stable production at Golden Queen, with potential to extend mine life there, and San Bartolomé generating higher margins on ore purchasing than the previous pallado processing. **Updating for financials today, we maintain our BUY rating and lift our target price to C\$1.40/sh (prev C\$1.30/sh) based on 1.0xNAV5% at US\$30/oz Ag and US\$2000/oz Au LT.** Even though we had our frustrations at times, we have to congratulate Andean on playing the cycle very well – patiently waiting for the right acquisition and picking up a cash-flowing asset at the right time in the cycle. At US\$80m EV, and potential for ~US\$30m/year FCF, the company offers great value but now with a larger multi-asset platform, a cornerstone US asset, and a balance sheet that could enable further M&A growth or share buybacks.

Table 1: 2Q24 vs SCPe and 1Q24

Operations	1Q24A	2Q24E	2Q24A	QoQ	vs SCPe	Financials	1Q24A	2Q24E	2Q24A	QoQ	vs SCPe
Golden Queen - Ore mined (Mt)	0.83	0.98	0.93	11%	-5%	Silver Eq sold (Moz)	1.83	2.25	1.08	-41%	-52%
Grade mined (g/t Au)	0.80	0.70	0.66	-18%	-6%	Revenue (US\$m)	43.1	63.2	69.8	62%	10%
Strip ratio (x)	7.0	5.9	5.3	-24%	-11%	EBITDA (US\$m)	3.6	17.8	24.5	580%	37%
Au Eq production (koz)	11.5	15.7	17.0	48%	8%	Net income (US\$m)	-0.1	8.9	9.4	up	5%
AISC (US\$/oz)	1,936	1,713	1,752	-10%	2%	Cash flow from ops (US\$m)	-4.7	-5.1	13.0	up	up
San Bartolome - AgEq production (Moz)	0.8	0.9	1.1	30%	14%	Capex (US\$m)	-2.8	-11.1	-5.2	85%	-53%
CGOM (US\$/oz)	-0.7	4.2	5.2	up	23%	FCF (US\$m)	-7.5	-16.2	7.8	up	up
AgEq Total production (Moz)	1.8	2.2	2.5	35%	13%	Change in adj net cash (US\$m)	-8.4	-16.2	6.3	-174%	-139%
AuEq Total production (koz)	21.3	27.5	29.9	40%	9%	Adj net cash at end ⁽¹⁾ (US\$m)	22.1	5.9	28.4	28%	379%

Source: Andean Precious Metals; SCPe; (1) includes cash, restricted cash, metals inventory, VAT certificates, and marketable securities less debt

2Q24: Inflection with US\$8m FCF generation, very cheap at US\$80m EV for 120kozpa AuEq

Today, Andean reported its Q2 results. **Production:** In Q2, San Bartolomé complex produced 1.08Moz AgEq at a US\$5.15/oz cash gross operating margin, while the Golden Queen mine produced 17koz AuEq at US\$1,752/oz AISC. **Guidance** was reiterated at 60koz AuEq at US\$1750/oz (+/- 5%) at Golden Queen and 5Moz AgEq at a 19.5% gross margin (+/- 5%) at San Bartolomé.

Financials: Revenue for Q2 was US\$70m, EBITDA US\$25m with US\$8m of FCF. Net income for the quarter was US\$9m, and cash flow from operations was US\$13m, with US\$5m of capex. Andean ended the quarter with US\$28m of net cash, marketable securities, metal inventory, and VAT certificates, including US\$47m of cash, US\$40m of marketable securities, and US\$64m of debt.

