

# Endeavour Silver

(EDR-TSX)

**Stock Rating:** Market Perform  
**Industry Rating:** Underperform

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## Q1 EPS Beat on Lower Costs

### Event

EDR reported headline Q1/15 EPS of US\$0.01. After adjusting for the stock-based compensation, foreign exchange loss, and other one-time items, EPS came in at US\$0.02, above BMO Research at negative US\$0.03 and consensus at negative US\$0.01. BMO Research attributes the EPS beat to a combination of lower operational costs (\$31.3M), lower depreciation (\$10.5M) and slightly higher revenue (\$51.1M). EDR indicated that the 2.2ktpd expansion at El Cubo is advancing and a PEA is expected for a possible higher grade underground operation at the Terronera project (formerly San Sebastián). EDR pre-released Q1/15 production of 1.8Moz silver and 15.8koz gold in January. Conference call today, May 6, at 12:00 noon. ET; Tel: 1-800-319-4610.

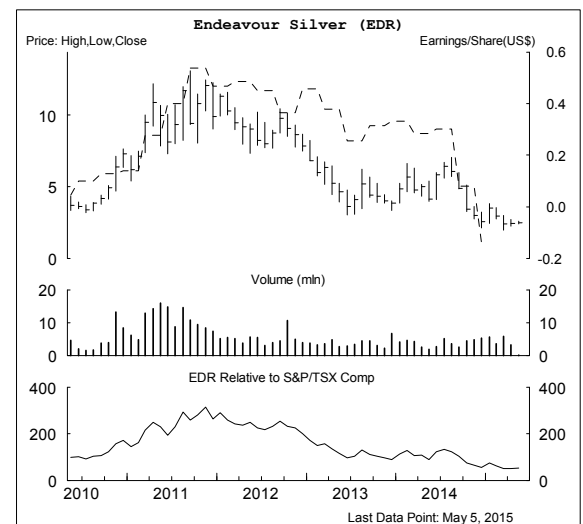
### Impact & Analysis

Mixed. Earnings were above BMO Research expectations. The focus of 2015 is now on the successful execution of the El Cubo expansion, the near-term PEA results at Terronera, and the company's ability to replenish reserves through exploration. Guidance for 2015 remains at 9.0-10.1Moz silver equivalent, consisting of 5.8-6.4Moz silver and 47-52koz gold. The capital budget stands at \$32.7M with an additional \$6.9M budgeted for exploration focused on reserve replacement. EDR finished the quarter with cash and equivalents of US\$26.3M, down US\$4.7 q/q, and US\$29M in debt.

### Valuation & Recommendation

BMO Research forecasts 2015E saleable production of 11.2Moz silver equivalent at co-product cash costs of US\$11.31/oz silver. EDR trades at 1.3x the 10% nominal NPV estimate of US\$1.61/share at spot prices, in line with junior and intermediate silver producer peers. EDR is rated Market Perform with a C\$3.00 target price. The target price represents 1.5x the 10% nominal NPV estimate at spot metal prices.

**Price (5-May)** \$2.47      **52-Week High** \$7.06  
**Target Price** \$3.00      **52-Week Low** \$1.98



(FY-Dec.)	2013A	2014A	2015E	2016E
<b>EPS</b>	\$0.30	-\$0.14	-\$0.18↑	\$0.22
<b>P/E</b>			na	9.3x
<b>CFPS</b>	\$0.82	\$0.29	\$0.33↑	\$1.08
<b>P/CFPS</b>			6.1x	1.9x
<b>Real'd Price (US\$/oz)</b>	\$23.85	\$18.90	\$16.43	\$16.00
<b>Prod'n (Moz)</b>	11.1	11.0	11.2	18.5
<b>Ttl. Cash Cost (US\$/oz)</b>	\$13.92	\$10.29	\$11.31	\$7.59
<b>Ttl. Prod. Cost</b>	\$22.53	\$15.08	\$15.83	\$12.31
<b>Quarterly EPS</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2013A</b>	\$0.11	-\$0.02	\$0.12	\$0.09
<b>2014A</b>	\$0.06	\$0.00	-\$0.10	-\$0.10
<b>2015E</b>	\$0.02a	-\$0.08↓	-\$0.06↓	-\$0.06↓
<b>Dividend</b>	\$0.00			0.0%
<b>Book Value</b>	\$1.91			1.1x
<b>Shares O/S (mm)</b>	102.0			<b>Mkt. Cap (mm)</b> \$252
<b>Float O/S (mm)</b>	88.7			<b>Float Cap (mm)</b> \$219
<b>Wkly Vol (000s)</b>	930			<b>Wkly \$ Vol (mm)</b> \$3.7
<b>Net Debt (\$mm)</b>	\$2			<b>Next Rep. Date</b> Aug (E)

