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Precious Metals & Minerals

Silver Strategy – Price momentum building as macro fundamentals improve

Increasing our near-term silver price forecasts

Lifting prices by ~15% in 2020/2021/2022. We increase our near-term price forecasts for silver, given a more robust rebound in global industrial production and ongoing strong investment demand. As a result, we now forecast prices averaging $17.76/oz in 2020, $18.75/oz in 2021, and $18.50/oz in 2022. While our forecast for quarterly average prices tops out at $19.00/oz, we expect price volatility to remain elevated and see the potential for prices to exceed $20.00/oz. We leave our long-term price of $17.50/oz unchanged given we still see this as justifiable as the marginal price for new supply.

Supply-demand outlook indicates potential for physical deficits

Physical deficits forecast in 2020 and 2021. We have updated our supply-demand forecasts for silver, which now see physical deficits in 2020 and 2021, from modest surpluses previously. This primarily reflects a stronger rebound in economic activity than we had expected and we now forecast demand in 2020 down -4% vs. -17% previously. We have also incorporated a material ETF inventory build, resulting in even larger net deficits. Our near-term supply forecasts were relatively unchanged.

Underlying industrial & commercial demand more robust. In the initial stages of the COVID-19 pandemic, Industrial Production (IP) on a period-over-period basis went to a highly negative level, driving a sharp move lower in silver prices. While we continue to assume YoY declines in global GDP and IP, we now think there could be a better outcome than previously expected, reflecting recent strength across industrial sectors in China, supportive global central bank stimulus and apparent rebounds in global PMIs. As such, our forecasts for industrial and commercial demand have improved.

Investment demand accelerating. Silver offers many of the same investment qualities as gold even with 50-55% of demand coming from industrial use. This means it is similarly attractive in the current supportive gold macro environment. Notably, physically backed silver ETF holdings have risen +140 Moz over the past 3 months and this appears to have continued to support prices in recent weeks. We now add significant ETF build into our demand forecast to reflect likely further investment interest.

Equity fundamentals more positive, but valuations appear full

Across our global silver coverage, we move our 2020E/2021E EBITDA up an average of +12%/14% and FCF +32%/24%. We also increased our target multiples for the producers, reflecting improving fundamentals in the current price environment and increasing investor interest in the space. As a result, our price targets have increased by ~40% on average (Exhibit 7). While we are more constructive on the equities, we find valuations to be relatively full following the recent move upwards.

In North America our preference would remain for **Pan American Silver** given the company's strong fundamentals and inherent optionality (Escobal restart, La Colorada skarn, Navidad project), although the risk-reward appears less compelling at current valuations. We have also upgraded **Hecla** to Sector Perform from Underperform, reflecting the company's improving underlying operational and financial outlook. In our view, **Coeur** shares offer the most attractive valuation, but we believe the company must deliver more consistent results and execute on its project pipeline to drive a re-rating in the shares.

In EMEA we remain Sector Perform on both key exposures. For **Fresnillo** higher silver prices clearly make the name more attractive from a FCF perspective but shares have run hard (+60%) since the beginning of Q2, meaning we see limited upside to our higher price target. For **Hochschild** we continue to believe getting through COVID-19-related operational interruptions and increasing mine life concerns due to delayed exploration could dampen performance.

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Silver Strategy – Price momentum building as macro fundamentals improve

We have increased our near-term price forecasts to reflect a more constructive outlook for silver, underpinned by a more robust rebound in global industrial production and ongoing strong investment demand. As a result, we lift our price forecast +16% in 2020, +17% in 2021, and +14% in 2022. While our forecast for quarterly average prices tops out at $19.00/oz, we expect price volatility to remain elevated and see the potential for prices to exceed $20.00/oz on a spot basis. We leave our long-term price assumption of $17.50/oz unchanged given we still see this as justifiable as the marginal price for new supply. This continues to imply a modest recovery in the gold:silver ratio to 80x long term, from current levels of 93x.

Exhibit 1: Overview of new price deck vs. previous RBCe

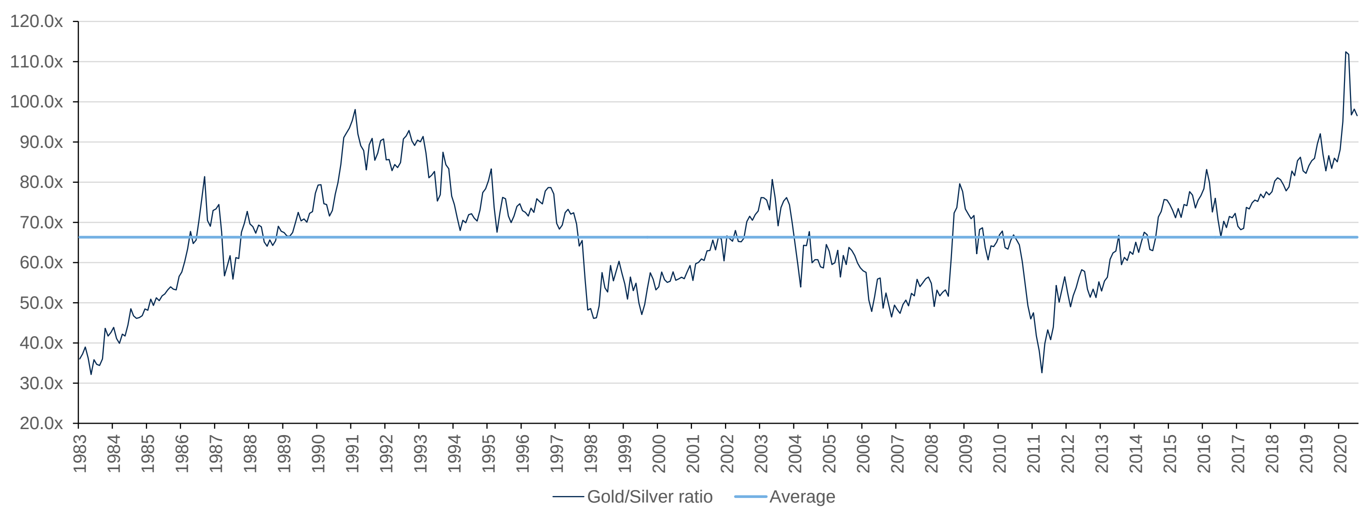
	2020	2021	2022	2023	2024	2025 (LT)
Silver price new ($/oz)	17.76	18.75	18.50	17.75	17.50	17.50
Silver price old ($/oz)	15.35	16.00	16.25	16.50	17.50	17.50
% change	*16%*	*17%*	*14%*	*8%*	*0%*	*0%*

Source: RBC Capital Markets estimates

Gold:silver ratio has recovered, but well above historical ranges

Silver has long been seen as "higher beta" gold. However, with over half of demand for silver driven by industrial uses, the price performance of the two metals can de-couple. For example, we saw a marked disconnect in early 2020, as silver price performance was more in line with the "cyclical" base metals complex that came under pressure as the COVID-19 pandemic took hold. This contrasted with the more constructive macro conditions for gold where demand is more investment driven. This led to the gold:silver ratio, often seen as a barometer of relative value of the two metals, moving to a record of +110x briefly in March (daily high of c. 124x). In recent weeks, we have seen silver prices strengthen relative to gold, bringing the ratio back below 100x as the outlook for industrial demand has strengthened and physically backed ETF holdings have accelerated. While tempting to think about the ratio's mean reversion, we believe the arguments around silver are more complex.