Why we like Andean

1. San Bartolome is Bolivia's only Ag oxide mill, new Ag oxide discoveries being made in Bolivia
2. Now has two producing assets in the Americas

Catalysts

- 2024: Stronger 2H24 in group production and costs post fire incident at Golden Queen
- 2024: First production from San Bartolome FDF
- Ongoing: Exploration and M&A review

Research

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Ticker: APM CN	Price / mkt cap: C\$0.95/sh, C\$142m	Market P/NAV: 0.70x	Assets: San Bart./Soledad Mtn.
Author: J Chan	Rec / PT: BUY / C\$1.40	1xNAV ₂₀₂₄ FD: C\$1.36/sh	Country: Bolivia / USA

Group-level SOTP valuation					Resource / Reserve				
	1Q24E	2Q24E			Mt	Moz Ag	Moz Au	EV/oz Ag	EV/oz AgEq
	US\$m	O/ship	NAVx	C\$/sh					
San Bartolome NPV 2Q24E	69	100%	1.0x	0.59	Measured, ind. & inf. - Andean	4.14	28.1	3.0	3.0
Golden Queen NPV 2Q24E	55	100%	1.0x	0.47	SCPe Mine inventory	5.74	34.6	2.5	2.5
Central SG&A & fin costs 2Q24E	(8)	-	1.0x	(0.07)	Share data				
Nominal exploration upside	10	-	1.0x	0.09	Basic shares (m): 149.9	FD + options (m): 155.9	FD + FF	155.9	
Cash and mark. sec. 1Q24E	87	-	1.0x	0.74	Commodity price	CY21A	CY22E	CY23E	CY24E
Metal inventory and VAT certificates	11	-	1.0x	0.09	Silver price (US\$/oz)	26.3	22.2	23.5	29.1
Pro forma debt	(64)	-	1.0x	(0.55)	Ratio analysis	CY21A	CY22E	CY23E	CY24E
ITM options	1	-	1.0x	0.01	FD shares out (m)	151.3	157.9	168.1	178.1
1xNAV5% US\$30/oz	160			1.36	EPS (US\$/sh)	0.028	(0.056)	0.229	0.112
Target multiples	Multiple			C\$/sh	CFPS before w/c (US\$/sh)	0.21	(0.00)	0.06	0.21
Target P/NAV Multiple	1.00x			1.40	FCFPS pre growth spend (US\$/s)	0.20	(0.04)	(0.03)	0.11
Target price				1.40	FCF/sh (US\$/sh)	0.20	(0.04)	(0.06)	0.03
Sensitivity to silver or gold price and discount / NAV multiple					FCF yield - pre growth spend (%)	28.3%	neg	neg	15.2%
1xNAV San Bartolome (US\$m)	\$25.0oz	\$27.5oz	\$30.0oz	\$32.5oz	FCF yield (%)	28.3%	neg	neg	4.8%
7% discount	66	66	66	67	EBITDA margin (%)	21.2%	(1%)	4.2%	17.5%
5% discount	68	69	69	69	FCF margin (%)	20.6%	(6%)	(9%)	2.1%
3% discount	71	71	72	72	ROA (%)	3.0%	(7%)	14.3%	7.1%
1xNAV Soledad Mountain (US\$m)	\$1800oz	\$1900oz	\$2000oz	\$2100oz	ROE (%)	4.2%	(9%)	29.2%	13.2%
7% discount	20	36	53	68	ROCE (%)	16.7%	(8%)	0.0%	13.1%
5% discount	20	38	55	71	PER (x)	24.3x	(12.9x)	3.1x	6.2x
3% discount	21	39	57	74	P/CF (x)	3.3x	(1,034.5x)	11.2x	3.3x
Valuation (C\$/sh)	\$1800oz	\$1900oz	\$2000oz	\$2100oz	EV/EBITDA (x)	0.5x	(20.6x)	19.3x	2.1x
0.80xNAV	0.80	1.00	1.10	1.20	Income statement				
1.00xNAV	1.10	1.20	1.40	1.50	Revenue (US\$m)	144.2	108.0	125.3	281.0
1.20xNAV	1.30	1.50	1.60	1.80	COGS (US\$m)	(95.0)	(91.1)	(105.9)	(219.2)
Valuation over time	1Q24E	1Q25E	1Q26E	1Q26E	Gross profit (US\$m)	49.2	16.9	19.4	61.8