**Notes:** Share price, tgt. & mkt cap C\$, all others US\$; Prod. numbers silver equivalent; Silver co-prod. cash costs

**Major Shareholders:** Van Eck (7.4%); Global X Management (2.2%)

**First Call Mean Estimates:** ENDEAVOUR SILVER CORP (US\$)  
 2015E: -\$0.23; 2016E: -\$0.04

Changes	Annual EPS	Annual CFPS	Quarterly EPS	NAVPS (10%, Spot)
	2015E -\$0.21 to -\$0.18	2015E \$0.29 to \$0.33	Q2/15E -\$0.07 to -\$0.08 Q3/15E -\$0.05 to -\$0.06 Q4/15E -\$0.05 to -\$0.06	\$1.65 to \$1.61

Fig 1: EDR Block Model at BMO Metal Price Assumptions

ENDEAVOUR SILVER		As at:	5-May-15		EDR	
Project(s): Guanajuato, Guanacevi, El Cubo, Guadelup		Location:		Mexico		
Recommendation		Analyst:		Andrew Kaip		
Target Price (C\$)	<b>Mkt</b> <b>C\$ 3.00</b>					
Share Price (US\$)	2.05	Share Price (C\$)	2.47			
Common Shares O/S (M)	102					
Market Cap (US\$M)	209	Market Cap (C\$M)	252			
0% NPV (US\$/share)	3.60	Premium/(Discount)	-43%			
3% NPV (US\$/share)	3.68	Premium/(Discount)	-44%			
5% NPV (US\$/share)	3.27	Premium/(Discount)	-37%			
10% NPV (US\$/share)	2.70	Premium/(Discount)	-24%			

PRICE ASSUMPTIONS		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
Exchange Rate	C\$/US\$	0.97	0.91	0.79	0.82	0.84
Gold	US\$/oz	1413	1267	1207	1180	1200
Silver	US\$/oz	23.85	19.11	16.43	16.00	18.00
Gold:Silver Ratio		59	66	73	74	67
Copper	US\$/lb	3.33	3.12	2.74	2.70	2.70
Lead	US\$/lb	0.97	0.95	0.93	1.05	1.10
Zinc	US\$/lb	0.86	0.98	1.02	1.15	1.25

FINANCIAL SUMMARY - ANNUAL		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
EV/EBITDA	(x)	2.3	4.3	5.1	1.1	1.1
EPS	(US\$)	0.30	(0.14)	(0.18)	0.22	0.24
P/E	(x)	6.7	nap	nap	9.4	8.4
CFPS	(US\$)	0.82	0.29	0.33	1.08	0.73
P/CF	(x)	2.5	7.0	6.1	1.9	2.8
FCFPS	(US\$)	(0.18)	(0.09)	(0.03)	0.71	0.38
P/FCF	(x)	nap	nap	nap	2.9	5.4
Common Shares O/S	(M)	99.8	102.0	102.0	102.0	102.0

QUARTERLY						
		Q1/15E	Q2/15E	Q3/15E	Q4/15E	
EPS	(US\$)	0.02	-0.08	-0.06	-0.06	
CFPS	(US\$)		0.14	0.05	0.08	0.07
FCFPS	(US\$)		-0.04	0.05	-0.03	-0.01