Exhibit 2: Monthly average gold:silver ratio over time, note spot well above long-run average of c. 66x and with highs at c. 124x



Source: Thomson Reuters Eikon

Supply-demand outlook indicates potential for physical deficits

We have updated our supply-demand forecasts for silver, which now see physical deficits in both 2020 and 2021, from modest surpluses previously. As discussed in greater detail below, this primarily reflects a stronger rebound in economic activity than we had previously expected and we now forecast total demand in 2020 down -4% vs. -17% previously. We have also incorporated a material increase in ETF inventory build, resulting in even larger net deficits. Our near-term supply forecasts were relatively unchanged (-7% in 2020 vs. -6% previously).

Exhibit 3: RBC silver supply-demand model now forecasts physical deficits in 2020 and 2021

Silver Supply and Demand													
(Moz)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
SUPPLY													
Mine Production	717	753	758	792	823	868	894	893	877	856	863	814	854
Net Official Sector Sales	16	44	12	7	8	-	-	-	-	-	-	-	-
Old Silver Scrap	200	226	261	254	191	167	150	152	154	151	151	144	145
Net Producer Hedging	-	50	12	-	-	17	8	-	2	-	16	-	-
Total Supply	**933**	**1,074**	**1,044**	**1,053**	**1,022**	**1,052**	**1,052**	**1,045**	**1,033**	**1,007**	**1,030**	**957**	**999**
DEMAND													
Electrical & Electronics	227	301	291	267	266	264	246	234	243	249	245	233	244
Brazing Alloys & Solders	54	61	63	61	64	67	62	55	58	58	61	58	60
Photography	76	68	61	54	51	49	46	45	41	39	38	35	34
Photovoltaic	30	51	67	64	55	54	65	75	89	81	78	75	78
Ethylene Oxide	5	9	6	5	8	5	10	10	7	5	6	5	6
Other Industrial Uses	136	145	164	149	162	159	154	147	148	147	148	133	139
Industrial Applications	**528**	**634**	**653**	**600**	**605**	**597**	**583**	**566**	**586**	**579**	**575**	**537**	**562**
Jewelry & Silverware	230	242	239	231	279	289	287	255	262	274	270	243	267
Coins & Metals	80	174	212	161	241	234	294	209	150	181	183	191	219
Net Producer De-hedging	17	-	-	47	35	-	-	19	-	3	-	-	-
Total Physical Demand	**855**	**1,050**	**1,104**	**1,039**	**1,159**	**1,119**	**1,163**	**1,050**	**998**	**1,036**	**1,028**	**971**	**1,048**
Physical Surplus/(Deficit)	**78**	**25**	**(60)**	**14**	**(137)**	**(67)**	**(111)**	**(4)**	**34**	**(29)**	**3**	**(14)**	**(49)**
ETF Inventory Build	157	130	(24)	55	3	1	(18)	50	2	(20)	82	200	100
Exchange Inventory Build	(15)	(7)	12	62	9	(5)	13	80	52	71	5	-	-
Total Demand	**997**	**1,172**	**1,092**	**1,156**	**1,171**	**1,115**	**1,158**	**1,179**	**1,052**	**1,087**	**1,115**	**1,171**	**1,148**
Net Surplus/(Deficit)	**(64)**	**(98)**	**(48)**	**(103)**	**(148)**	**(63)**	**(106)**	**(134)**	**(19)**	**(80)**	**(85)**	**(214)**	**(149)**
Avg. Silver Price ($/oz)	**$14.67**	**$20.19**	**$35.12**	**$31.15**	**$23.79**	**$19.08**	**$15.68**	**$17.14**	**$17.05**	**$15.71**	**$16.21**	**$17.76**	**$18.75**

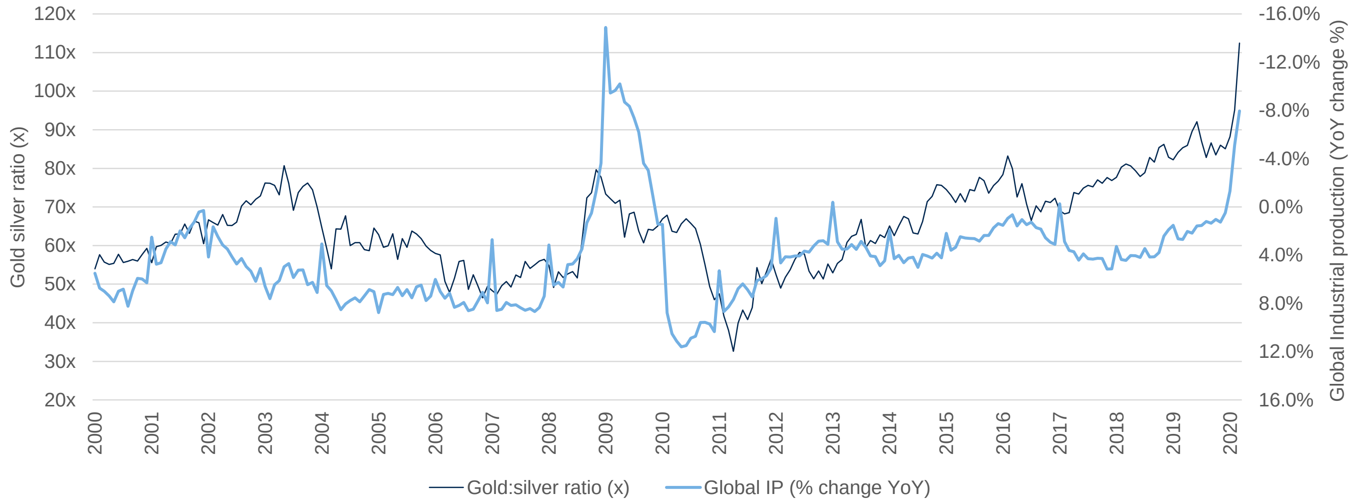
Source: GFMS; CPM Group; The Silver Institute; RBC Capital Markets estimates

Industrial and commercial demand looking stronger

Silver industrial use represents 50-55% of demand, non-commercial uses are 30%, and financial investment just 10-15%. This contrasts with gold where investment is a far larger proportion of demand. As a result, silver often behaves more like a traditional commodity with supply-demand having a much larger impact on prices. In terms of industrial use, this remains primarily in electronics (43%), followed by photovoltaics (14%), solders and alloys (11%) and photography (7%). Over the past several years, declining demand from traditional film photography has become less of a headwind as its relative importance has declined. However, other sources of demand have been volatile, particularly from photovoltaics, due to exposure to China manufacturing, changes to government subsidies, and thrifting of silver content.