Mines NPV (US\$m)	134	117	77	69	Expenses (US\$m)	-	(19.4)	(22.6)	(18.5)
Cntrl G&A & fin costs (US\$m)	(16)	(4)	8	(1)	Impairment & other (US\$m)	-	-	-	-
Net cash (US\$m)	23	51	71	76	Net finance costs (US\$m)	(0.2)	0.0	42.9	1.9
Other Assets + Options	11	11	11	11	Tax (US\$m)	(15.7)	(0.0)	(4.4)	(13.0)
1xNAV (US\$m)	153	175	167	155	Minority interest (US\$m)	-	-	-	-
P/NAV (x):	0.72x	0.64x	0.66x	0.72x	Net income attr. (US\$m)	33.3	(2.5)	35.4	32.2
1xNAV share px FD (C\$/sh)	1.31	1.50	1.43	1.32	EBITDA	4.3	(8.8)	38.5	20.0
ROI to equity holder (% pa)	17%	25%	15%	9%	Cash flow	CY21A	CY22E	CY23E	CY24E
1.3xNAV share px FD (C\$/sh)	1.70	1.94	1.86	1.72	Profit/(loss) after tax (US\$m)	4.3	(10.1)	38.5	20.0
ROI to equity holder (% pa)	34%	43%	25%	16%	Add non-cash items (US\$m)	27.3	10.0	(28.0)	18.0
Production (100%)	CY22A	CY23A	CY24E	CY25E	Less wkg cap / other (US\$m)	2.1	(2.6)	(6.4)	(1.3)
San Bartolome (000oz AgEq)	4,991	4,715	4,944	4,719	Cash flow ops (US\$m)	33.6	(2.7)	4.2	36.8
San Bartolome cash cost (US\$/oz Ag)	17.51	19.32	21.90	20.65	PP&E (US\$m)	(3.4)	(2.2)	(6.0)	(25.8)
San Bartolome AISC (US\$/oz AgEq)	19.55	21.50	24.87	24.14	Other (US\$m)	(0.5)	(1.5)	(9.0)	(5.0)
Soledad Mtn. (000oz AuEq)	-	6	61	80	Cash flow inv. (US\$m)	(3.9)	(3.7)	(15.0)	(30.8)
Soledad Mtn. cash cost (US\$/oz AuEq)	-	1,012	1,539	1,467	Debt draw (repayment) (US\$m)	(0.2)	(0.2)	(7.8)	(7.5)
Soledad Mtn. AISC (US\$/oz AuEq)	-	1,557	1,774	1,705	Equity issuance (US\$m)	19.6	(0.2)	(1.7)	-
Group (000oz Ag)	4,788	4,602	4,970	4,408	Other (US\$m)	-	1.1	0.1	-
Group (000oz Au)	3	7	55	72	Cash flow fin. (US\$m)	19.4	0.8	(9.3)	(7.5)
Group (000oz AgEq)	4,991	5,202	9,312	9,516	Net change post forex (US\$m)	49.1	(5.7)	(20.2)	(1.5)
Group cash cost (US\$/oz AgEq)	18.22	19.80	22.02	22.17	Balance sheet	CY21A	CY22E	CY23E	CY24E
Group AISC (US\$/oz AgEq)	22.22	23.45	23.55	23.70	Cash (US\$m)	87.3	80.7	64.9	63.4
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development					Accounts receivable (US\$m)	3.1	0.2	0.9	2.2
■ Production (koz AgEq) — AISC (US\$/oz)					Inventories (US\$m)	8.7	11.7	68.4	68.4
					PPE & exploration (US\$m)	20.7	16.6	92.4	105.1
					Other (US\$m)	20.5	24.6	43.4	43.4
					Total assets (US\$m)	140.3	133.9	269.9	282.4
					Debt (US\$m)	-	-	47.5	40.0
					Other liabilities (US\$m)	37.7	39.4	90.5	90.5
					Shareholders equity (US\$m)	24.6	26.5	25.5	25.5
					Retained earnings (US\$m)	78.0	67.9	106.4	126.5
					Minority int. & other (US\$m)	-	-	-	-
					Liabilities+equity (US\$m)	140.3	133.9	269.9	282.4

Source: SCP estimates

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TENDER:	1
NOT RATED:	0
TOTAL	49

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