

Ticker: APM CN **Net cash:** US\$88m **Project:** San Bartolome
Market cap: C\$158m **Price:** C\$1.00/sh **Country:** Bolivia

REC. (unc): BUY **TARGET (unc):** C\$1.30/sh **RISK RATING (unc):** HIGH

While hitting guidance isn't always the most exciting headline, it's encouraging to see Andean building a reliable track record early in its life as a listed company. Between the lines, what stood out was the continued improvement in recoveries at 78%, up from 74-75% in H1, suggesting good progress maintaining stricter standards on purchased ore, which was a mentioned focus on the last quarterly call. Versus our estimates, we had slightly higher production than today's actuals (SCPe 1.5Moz vs 1.2Moz actual mainly driven by grade) for the quarter, but we are pleased to see progress made QoQ on both grade +5% (from 115g/t to 121g/t AgEq) and recoveries +1% (from 77% to 78%). While the company is trading at just cash plus 2Y FCF (at spot), investor focus is rightly on mine extensions. Although reserves only support 2-3 years, processing third party sources is likely to continue well beyond this, albeit hard to value given lack of visibility. There is a flyer on new project acquisitions also, as well as converting the Ag-Sn FDF expansion which offers price sensitive optionality. As such, **we reiterate our BUY rating and maintain our 1.0x NAV_{5%}-_{20/oz price} C\$1.30/sh PT.** At the current price we see value here: San Bartolome offers levered upside to higher silver price, backstopped by a strong balance sheet in a time when quite a few LatAm producers are struggling.

1.2Moz AgEq 4Q22 production hits annual guidance with 5.0Moz AgEq; recoveries up QoQ

Andean announced 1.2Moz AgEq production in 4Q22 at San Bartolomé ahead of mid-March full results and 2023 guidance, achieving the lower end of their 2022 guidance (5.0-5.3Moz) with 5.0Moz AgEq. Grade was in line with the full year range while recoveries continued their H2 improvements +1% overall to 78%.

Table 1: 4Q22 vs SCPe and 3Q22; 2022 vs 2021

Operations	3Q22A	4Q22E	4Q22A	QoQ	vs SCPe	2021A	2022A	YoY
Ore milled (000t)	0.4	0.4	0.4	-1%	-7%	1.7	1.6	-7%
Head grade (g/t)	115	131	121	5%	-7%	115	120	5%
Recovery (%)	77%	79%	78%	1%	-1%	84%	77%	-8%
Silver Eq production (koz)	1.2	1.5	1.2	-2%	-20%	5.8	5.0	-14%

Source: Andean Precious Metals; SCPe

Why we like Andean

1. San Bartolome is Bolivia's only Ag oxide mill, new Ag oxide discoveries being made in Bolivia
2. US\$90m net cash provides balance sheet for growth
3. 5Moz San Bartolome is first step towards multi asset producer

Catalysts

- Scoping study on San Bartolome Expansion to process FDF
- Ongoing: Exploration and M&A review

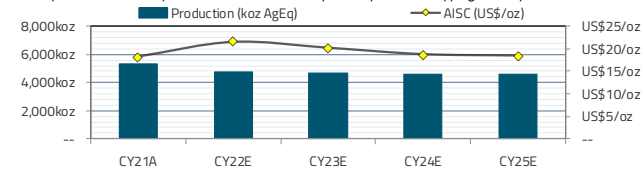
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Ticker: APM CN	Price / mkt cap: C\$1.00/sh, C\$158m	Market P/NAV: 0.79x	Assets: San Bartolome
Author: J Chan / E Magdzinski	Rec / PT: BUY / C\$1.30	1xNAV_{1Q23} FD: C\$1.26/sh	Country: Bolivia