In the initial stages of the COVID-19 pandemic, Industrial Production (IP) on a period-over-period basis went to a highly negative level and we believe this was partially responsible for the sharp move lower in silver prices and in helping to push the gold:silver ratio to record levels. While we still forecast global GDP contracting by -3% this year with global IP down -7%, we see potential upside risk to these forecasts given recent strength across industrial sectors in China, supportive global central bank stimulus, and rebounds in global PMIs. Looking to 2021, our current economic forecast sees a +7% move in global GDP with a likely parallel move higher in IP, which should be supportive of a commensurate increase in industrial demand for silver.

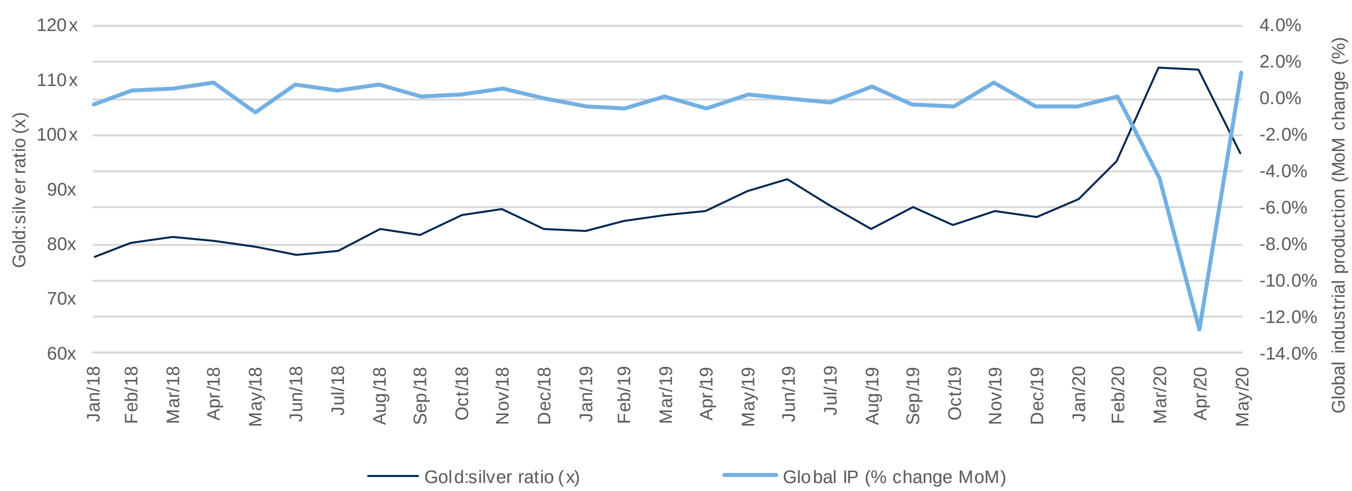
Exhibit 4: Long-term gold:silver ratio has correlation with Industrial Production (IP) that turned negative due to COVID-19



Source: Thomson Reuters Eikon

It can be observed that the rebound in global IP looks to have been supportive of the gold:silver ratio in recent weeks.

Exhibit 5: Gold:silver ratio and major economy IP change MoM; rebound in IP seems to have helped drive improved ratio



Source: Thomson Reuters Eikon

Digging into the industrial picture in more detail, we continue to see the impact of COVID-19 on photovoltaic panel demand as a potential risk, noting the increasing relative importance of this segment of demand. We have seen anecdotal evidence that large solar projects may be somewhat delayed due to the ongoing lockdown conditions and potential delays in supply chains due to the pandemic. In addition, industry data from the Silver Institute suggests thrifting of silver from photovoltaic panels could continue, noting the c. 10% YoY falls annually in silver loadings over the last five years. As a result, we believe the projected strong growth in the roll-out of photovoltaic power from both industrial and personal users globally over the coming years could end up with only flat silver demand from this key industry segment.

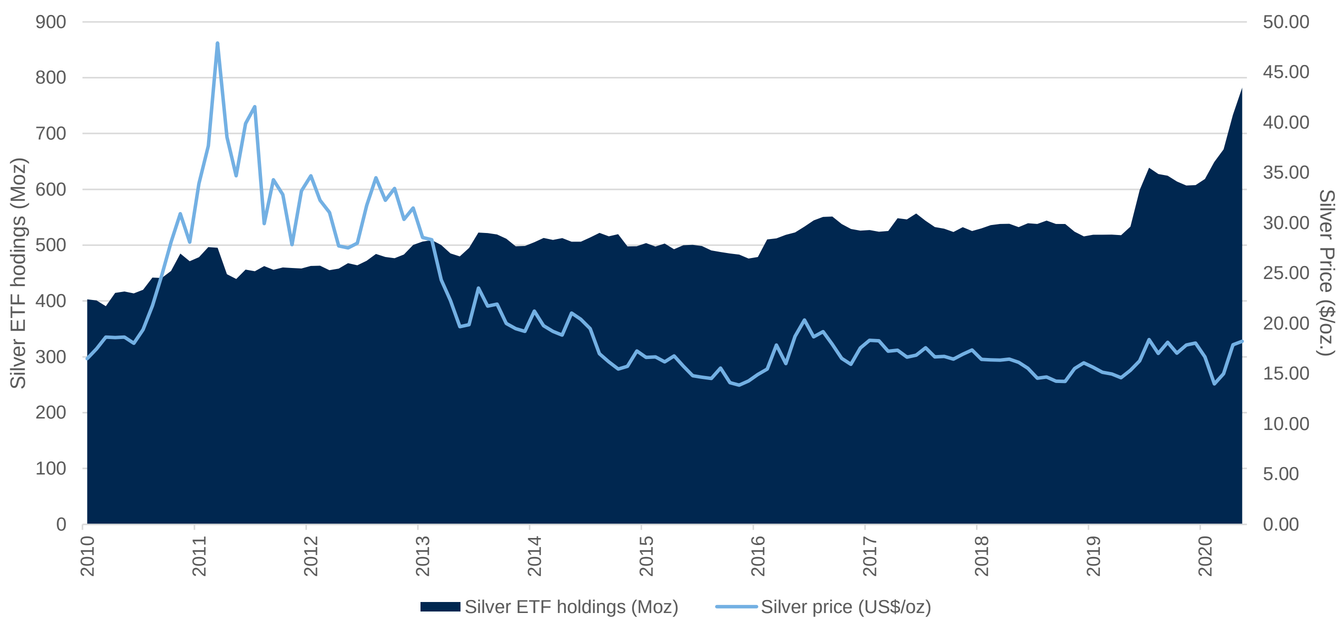
Overall, we move our industrial demand forecasts to -6.5% in 2020, up from -8.0% YoY previously, to reflect forecast lesser headwinds around GDP and IP outlined above. We note this is now a smaller move than our forecast decline in global IP, reflecting portion silver demand coming from areas with secular growth and less sensitive to economic conditions.

