

Research Note

# Santacruz Silver – Solid Q3 Beat as Blockade Concentrate Ships; Cash Position Doubled

| Rating | Target Price |
|---|---|
| **BUY** | **C$27.00** |
| *Unchanged* | *Unchanged* |

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**Disseminated on Behalf of Santacruz Silver**

*All figures in USD unless otherwise stated*

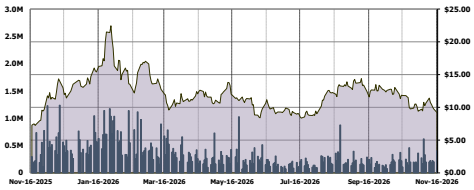
| Santacruz Silver Mining Ltd. | SCZ:TSX |
|---|---|
| Rating | BUY |
| Target Price | C$27.00 |
| Return to Target | 153% |

| Market Data | |
|---|---|
| Share Price | C$10.69 |
| Average Daily Volume (M) | 0.3 |
| FD ITM Shares (M) | 94.7 |
| Market Cap ($M) | $707.5 |
| Cash & Marketable Securities ($M) | $124.6 |
| Debt ($M) | $42.6 |
| Enterprise Value ($M) | $625.5 |

| Estimates (FYE Dec 31) | 2025A | 2026E | 2027E |
|---|---|---|---|
| AgEq Production (Moz) | 13.4 | 11.6 | 12.4 |
| Revenue ($M) | $326.4 | $527.8 | $584.2 |
| EBITDA ($M) | $104.6 | $201.9 | $323.2 |
| Operating Cash Flow ($M) | $79.1 | $119.8 | $201.9 |
| CFPS | $0.84 | $1.27 | $2.13 |

| Valuation | |
|---|---|
| NAVPS | $18.70 |
| P/NAV | 0.4x |
| 2026E EV/CF | 5.2x |
| 2027E EV/CF | 3.1x |
| FCF Yield (2026E) | 13% |
| 2026E P/E | 9.9x |

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents




Santacruz Silver is engaged in the operation, acquisition, exploration, and development of mineral properties in Latin America. The Bolivian operations are comprised of three operating mines, Bolivar, Porco, and Caballo Blanco Group. The Soracaya exploration project and San Lucas ore sourcing and trading business are also in Bolivia. The Zimapan mine is in Mexico.

**What you need to know:**

- Timing of sales drove a strong Q3 beat, as silver and zinc sales exceeded production by +18% and +7%, respectively.
- As a result, revenue of $153.3M came in +29% above our forecast, anchoring stronger-than-forecast earnings.
- OCF and FCF of $65.6M and $56.5M significantly increased QoQ strengthening the balance sheet.
- SCZ ended Q3 with $124.6M in cash and liquid marketable securities well positioning the Company for growth with a QoQ doubling of cash.

Santacruz Silver (SCZ:TSX, SCZM:NASDAQ) released its Q3 financials yesterday after-market. The Company pre-reported strong Q3 production of 3.0Moz AgEq, which included 1.5Moz Ag and 22.1Kt Zn. Sales outpaced production as concentrate held up by the Q2 Bolivian blockades (read our note here) was sold in the quarter, resulting in sales of 1.8Moz Ag and 23.6Kt Zn (+18% and +7% vs. production), and a solid beat on financials vs. our forecast. With a strong QoQ increase in OCF from $15.4M in Q2 to $65.6M in Q3, SCZ delivered FCF of $56.5M and doubled its cash balance QoQ to $102.8M (+104% QoQ) with an additional $21.8M in highly liquid marketable securities. SCZ's strong operating performance has delivered a strengthened balance sheet, positioning the Company to deliver on its long-term growth initiatives. **We are maintaining our BUY rating and target price of C$27.00/share on SCZ.**

| | Q3/26A | Atrium Est. | Variance to Est. | Q2/26A | YoY |
|---|---|---|---|---|---|
| Revenue ($M) | **$153.3** | $118.8 | +29% | $113.5 | +92% |
| Gross Profit ($M) | **$60.1** | $50.3 | +19% | $51.1 | +198% |
| Net Income ($M) | **$37.6** | $28.0 | +34% | $2.0 | +130% |
| Adj. EBITDA ($M) | **$61.1** | $52.7 | +16% | $46.7 | +213% |
| OCF ($M) | **$65.6** | $34.0 | +93% | $15.4 | +187% |
| FCFF ($M) | **$56.5** | $23.5 | +140% | $8.9 | +260% |