PROFIT AND LOSS STATEMENT - US\$M		(December Year End)			
		2013A	2014A	2015E	2016E
<b>Mining Revenue</b>		275.5	195.8	184.8	292.7
Production Costs		158.6	125.3	127.2	148.1
G&A		12.3	10.2	10.7	10.7
Exploration and Other Expenses		13.0	12.5	5.6	5.0
Other Income		-	-	-	-
<b>EBITDA</b>		91.6	47.7	41.2	128.8
Depreciation		53.6	54.3	51.3	87.4
<b>EBIT</b>		(94.4)	(95.1)	(10.4)	41.4
Interest expense		(1.5)	(1.4)	(1.0)	(1.0)
<b>EBT</b>		(96.0)	(96.5)	(11.2)	40.7
Tax		6.0	20.1	(7.3)	(18.8)
<b>NPAT (pre-Adjustments)</b>		(89.5)	(74.5)	(18.5)	21.9
Minority Interest		-	-	-	-
After-Tax Non-Operating Items		-	-	-	-
<b>Net Income (reported)</b>		(89.5)	(74.5)	(18.5)	21.9
<b>Net Income (adjusted)</b>		30.2	(14.8)	(18.7)	22.3

REVENUE SPLIT		(December Year End)			
		2013A	2014A	2015E	2016E
Silver		60%	62%	62%	54%
Gold		40%	38%	38%	46%

CASH FLOW ANALYSIS - US\$M		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
Net Income		(89.5)	(74.5)	(18.5)	21.9	24.5
Non-Cash Items		166.0	113.3	53.0	88.0	49.9
<b>Cash Flows from Operating Activities</b>		76.5	38.8	34.5	109.9	74.3
Property, Plant and Equip.		(88.5)	(41.7)	(38.1)	(37.5)	(35.4)
Net Investment and Asset Sales		5.1	(0.1)	-	-	-
Other		(0.1)	(0.3)	(0.1)	-	-
<b>Cash Flows from Investing Activities</b>		(83.4)	(42.2)	(38.2)	(37.5)	(35.4)
Proceeds from Borrowings		30.0	2.0	-	-	-
Repayment of Borrowings		(7.1)	(7.0)	-	-	-
Stock, Warrants, Options		0.5	4.4	-	-	-
Other		(0.1)	-	(0.2)	-	-
<b>Cash Flows from Financing Activities</b>		23.3	(0.5)	(0.2)	-	-
<b>Net Increase In Cash</b>		18.6	35.0	31.0	27.2	99.6
Cash At Beginning of Year		35.0	31.0	27.2	99.6	138.5
Cash At End of Year						
<b>Free Cash Flow</b>		(18.0)	(9.0)	(3.5)	72.4	39.0

BALANCE SHEET ANALYSIS - US\$M		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
Cash and Investments		36.5	31.8	28.3	100.8	139.7
Inventories		23.6	21.6	19.3	19.3	19.3
Other		27.1	22.4	11.5	18.4	16.2
<b>Current Assets</b>		87.2	75.8	59.2	138.4	175.3
Fixed Assets		278.5	182.7	170.1	120.1	106.2
Other		1.2	7.3	7.7	7.7	7.7
<b>Total Assets</b>		366.9	265.8	236.9	266.2	289.1
Payables		17.2	17.4	11.5	18.4	16.2
Short Term Debt		33.0	29.0	29.0	29.0	29.0
Other		4.8	8.2	1.9	1.9	1.9
<b>Current Liabilities</b>		55.0	54.6	42.4	49.3	47.1
LT Debt		-	-	-	-	-
Other		55.8	19.0	20.4	20.4	20.4
<b>Total Liabilities</b>		110.8	73.6	62.9	69.7	67.6
<b>SHAREHOLDERS EQUITY</b>		256.1	192.3	174.1	196.5	221.6
Net Debt to Equity		-1%	-1%	1%	-36%	-49%