Group-level SOTP valuation						Share data					
	3Q22	4Q22E									
	US\$m	O/ship	NAVx	C\$/sh							
San Bartolome NPV 4Q22E	99	100%	1.0x	0.83	Basic shares (m):	157.9	FD + options (m):	165.5	FD + FF	165.5	
Central SG&A & fin costs 4Q22E	(65)	-	1.0x	(0.54)	Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E	
Exploration	25	-	1.0x	0.21	Silver price (US\$/oz)	26.3	24.5	23.3	20.6	20.0	
Cash and restr. cash 3Q22	89	-	1.0x	0.75	Ratio analysis	CY21A	CY22E	CY23E	CY24E	CY25E	
Debt 3Q22	0	-	1.0x	0.00	FD shares out (m)	160.0	160.0	160.0	160.0	160.0	
ITM options	2	-	1.0x	0.02	EPS (US\$/sh)	0.027	(0.043)	0.018	(0.005)	(0.012)	
1xNAV5% US\$20/oz	151			1.26	FCFPS before w/c (US\$/sh)	0.20	0.04	0.06	0.04	0.03	
Target multiples	Multiple			C\$/sh	FCFPS pre growth spend (US\$/sh)	0.18	0.02	0.03	(0.14)	0.01	
Target P/NAV Multiple	1.00x			1.30	FCF/sh (US\$/sh)	0.19	0.01	0.04	(0.14)	0.01	
Target price	1.30			1.30	FCF yield - pre growth spend (%)	23.6%	2.5%	4.2%	neg	0.7%	
Sensitivity to silver price and discount / NAV multiple						FCF yield (%)	24.9%	1.3%	5.4%	neg	0.7%
1xNAV San Bartolome (US\$m)	\$16oz	\$18oz	\$20oz	Spot: \$24.2oz	\$24oz	EBITDA margin (%)	21.2%	2.4%	13.2%	8.9%	7.6%
7% discount	56	76	95	135	133	FCF margin (%)	20.6%	1.3%	5.8%	(20%)	0.8%
5% discount	56	78	99	144	142	ROA (%)	3.0%	(5%)	2.0%	(1%)	(1%)
3% discount	56	81	104	154	151	ROE (%)	4.2%	(7%)	2.8%	(1%)	(2%)
Valuation (C\$/sh)	\$16oz	\$18oz	\$20oz	Spot: \$24.2oz	\$24oz	PER (x)	16.7%	(4%)	6.9%	2.5%	1.1%
0.80xNAV	0.80	0.90	1.00	1.30	1.30	P/CF (x)	26.2x	(17.1x)	40.6x	(132.6x)	(57.9x)
1.00xNAV	1.00	1.10	1.30	1.60	1.60	EV/EBITDA (x)	0.8x	11.1x	1.4x	4.1x	4.9x
1.20xNAV	1.10	1.30	1.50	1.90	1.90	Income statement	CY21A	CY22E	CY23E	CY24E	CY25E
2025E net cash (US\$m)	\$16oz	\$18oz	\$20oz	Spot: \$24.2oz	\$24oz	Revenue (US\$m)	144.2	111.2	109.2	112.8	109.9
-10% change in opex	74	84	93	113	112	COGS (US\$m)	(95.0)	(91.8)	(86.1)	(93.7)	(92.8)
0% change in opex	55	66	74	93	92	Gross profit (US\$m)	49.2	19.3	23.1	19.1	17.1
10% change in opex	32	45	56	74	73	Expenses (US\$m)	-	(19.4)	(22.6)	(18.5)	(29.0)
Valuation over time	1Q22A	1Q23E	1Q24E	1Q25E	1Q25E	Impairment & other (US\$m)	-	-	-	-	-
Mines NPV (US\$m)	99	55	50	73	73	Net finance costs (US\$m)	(0.2)	(1.3)	-	-	-
Cntrl G&A & fin costs (US\$m)	(65)	(55)	(55)	(52)	(47)	Tax (US\$m)	(15.7)	(1.2)	(5.6)	(3.9)	(3.3)
Net cash (US\$m)	89	96	74	74	82	Minority interest (US\$m)	-	-	-	-	-
Other Assets + Options	27	27	27	27	27	Net income attr. (US\$m)	33.3	(2.5)	(5.0)	(3.4)	(15.2)