We have also increased our forecast for 2020 jewelry demand to -10% YoY vs. -20% YoY previously, reflecting a smaller hit to consumer discretionary spending from COVID-19. We note our luxury goods analyst was forecasting a hit of between -20% to -30% for retailers, but we think this outlook could improve as Q2 results begin to roll through. Similar to industrial demand, we continue to forecast a recovery of +10% YoY in 2021 and now see this as being a level of demand only slightly below that of 2019.

Investment demand remains hard to forecast but a key driver

In theory, silver offers many of the same investment qualities as gold and should be similarly attractive in the current macro environment. However, it is interesting we are seeing increased investment interest now given the demand backdrop ex-investment remains weak and a "lag" common between performance of one metal and the other. Notably, physically backed silver ETF holdings have continued to rise and this appears to have continued to support prices in recent weeks. While forecasting silver investment demand going forward is challenging given uncertainty around the macro outlook post COVID-19, we see the potential for increased investor interest, in anticipation of higher prices in the medium term especially with gold prices making 8-year highs. Increases in silver prices may also begin to increasingly attract retail investors and drive further performance.

Exhibit 6: Silver ETF holdings have risen materially in 2020 and have once again become a key price driver



Source: Thomson Reuters Eikon

We have moved our coin investment demand (ex-ETF/ETPs) forecasts +4% YoY vs. -2% YoY previously to reflect this. We also add significant ETF build of 200Moz in 2020 to reflect the fact that the metal could attract further physically backed investment interest due to the ongoing supportive macro for precious metals.

Supply picture impacted by COVID-19 disruptions

Silver has a similar supply picture to gold with mine production dominating at c. 85% of supply. Like gold, we forecast declining silver production from primary mines over the coming years. Additionally, we see fewer primary silver projects than gold projects that could be developed in the medium term in response to higher prices. Higher prices could incentivize the restart of several assets that have been idled over the past few years as a result of the weak price environment, although this is unlikely to have a material impact on the overall supply picture. While by-product production is expected to remain relatively robust, it should be remembered that this supply is price insensitive and is unlikely to respond to stronger silver prices. For silver scrap this is a lower percentage of physical supply than for gold (c. 10-15%), but has displayed similar characteristics in terms of price inelasticity over time.

The big change in supply dynamic in 2020 has been from COVID-19-related disruptions that have had an outsized impact on silver vs. gold on a global basis. This is due to the geographic spread of primary silver production being in the Americas (c. 45%) where more restrictive lockdowns were implemented relative to other jurisdictions. The CPM group, an industry consultancy, assessed the impact as being in the region of 21Moz of silver or 2.5% of RBC's 2020 production estimate. However, the loosening of COVID-19 restrictions means ramp-ups are mostly well underway and while there is potential for further disruption in H2, we don't factor this in at this time. We leave our production assumptions largely unchanged at this time, but will be watching for Q2 results and FY guidance updates as company updates roll through.

Equity fundamentals more positive, but valuations appear full

Given the stronger near-term price outlook, we move our 2020/2021 EBITDA forecasts for the silver miners up an average of +12%/14% and FCF estimates +32%/24%. With the stronger near-term expectations, we believe the fundamental outlook for the equities has also gotten better and have increased our target multiples to reflect this improvement as well as increasing investor interest in the space. Our price targets have increased by ~40% on average given the stronger near-term forecasts and higher multiples. While we are more constructive on the equities, we find valuations to be relatively full following the recent move upwards.

Exhibit 7: Price targets for the silver producers have increased by over 40% on average

			Rating					Current	Price Target (12 month)			Implied Rt.	NAV/sh			2020-2021E Avg. EBITDA		
Company	Ticker	Analyst	Prev.	Risk	New	Chg	Risk	Price	Prev.	New	% Chg	to Target	Prev.	New	% Chg	Prev.	New	% Chg
Silver Companies																		
Coeur Mining	CDE	MM	SP		SP	-		$5.92	$4.25	$6.00	41%	1%	$4.01	$4.67	16%	$222	$253	14%
Fresnillo	FRES	JB	SP		SP	-		£10.44	£8.60	£11.00	28%	6%	£4.75	£5.03	6%	$1,024	$1,162	13%
Hecla Mining	HL	MM	U		SP	▲		$4.24	$2.50	$4.50	80%	6%	$2.62	$3.16	21%	$227	$260	15%
Hochschild Mining	HOC	JB	SP		SP	-		£2.24	£2.05	£2.35	15%	5%	£1.47	£1.56	6%	$282	$322	14%
Pan American Silver	PAAS	MM	O		O	-		$32.80	$24.00	$35.00	46%	7%	$19.23	$21.27	11%	$611	$675	11%
Average											**42%**	**5%**			**12%**			**13%**

Note: Priced as of close 16 July 2020. EBITDA in $M.
Source: Company reports, RBC Capital Markets estimates

North American equity overview

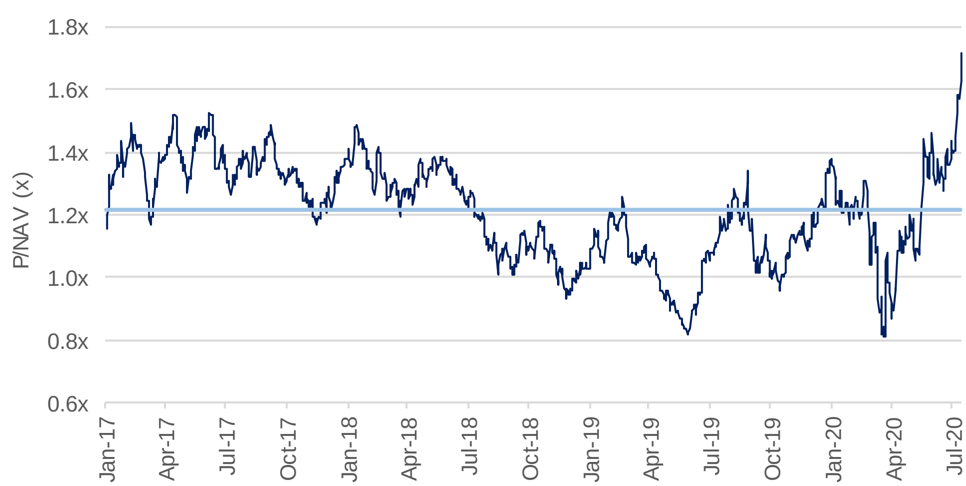
In North America our preference would remain for **Pan American Silver** given the company's strong fundamentals and inherent optionality (Escobal restart, La Colorada skarn, Navidad project), although we note the risk-reward appears less compelling than earlier this year at current valuations. We have increased our price target to $35 from $24 on the back of higher multiples (1.6x P/NAV and 9.0x EV/EBITDA from 1.2x and 7.5x previously) given the sector re-rating as well as increased value attributable to certain of the company's earlier-stage assets in line with market valuations for earlier-stage assets.