PRODUCTION AND COSTS		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
<b>Bolanitos</b>						
Total Silver Production (Moz)		2.7	2.3	1.5	1.9	1.9
Total Gold Production (koz)		49.4	35.5	24.18	34.72	34.72
Total Cash Costs (U\$/oz)		11.14	9.48	12.32	10.96	11.86
<b>Guanacevi</b>						
Total Silver Production (Moz)		2.7	3.6	1.5	1.9	1.9
Total Gold Production (koz)		6.7	7.6	8.1	9.2	9.2
Total Cash Costs (U\$/oz)		14.36	9.03	10.02	9.55	10.13
<b>El Cubo</b>						
Total Silver Production (Moz)		1.1	1.2	2.0	4.5	2.4
Total Gold Production (koz)		16.3	17.4	26.2	71.7	34.9
Total Cash Costs (U\$/oz)		18.81	15.85	11.85	5.36	11.44
<b>Guadalupe y Calvo</b>						
Total Silver Production (Moz)		-	-	-	-	-
Total Gold Production (koz)		-	-	-	-	-
Total Cash Costs (U\$/oz)		-	-	-	-	8.56
<b>Total Production</b>						
Total Silver Production (Moz)		6.6	7.0	6.9	10.0	7.8
Total Gold Production (koz)		72.3	60.5	58.5	115.6	78.9
Total Silver Equiv. Production (Moz)		10.9	11.0	11.2	18.5	14.5
Total Cash Cost		14.10	10.56	11.31	7.59	10.75
<b>LOM ESTIMATES</b>						
		<b>Silver Production</b>	<b>Total Cash Cost</b>			
		<b>(Moz)</b>	<b>(US\$/oz)</b>			
Bolañitos		13.3	12.70			
Guanacevi		26.1	10.08			
El Cubo		23.0	10.08			
Guadalupe y Calvo		5.1	8.34			
<b>TOTAL</b>		<b>67.4</b>	<b>9.82</b>			

Source: BMO Capital Markets

Fig 2: EDR Block Model at Spot Metal Prices

ENDEAVOUR SILVER		As at: 5-May-15		EDR	
<b>Project(s):</b> Guanajuato, Guanacevi, El Cubo, Guadalupe		<b>Location:</b> Mexico			
Recommendation	<b>Mkt</b>	<b>Analyst:</b> Andrew Kaip			
Target Price (C\$)	<b>C\$ 3.00</b>				
Share Price (US\$)	2.05	Share Price (C\$)	2.47		
Common Shares O/S (M)	102	Market Cap (C\$M)	252		
Market Cap (US\$M)	209				
0% NPV (US\$/share)	1.80	Premium/(Discount)	13%		
3% NPV (US\$/share)	1.97	Premium/(Discount)	4%		
5% NPV (US\$/share)	1.72	Premium/(Discount)	19%		
10% NPV (US\$/share)	1.61	Premium/(Discount)	27%		

PRICE ASSUMPTIONS		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
Exchange Rate	C\$/US\$	0.97	0.91	0.82	0.83	0.83
Gold	US\$/oz	1413	1267	1199	1192	1192
Silver	US\$/oz	23.85	19.11	16.56	16.51	16.51
Gold:Silver Ratio		59	66	72	72	72
Copper	US\$/lb	3.33	3.12	2.87	2.94	2.94
Lead	US\$/lb	0.97	0.95	0.94	0.98	0.98
Zinc	US\$/lb	0.86	0.98	1.06	1.10	1.10

FINANCIAL SUMMARY - ANNUAL		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
EV/EBITDA	(x)	2.3	4.3	6.2	1.2	1.7
EPS	(US\$)	0.30	(0.14)	(0.22)	0.23	0.11
P/E	(x)	6.7	nap	nap	8.9	17.8
CFPS	(US\$)	0.82	0.29	0.28	1.05	0.59
P/CF	(x)	2.5	7.0	7.2	2.0	3.4
FCFPS	(US\$)	(0.18)	(0.09)	(0.08)	0.68	0.25
P/FCF	(x)	nap	nap	nap	3.0	8.3
<b>Common Shares O/S</b>	<b>(M)</b>	99.8	102.0	102.0	102.0	102.0