1xNAV (US\$m)	151	124	95	122	135	EBITDA	4.3	(6.9)	2.9	(0.9)	(2.0)
P/NAV (x):	0.79x	0.96x	1.25x	0.97x	0.88x	Cash flow	CY21A	CY22E	CY23E	CY24E	CY25E
1xNAV share px FD (C\$/sh)	1.26	1.04	0.80	1.03	1.13	Profit/(loss) after tax (US\$m)	4.3	(7.8)	2.9	(0.9)	(2.0)
ROI to equity holder (% pa)	26%	2%	-7%	1%	3%	Add non-cash items (US\$m)	27.3	13.5	6.0	7.0	7.0
1.3xNAV share px FD (C\$/sh)	1.64	1.35	1.04	1.34	1.47	Less wkg cap / other (US\$m)	2.1	(1.5)	1.4	0.3	0.0
ROI to equity holder (% pa)	64%	16%	1%	8%	8%	Cash flow ops (US\$m)	33.6	4.1	10.2	6.5	5.1
Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag	EV/oz AgEq	PP&E (US\$m)	(3.4)	(2.6)	(3.9)	(29.2)	(4.2)
Measured, ind. & inf. - Andean	4.14	28.1		1.2	1.2	Other (US\$m)	(0.5)	-	-	-	-
SCPe Mine inventory	7.95	38.9		0.9	0.9	Cash flow inv. (US\$m)	(3.9)	(2.6)	(3.9)	(29.2)	(4.2)
Production (100%)	CY21A	CY22E	CY23E	CY24E	CY25E	Debt draw (repayment) (US\$m)	(0.2)	(0.1)	-	-	-
San Bartolome (000oz Ag)	5,357	4,769	4,708	4,555	4,555	Equity issuance (US\$m)	19.6	-	1.8	-	-
San Bartolome (000oz Au)	5.7	2.8	3.0	3.0	3.0	Other (US\$m)	-	-	-	-	-
San Bartolome (000oz AgEq)	5,791	4,978	4,950	4,808	4,833	Cash flow fin. (US\$m)	19.4	(0.1)	1.8	-	-
San Bartolome cash cost (US\$/oz Ag)	14.41	16.79	15.93	14.89	14.68	Net change post forex (US\$m)	49.1	1.4	8.2	(22.8)	0.9
San Bartolome AISC (US\$/oz AgEq)	17.27	19.16	18.53	17.34	17.08	Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Group (000oz Ag)	5,357	4,769	4,708	4,555	4,555	Cash (US\$m)	87.3	88.2	96.4	73.6	74.5
Group (000oz AgEq)	5,791	4,978	4,950	4,808	4,833	Accounts receivable (US\$m)	3.1	2.7	2.9	2.9	2.8
Group cash cost (US\$/oz)	16.52	18.42	17.68	16.43	16.17	Inventories (US\$m)	8.7	12.2	8.6	9.4	9.3
Group AISC (US\$/oz)	18.21	21.65	20.27	18.75	18.44	PPE & exploration (US\$m)	20.7	17.9	15.9	38.1	35.3
						Other (US\$m)	20.5	17.8	17.8	17.8	17.8
						Total assets (US\$m)	140.3	138.8	141.5	141.8	139.7
						Debt (US\$m)	-	-	-	-	-
						Other liabilities (US\$m)	37.7	42.6	40.7	41.8	41.7
						Shareholders equity (US\$m)	24.6	26.1	27.9	27.9	27.9
						Retained earnings (US\$m)	78.0	70.1	73.0	72.1	70.1
						Minority int. & other (US\$m)	-	-	-	-	-
						Liabilities+equity (US\$m)	140.3	138.8	141.5	141.8	139.7

C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development



Source: SCP estimates

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Summary of Recommendations as of January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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