We have also upgraded **Hecla** to Sector Perform from Underperform, reflecting the company's improving underlying operational and financial outlook. We have increased our price target to $4.50 from $2.50 with our target multiples going to 1.4x P/NAV and 8.5x EV/EBITDA from 1.0x and 7.0x previously. In our view, **Coeur** shares offer the most attractive valuation, but we believe the company must deliver more consistent results and execute on its project pipeline to drive a re-rating in the shares. Our price target on Coeur also increases to $6 from $4.25 on the back of an increased P/NAV multiple (1.2x P/NAV from 1.0x).

EMEA equity overview

In EMEA we remain Sector Perform on both key silver exposures. For **Fresnillo** (silver 47% of revenue) higher prices clearly make the name more attractive from a FCF perspective and may help offset potential delays to the operational turnaround from COVID-19. However, shares have already run hard (+60%) since the beginning of Q2, meaning we see limited implied upside to our higher price target of GBp 1,100. We move our P/NAV and EV/EBITDA multiples from 1.6x to 1.8x and from 8.0x to 9.0x, reflecting the re-rating of the global silver sector over the last two months. For **Hochschild** (silver 38% of revenue) we continue to believe getting through COVID-19-related operational interruptions and increasing mine life concerns due to delayed exploration could dampen performance. We move our price target to GBp 235 from GBp 205. Our EV/EBITDA multiple (unchanged at 5.0x) is set at slight discount to global silver peers in light of current operational risks while we raise our P/NAV multiple from 1.3x to 1.4x to reflect the silver sector re-rating.

Exhibit 8: Significant re-rating in the silver space over the past few months



Source: Company reports, RBC Capital Markets

Exhibit 9: Summary of estimate changes for the silver producers

Company	Ticker	Analyst	Rating	2020E EPS Previous	2020E EPS New	2021E EPS Previous	2021E EPS New	2020E CFPS Previous	2020E CFPS New	2021E CFPS Previous	2021E CFPS New
Silver Producers											
Coeur Mining	CDE	MM	SP	$0.04	$0.13	$0.26	$0.39	$0.43	$0.51	$0.73	$0.86
Fresnillo	FRES	JB	SP	$0.26	$0.34	$0.34	$0.45	$1.19	$1.34	$1.56	$1.79
Hecla Mining	HL	MM	SP	$0.01	$0.05	$0.10	$0.18	$0.26	$0.31	$0.38	$0.46
Hochschild Mining	HOC	JB	SP	($0.01)	$0.03	$0.07	$0.11	$0.38	$0.42	$0.46	$0.51
Pan American Silver	PAAS	MM	O	$0.48	$0.67	$1.19	$1.42	$1.94	$2.15	$2.99	$3.28

Company	Ticker	Analyst	Rating	2020E FCFPS Previous	2020E FCFPS New	2021E FCFPS Previous	2021E FCFPS New	2020E Production* Previous	2020E Production* New	2021E Production* Previous	2021E Production* New
Silver Producers											
Coeur Mining	CDE	MM	SP	$0.02	$0.10	$0.02	$0.14	44.9	40.7	47.1	42.2
Fresnillo	FRES	JB	SP	$0.03	$0.06	$0.45	$0.59	143.9	130.9	152.3	138.6
Hecla Mining	HL	MM	SP	$0.08	$0.13	$0.18	$0.26	49.4	45.3	48.0	43.4
Hochschild Mining	HOC	JB	SP	$0.10	$0.13	$0.23	$0.29	27.7	27.7	36.3	36.3
Pan American Silver	PAAS	MM	O	$0.95	$1.15	$2.06	$2.34	90.4	80.5	110.9	100.1

* Represents attributable silver equivalent production, noting lower forecast output reflects impact of higher silver prices on the relative contribution from other metals.
Source: Company reports, RBC Capital Markets estimates

Coeur Mining (NYSE: CDE)

We derive our $6 price target by applying P/NAV and EV/EBITDA (3-yr) multiples of 1.2x and 6.0x, in line with its North American Intermediate and Silver producer peer averages of 1.1x and 6.5x. This reflects a balance between low jurisdictional risk and good trading liquidity against elevated financial leverage and ongoing operational issues. The implied return to our price target supports our Sector Perform rating.

Fresnillo Plc (LSE: FRES)

Our price target of 1,100p is generated via a 50:50 blend of 1.8x P/NAV and 9.0x EV/EBITDA using average two-year forward estimates. Our NAV target multiple is in line with global silver peers (ex-EMEA). Our target EV/EBITDA of 9.0x is below multiples for silver peers on 11.0x to reflect our operational concerns. These multiples at our base-case long-term $1,400/oz gold and $17.50/oz silver prices yield our price target of 1,100p/share and support our Sector Perform rating.

Hecla Mining (NYSE: HL)

We derive our $4.50 price target by applying P/NAV and EV/EBITDA (2-yr) multiples of 1.4x and 8.5x (up from 1.0x and 7.0x). We have increased our multiples to reflect the company's improving operational/financial outlook. The multiples are now relatively in line with the company's silver producer peers as well as the company's historical trading ranges.

Hochschild Mining plc (LSE: HOC)

Our multiple methodology is a 50-50 blend of P/NAV and EV/EBITDA. We set our 235p/sh price target based on 1.4x our 2020E NAV and 5.0x our EV/24-month forward EBITDA estimate using our LT US$1,400/oz gold and US$17.50/oz silver prices. These multiples are broadly in line with global silver peers, with the EV/EBITDA multiple at a slight discount to reflect risks around COVID-19 ramp-ups and current mine life. Our price target supports our Sector Perform rating.

Pan American Silver (NASDAQ: PAAS; TSX: PAAS)

We derive our $35 price target by applying P/NAV and EV/EBITDA (2-year) multiples of 1.6x and 9.0x, respectively. The multiples are at a premium to its North American Intermediate and Silver producer peer averages of 1.1x and 6.5x, reflecting strong free cash flow margins, solid balance sheet, and consistent operational track record. The implied return to our price target supports our Outperform rating.