QUARTERLY					
		Q1/15E	Q2/15E	Q3/15E	Q4/15E
EPS	(US\$)	0.02	-0.08	-0.08	-0.07
CFPS	(US\$)	0.14	0.05	0.05	0.05
FCFPS	(US\$)	-0.04	0.04	-0.06	-0.03

PROFIT AND LOSS STATEMENT - US\$M		(December Year End)			
		2013A	2014A	2015E	2016E
<b>Mining Revenue</b>		275.5	195.8	185.1	299.1
Production Costs		158.6	125.3	133.9	159.2
G&A		12.3	10.2	10.7	10.7
Exploration and Other Expenses		13.0	12.5	5.6	5.0
Other Income		-	-	-	-
<b>EBITDA</b>		91.6	47.7	34.9	124.1
Depreciation		53.6	54.3	49.3	83.0
<b>EBIT</b>		(94.4)	(95.1)	(14.7)	41.1
Interest expense		(1.5)	(1.4)	(1.0)	(1.0)
<b>EBT</b>		(96.0)	(96.5)	(15.6)	40.4
Tax		6.0	20.1	(6.1)	(17.4)
<b>NPAT (pre-Adjustments)</b>		(89.5)	(74.5)	(21.7)	23.0
Minority Interest		-	-	-	-
After-Tax Non-Operating Items		-	-	-	-
<b>Net Income (reported)</b>		(89.5)	(74.5)	(21.7)	23.0
<b>Net Income (adjusted)</b>		30.2	(14.8)	(21.9)	23.4

REVENUE SPLIT		(December Year End)			
		2013A	2014A	2015E	2016E
Silver		60%	62%	62%	54%
Gold		40%	38%	38%	46%

CASH FLOW ANALYSIS - US\$M		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
Net Income		(89.5)	(74.5)	(21.7)	23.0	11.3
Non-Cash Items		166.0	113.3	51.1	83.6	49.2
<b>Cash Flows from Operating Activities</b>		76.5	38.8	29.4	106.6	60.5
Property, Plant and Equip.		(88.5)	(41.7)	(38.1)	(37.5)	(35.4)
Net Investment and Asset Sales		5.1	(0.1)	-	-	-
Other		(0.1)	(0.3)	(0.1)	-	-
<b>Cash Flows from Investing Activities</b>		(83.4)	(42.2)	(38.2)	(37.5)	(35.4)
Proceeds from Borrowings		30.0	2.0	-	-	-
Repayment of Borrowings		(7.1)	(7.0)	-	-	-
Stock, Warrants, Options		0.5	4.4	-	-	-
Other		(0.1)	-	(0.2)	-	-
<b>Cash Flows from Financing Activities</b>		23.3	(0.5)	(0.2)	-	-
<b>Net Increase In Cash</b>		18.6	35.0	31.0	22.0	91.2
Cash At Beginning of Year		35.0	31.0	22.0	91.2	116.3
Cash At End of Year		53.6	66.0	53.0	113.2	207.5
<b>Free Cash Flow</b>		(18.0)	(9.0)	(8.7)	69.1	25.1