**Figure 1: Q3/26 Financial Highlights**

## Financial Highlights

- Realized prices of $64.72/oz Ag and $4,011/t Zn came in +3% and +5% above our forecast acting as a further tailwind to higher sales, driving revenue to $153.3M (+35% QoQ) vs. our $118.8M (+29%).
- Higher-than-forecast cost of sales somewhat moderated the beat resulting in gross profit of $60.1M (+18% QoQ) vs. our $50.3M (+19%) and Adj. EBITDA of $61.1M (+31% QoQ) vs. our $52.7M (+16%)
- Tax expenses of $30.7M remained elevated ($36.1M in Q2) and above our $18.7M forecast, which has resulted from the Boliviano devaluation creating a taxable gain. This was more than offset by an $8.9M non-cash gain on revaluation of the Glencore CVRs (discussed further below), in tandem with a $7.1M FX gain, resulting in net income of $37.6M above our $28.0M forecast (+34%).
- OCF of $65.6M rose significantly QoQ from $15.4M and was well ahead of our $34.0M forecast. Q3 capex of $9.0M broadly aligned with our $10.5M forecast ($6.5M in Q2), resulting in FCF of $56.5M, which significantly strengthened SCZ's financial position.
- Strong cash generation drove SCZ's cash and equivalents +104% QoQ to $102.8M, with a further $21.8M in marketable securities.

Santacruz will host a webinar tomorrow (Nov 18th) at 2 PM ET to discuss the quarter's results. Investors can register here, and we will provide our takeaways after the call.

## Our Take

In our view, Q3 was a strong quarter, although a meaningful part of the beat was timing of shipments and inventory drawdown following the Q2 Bolivian blockades. As a result, we expect Q4 revenue to normalize as sales return to production levels. That said, we expect stronger QoQ production, and underlying operations and margins remained strong in Q3, particularly at SCZ's own mining operations:

- ***Silver:*** Mining silver AISC fell 10% QoQ from $21.87/oz in Q2 to 19.73/oz in Q3. This partially offset a ~10% lower silver price vs. Q2, helping hold realized margins strong at $44.99/oz ($50.30/oz in Q2/26).
- ***Zinc:*** Margins rose an impressive 48% QoQ from $1,083/t to $1,601/t on a 21% higher realized price of $4,011/t. AISC increased 9% QoQ from $2,219/t to $2,410/t.
- **San Lucas Ore Sourcing:** Realized margins of $21.39/oz Ag and $464/t Zn declined 36% and 43% QoQ. San Lucas was impacted by a strategic decision to reallocate ore to SCZ's own mining operations which generate higher margins. The new 500tpd mill is expected to alleviate this capacity constraint for San Lucas.

**We see the improved balance sheet as the biggest standout for Q3**, with cash more than doubling to $102.8M on FCF of $56.5M. This provides SCZ ample capacity to fund the new 500tpd mill and complete the Bolivar recovery (expected by year-end), while remaining flexible to advance development and growth opportunities.

Two items we will be watching for further detail on tomorrow's webinar include taxes and CVR payments. Tax expenses remained elevated at an effective tax rate of ~45% ($30.7M) due to the Boliviano devaluation, albeit down slightly from $36.1M in Q2. Notably, higher taxes were accrued but not yet paid ($7.3M taxes paid), which compounded the beat vs. our estimate on OCF. $79.5M remains on the balance sheet as a current income tax payable liability, and we will look to adjust our tax forecast with additional colour. Further, while revaluation (non-cash) of the CVR agreement with Glencore boosted earnings due to a decrease in the estimated liability of potential future payments through 2032, the zinc price threshold was met triggering cash payments following a 21% QoQ increase in realized zinc prices. SCZ made its first payment in September (~$1.3M) since the zinc price exceeded $3,850/t, which was followed by a second payment in October (~$1.4M). That said, we remind investors that ongoing monthly payments are contingent on zinc prices remaining above the threshold, and at these price levels the stronger zinc revenue more than offsets the required payments. We estimate Q3 zinc revenue of ~$70M (~60% YoY) to put the additional revenue in context vs. the payments. Overall, we see Q3 as a solid quarter, and Q4 production is expected to be stronger as Bolivar fully recovers and the new Bolivia mill reaches commercial production. Keep in mind this may not translate to stronger QoQ financials as sales normalize.