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RBC Europe Limited currently acts as Broker to Hochschild Mining plc

RBC Capital Markets, LLC makes a market in the securities of Pan American Silver Corp..

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Pan American Silver Corp. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Pan American Silver Corp..

RBC Capital Markets is currently providing Pan American Silver Corp. with non-securities services.

An analyst involved in the preparation of this report has visited material operations of Coeur Mining Inc, and more specifically, the facilities of Coeur Mining Inc, which includes but is not limited to mines, distribution centres, warehouses, production plants and/or other facilities related to the day-to-day operation of Coeur Mining Inc as applicable.

Travel expenses of an analyst visiting the material operations of Coeur Mining Inc were paid for by the company(ies).

Explanation of RBC Capital Markets Equity rating system

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analysts best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Risk Rating

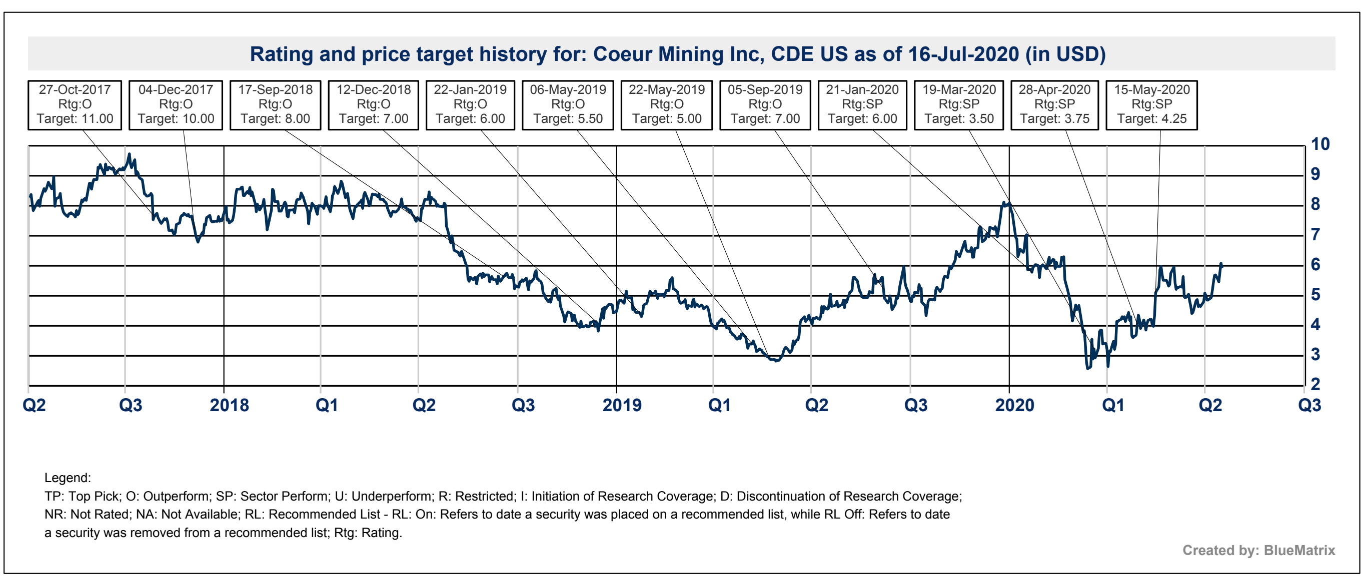
The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

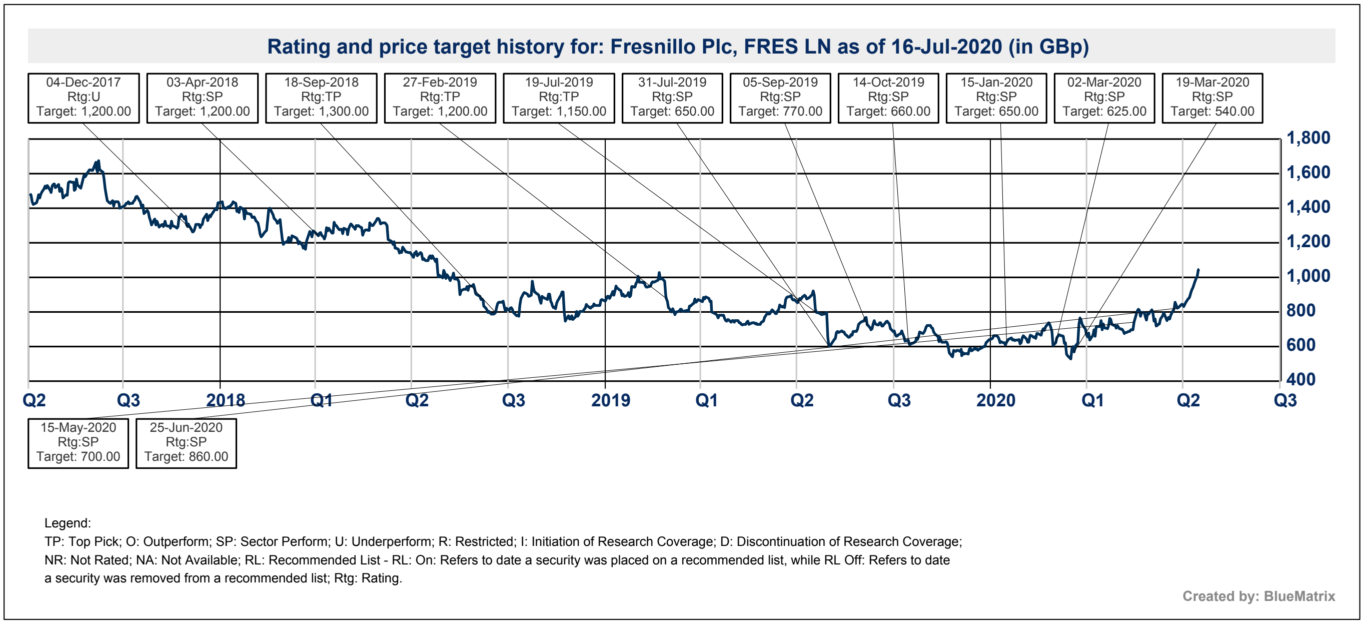
Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings
RBC Capital Markets, Equity Research
As of 30-Jun-2020

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Outperform]	776	51.63	238	30.67
HOLD [Sector Perform]	635	42.25	130	20.47
SELL [Underperform]	92	6.12	12	13.04