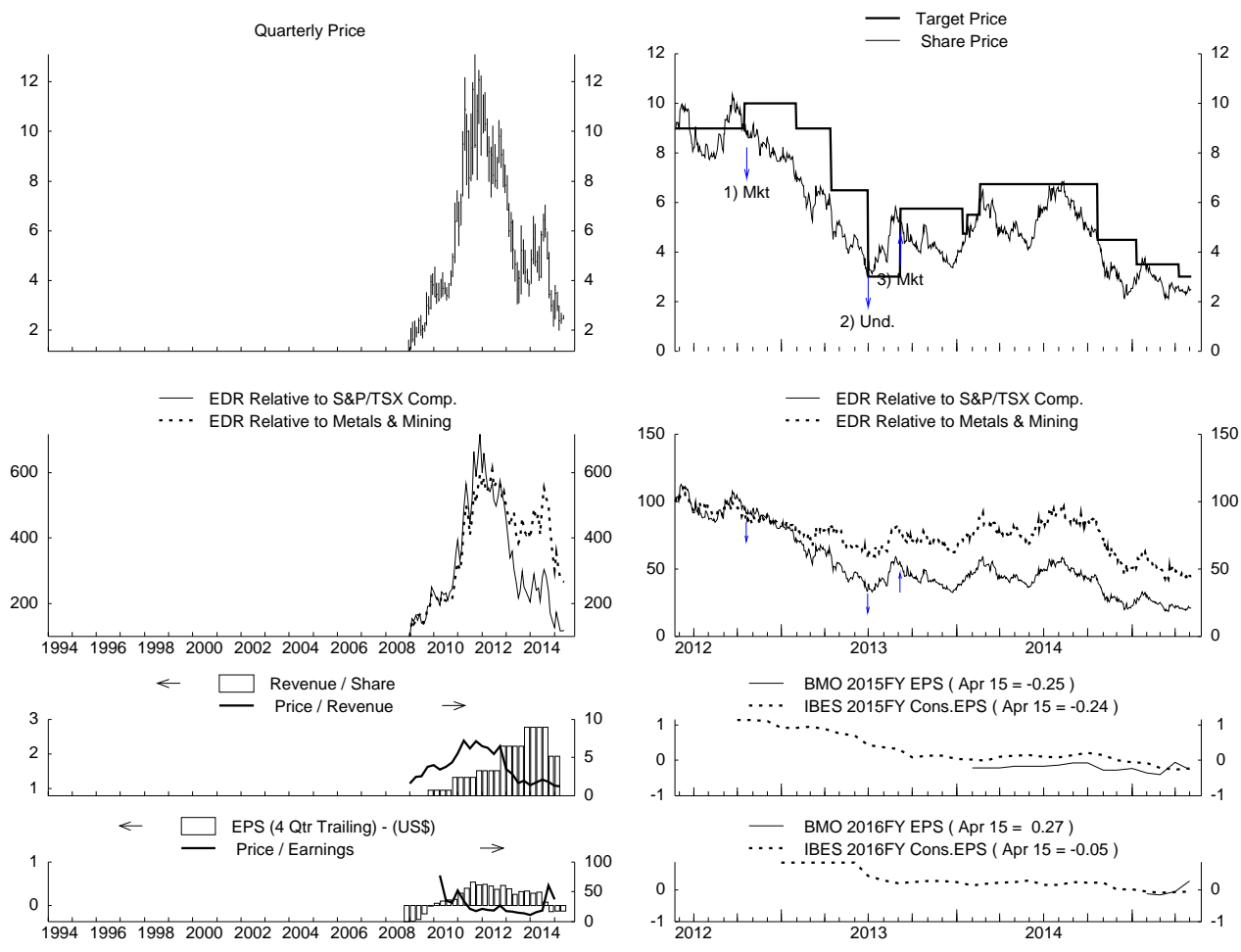
BALANCE SHEET ANALYSIS - US\$M		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
Cash and Investments		36.5	31.8	23.2	92.4	117.5
Inventories		23.6	21.6	19.3	19.3	19.3
Other		27.1	22.4	11.5	18.8	15.4
<b>Current Assets</b>		87.2	75.8	54.0	130.4	152.2
Fixed Assets		278.5	182.7	172.0	126.4	113.2
Other		1.2	7.3	7.7	7.7	7.7
<b>Total Assets</b>		366.9	265.8	233.7	264.5	273.1
Payables		17.2	17.4	11.5	18.8	15.4
Short Term Debt		33.0	29.0	29.0	29.0	29.0
Other		4.8	8.2	1.9	1.9	1.9
<b>Current Liabilities</b>		55.0	54.6	42.4	49.7	46.3
LT Debt		-	-	-	-	-
Other		55.8	19.0	20.4	20.4	20.4
<b>Total Liabilities</b>		110.8	73.6	62.9	70.1	66.8
<b>SHAREHOLDERS EQUITY</b>		256.1	192.3	170.8	194.4	206.3
Net Debt to Equity		-1%	-1%	4%	-32%	-42%