## Catalysts

- Soracaya Advancement – Ongoing
- Bolivar Full Recovery – Q4/26
- New Bolivia Mill Commercial Production – Q4/26

## Why We Like SCZ

- SCZ has a diversified asset base across four multi-metal assets, reducing risk compared to single-asset/single-metal producers.
- Since the acquisition and refinancing of the three operations from Glencore in 2022, SCZ has optimized these operations, with the majority of capex completed.
- SCZ stock has exhibited a 1.4x beta to the silver price over the last three years, making it an ideal investment for those bullish on silver.
- Santacruz trades at a sizable discount to its silver-producing peers.

## Tear Sheet

| Market Data | |
|---|---|
| Ticker | SCZ:TSX, SCZM:NASDAQ |
| Stock Price | C$10.69 |
| Rating | BUY |
| Target Price | C$27.00 |
| NAVPS (5%) | $18.70 |
| | |
| Market Cap ($M) | $707.5 |
| Cash ($M) | $124.6 |
| Debt ($M) | $42.6 |
| EV ($M) | $625.5 |

| Capital Structure | |
|---|---|
| Basic Shares Outstanding (M) | 93.0 |
| RSUs, PSUs, & DSUs (M) | 1.0 |
| Options (M) | 1.0 |
| FD Shares (M) | 95.0 |
| FD ITM Shares (M) | 94.7 |

| Commodity Assumptions | 2026E | 2027E |
|---|---|---|
| Silver Price ($/oz) - LT | $70.64 | $75.00 |
| Zinc Price ($/t) | $3,679 | $3,000 |
| Lead Price ($/t) | $1,911 | $2,000 |

| Financial Estimates | 2024A | Q1/25A | Q2/25A | Q3/25A | Q4/25A | 2025A | Q1/26A | Q2/26A | Q3/26A | Q4/26E | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue ($M) | **283.0** | 70.3 | 73.3 | 80.0 | 102.8 | **326.4** | 127.5 | 113.5 | 153.3 | 133.6 | **527.8** | **584.2** |
| Adjusted EBITDA ($M) | **52.6** | 27.5 | 26.8 | 19.5 | 30.8 | **104.6** | 42.6 | 46.7 | 61.1 | 51.6 | **201.9** | **323.2** |
| EPS (Basic) | **0.46** | 0.03 | 0.06 | 0.05 | (0.05) | **0.47** | 0.31 | 0.02 | 0.40 | 0.35 | **1.08** | **1.96** |
| OCF ($M) | **54.4** | 6.3 | 32.2 | 22.8 | 17.8 | **79.1** | 8.8 | 15.4 | 65.6 | 30.1 | **119.8** | **201.9** |
| Capex ($M) | **22.6** | 7.3 | 4.2 | 7.1 | 12.1 | **30.6** | 9.9 | 6.5 | 9.0 | 10.5 | **35.9** | **78.8** |
| FCFF ($M) | **31.8** | (1.0) | 28.1 | 15.7 | 5.7 | **48.5** | (1.1) | 8.9 | 56.5 | 19.6 | **83.9** | **123.1** |

**Figure 2: Tear Sheet**

| | Q4/26E | | 2026E | | 2027E | |
|---|---|---|---|---|---|---|
| | New | Previous | New | Previous | New | Previous |
| Revenue ($M) | **133.6** | 129.3 | **527.8** | 489.1 | **584.2** | 584.2 |
| Gross Profit ($M) | **$50.6** | $46.3 | **$204.7** | $190.6 | **$349.0** | $350.7 |
| Adj. EBITDA ($M) | **$51.6** | $48.3 | **$202.6** | $190.3 | **$323.2** | $326.7 |
| OCF ($M) | **$30.1** | $28.2 | **$119.8** | $86.4 | **$201.9** | $204.0 |

**Figure 3: Estimate Revisions**

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