Rating and price target history for: Fresnillo Plc, FRES LN as of 16-Jul-2020 (in GBp)
04-Dec-2017 Rtg:U Target: 1,200.00
03-Apr-2018 Rtg:SP Target: 1,200.00
18-Sep-2018 Rtg:TP Target: 1,300.00
27-Feb-2019 Rtg:TP Target: 1,200.00
19-Jul-2019 Rtg:TP Target: 1,150.00
31-Jul-2019 Rtg:SP Target: 650.00
05-Sep-2019 Rtg:SP Target: 770.00
14-Oct-2019 Rtg:SP Target: 660.00
15-Jan-2020 Rtg:SP Target: 650.00
02-Mar-2020 Rtg:SP Target: 625.00
19-Mar-2020 Rtg:SP Target: 540.00
15-May-2020 Rtg:SP Target: 700.00
25-Jun-2020 Rtg:SP Target: 860.00
1,800
1,600
1,400
1,200
1,000
800
600
400
Q2 Q3 2018 Q1 Q2 Q3 2019 Q1 Q2 Q3 2020 Q1 Q2 Q3
Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date
a security was removed from a recommended list; Rtg: Rating.
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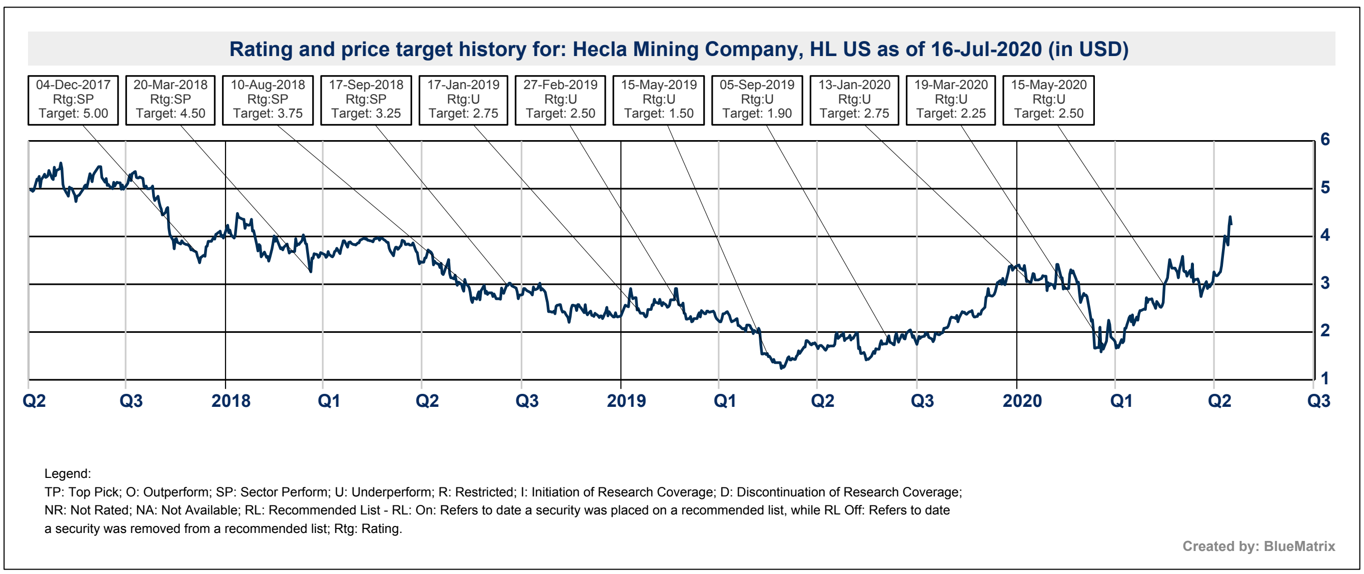
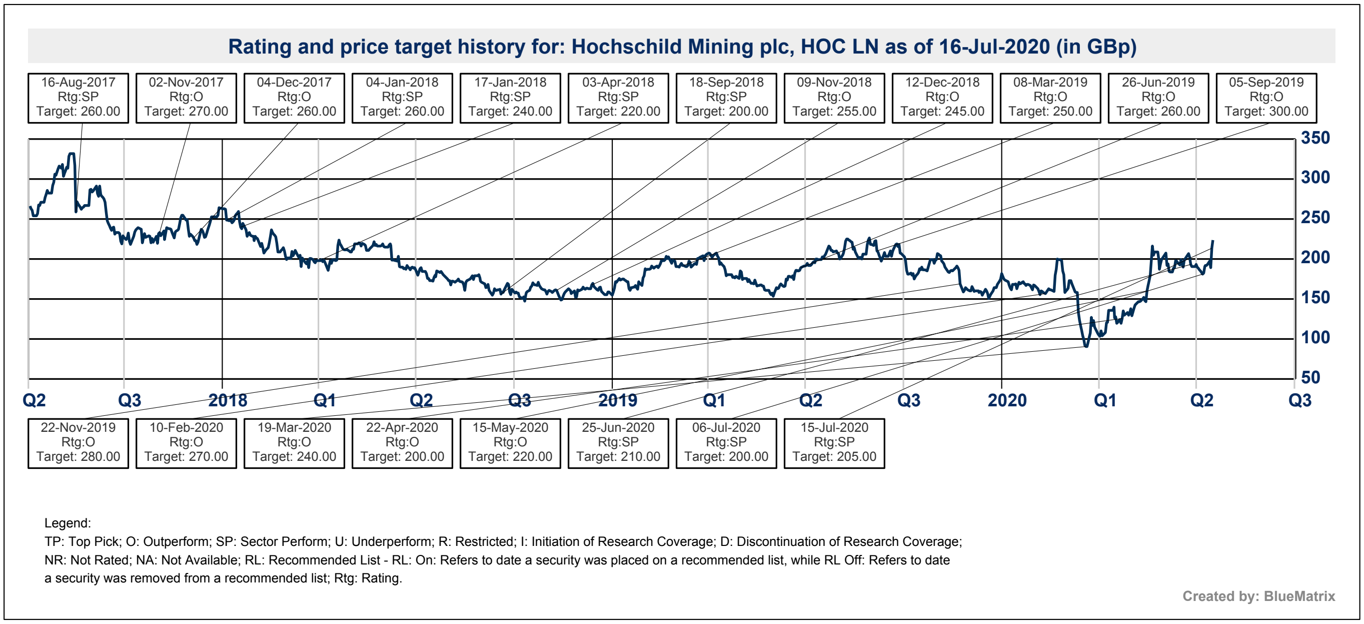
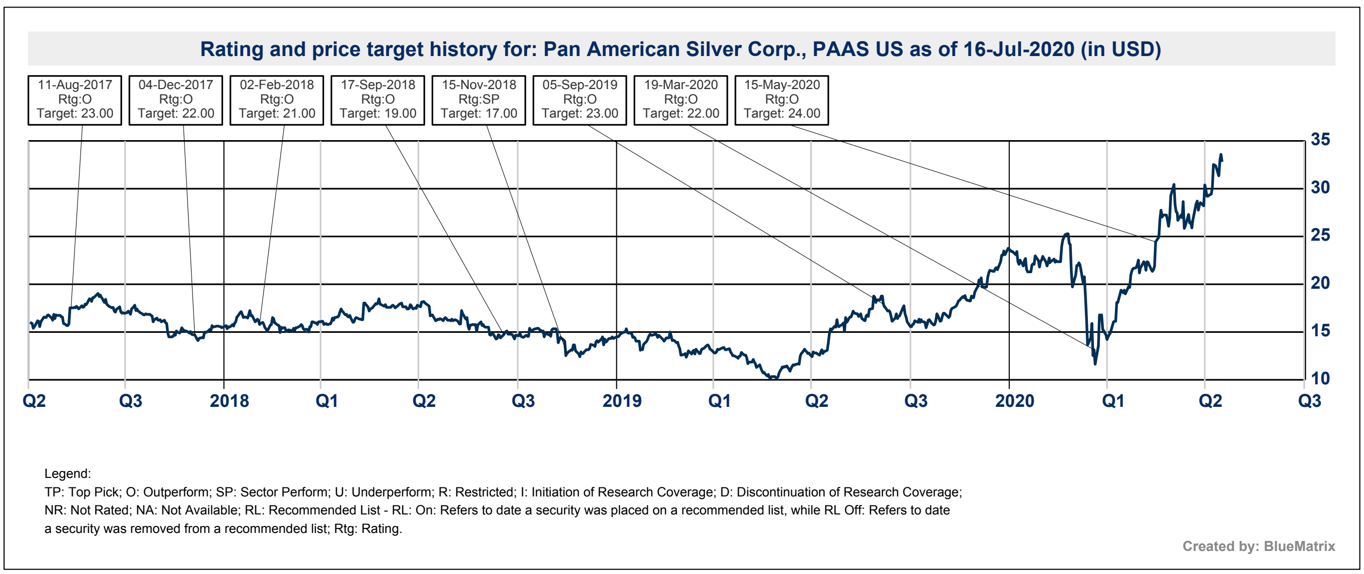