PRODUCTION AND COSTS		(December Year End)				
		2013A	2014A	2015E	2016E	2017E
<b>Bolanitos</b>						
Total Silver Production (Moz)		2.7	2.3	1.5	1.9	1.9
Total Gold Production (koz)		49.4	35.5	24.18	34.72	34.72
Total Cash Costs (U\$/oz)		11.14	9.48	13.00	11.79	11.79
<b>Guanacevi</b>						
Total Silver Production (Moz)		2.7	3.6	1.5	1.9	1.9
Total Gold Production (koz)		6.7	7.6	8.1	9.2	9.2
Total Cash Costs (U\$/oz)		14.36	9.03	10.78	10.63	10.63
<b>El Cubo</b>						
Total Silver Production (Moz)		1.1	1.2	2.0	4.5	2.4
Total Gold Production (koz)		16.3	17.4	26.2	71.7	34.9
Total Cash Costs (U\$/oz)		18.81	15.85	12.52	5.83	11.50
<b>Guadalupe y Calvo</b>						
Total Silver Production (Moz)		-	-	-	-	-
Total Gold Production (koz)		-	-	-	-	-
Total Cash Costs (U\$/oz)		-	-	-	-	8.49
<b>Total Production</b>						
Total Silver Production (Moz)		6.6	7.0	6.9	10.0	7.8
Total Gold Production (koz)		72.3	60.5	58.5	115.6	78.9
Total Silver Equiv. Production (Moz)		10.9	11.0	11.2	18.3	15.0
Total Cash Cost		14.10	10.56	12.02	8.29	10.89
<b>LOM ESTIMATES</b>						
		<b>Silver Production (Moz)</b>	<b>Total Cash Cost (US\$/oz)</b>			
Bolanitos		13.3	12.65			
Guanacevi		26.1	10.55			
El Cubo		23.0	10.03			
Guadalupe y Calvo		5.1	7.72			
<b>TOTAL</b>		<b>67.4</b>	<b>9.79</b>			

Source: BMO Capital Markets

### Endeavour Silver (EDR)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS \$	Yield% Hi - Lo	Payout %	BV \$	P/B Hi - Lo	ROE %	EDR - Rating as of 23-May-12 = Mkt		
2008	-0.37	-11.1 -2.5	0.00	0.0 0.0	0	1.4	3.2 0.7		Date	Rating Change	Share Price
2009	0.00	-130 -35.3	0.00	0.0 0.0	0	1.4	3.1 0.8	0	1	18-Oct-12	R to Mkt \$8.85
2010	0.14	54.3 21.7	0.00	0.0 0.0	0	2.0	3.9 1.6	8	2	28-Jun-13	Mkt to Und. \$3.64
2011	0.47	28.3 11.7	0.00	0.0 0.0	0	2.3	5.6 2.3	22	3	4-Sep-13	Und.to Mkt \$5.31
2012	0.45	26.8 16.1	0.00	0.0 0.0	0	3.4	3.6 2.2	16			
2013	0.33	25.1 8.8	0.00	0.0 0.0	0	2.7	3.2 1.1	12			
2014	-0.14	-43.8 -13.2	0.00	0.0 0.0	0	2.7	2.6 0.8	na			
Range*		54.3 -35.3		0.0 0.0			5.6 0.7				
Current*	-0.13	na	0.00	0.0	0	2.3	1.1	na			
Growth(%):											
5 Year:	nm		nm			10.8					

\* Current EPS is the 4 Quarter Trailing to Q4/2014.  
 \* Valuation metrics are based on high and low for the fiscal year.  
 \* Range indicates the valuation range for the period presented above.

Last Price ( May 4, 2015): \$2.49  
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Buy	Outperform	43.7%	18.6%	58.2%	42.7%	55.5%	54.1%
Hold	Market Perform	51.4%	10.4%	38.5%	52.1%	41.9%	40.5%
Sell	Underperform	4.9%	9.4%	3.3%	5.2%	2.6%	5.5%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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