Rating and price target history for: Hecla Mining Company, HL US as of 16-Jul-2020 (in USD)
04-Dec-2017 Rtg:SP Target: 5.00
20-Mar-2018 Rtg:SP Target: 4.50
10-Aug-2018 Rtg:SP Target: 3.75
17-Sep-2018 Rtg:SP Target: 3.25
17-Jan-2019 Rtg:U Target: 2.75
27-Feb-2019 Rtg:U Target: 2.50
15-May-2019 Rtg:U Target: 1.50
05-Sep-2019 Rtg:U Target: 1.90
13-Jan-2020 Rtg:U Target: 2.75
19-Mar-2020 Rtg:U Target: 2.25
15-May-2020 Rtg:U Target: 2.50
6
5
4
3
2
1
Q2 Q3 2018 Q1 Q2 Q3 2019 Q1 Q2 Q3 2020 Q1 Q2 Q3
Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date
a security was removed from a recommended list; Rtg: Rating.
Created by: BlueMatrix





References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Equity valuation and risks

For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at https://www.rbcinsightresearch.com or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

Coeur Mining Inc

Valuation

We derive our $6 price target by applying P/NAV and EV/EBITDA (3-yr) multiples of 1.2x and 6.0x, in line with its North American Intermediate and Silver producer peer averages of 1.1x and 6.5x. This reflects a balance between low jurisdictional risk and good trading liquidity against elevated financial leverage and ongoing operational issues. The implied return to our price target supports our Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include fluctuations in commodity prices and currencies, operating and capital cost inflation, operational challenges at its underlying operations, as well as geopolitical risk. Any of the above issues, in addition to other potential issues, could have a negative effect on our earnings, cash flow, valuation estimates, as well as the performance of the company's share price.

Fresnillo Plc

Valuation

Our price target of 1,100p is generated via a 50:50 blend of 1.8x P/NAV and 9.0x EV/EBITDA using average two-year forward estimates. Our NAV target multiple is in line with global silver peers (ex-EMEA) . Our target EV/EBITDA of 9.0x is below multiples for silver peers on 11.0x to reflect our operational concerns. These multiples at our base-case long-term $1,400/oz gold and $17.50/oz silver prices yield our price target of 1,100p/share and support our Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include commodity price risk, political risk, operating risk and project delivery risk.

Hecla Mining Company

Valuation

We derive our $4.50 price target by applying P/NAV and EV/EBITDA (2-yr) multiples of 1.4x and 8.5x. Our target multiples are relatively in line with the company’s silver producer peers as well as its historical trading ranges. The implied relative return to our target supports our Sector Perform recommendation.

Risks to rating and price target

Risks to our price target and rating include fluctuations in commodity prices and currencies, greater than expected exploration success, quicker than expected operational turnaround in Nevada, and potential resolution of the strike at Lucky Friday. Any of the above factors, in addition to other potential factors, could have a positive impact on our earnings, cash flow, dividend, and valuation estimates as well as the performance of the company’s share price.

Hochschild Mining plc

Valuation

Our multiple methodology is a 50-50 blend of P/NAV and EV/EBITDA. We set our 235p/sh price target based on 1.4x our 2020E NAV and 5.0x our EV/24-month forward EBITDA estimate using our LT US$1,400/oz gold and US$17.50/oz silver prices. These multiples are broadly in line with global silver peers, with the EV/EBITDA multiple at a slight discount to reflect risks around COVID-19 ramp-ups and current mine life. Our price target supports our Sector Perform rating.

Risks to rating and price target

Risks to our valuation and rating include project, political, socio-economic, fiscal, mineral rights ownership, operational, commodity price, and environmental legislation risks. Hochschild has a number of projects in development; time delays and greater than expected costs could have significant negative effects on its earnings and cash flow projections. Continued or renewed operational disruptions from COVID-19 could also be a risk.

Pan American Silver Corp.

Valuation

We derive our $35 price target by applying P/NAV and EV/EBITDA (2-year) multiples of 1.6x and 9.0x, respectively. The multiples are at a premium to its North American Intermediate and Silver producer peer averages of 1.1x and 6.5x, reflecting strong free cash flow margins, solid balance sheet, and consistent operational track record. The implied return to our price target supports our Outperform rating.

Risks to rating and price target

Risks to our price target and rating include fluctuations in commodity prices and currencies, operating and capital cost inflation, operational challenges at its underlying operations, and elevated geopolitical risk related to the company's assets in Guatemala, Argentina and Bolivia. Any of the above issues, in addition to other potential issues, could have a negative impact on our earnings, cash flow, dividend, and valuation estimates as well as the performance of the company's share price.

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