BofA SECURITIES

North American Metals & Mining

2024 top picks across the sub-sectors

Price Objective Change

01 February 2024

Equity
North America
Metals and Mining

Lawson Winder, CFA >>
Research Analyst
Merrill Lynch (Canada)
+1 416 369 7592
lawson.winder@bofa.com

Sathish Kasinathan
Research Analyst
BofAS
+1 646 855 2769
sathish.kasinathan@bofa.com

Harmen Puri >>
Research Analyst
Merrill Lynch (Canada)
+1 416 369 7540
harmen.puri@bofa.com

TECK our overall top pick: growth, capital return, valuation

In follow-up up to our 2024 commodity price and theme report (Green spend, supply, macro and stock cycle to drive metals 20-Nov-23), we set-out our top picks. Copper-zinc producer Teck Resources (TECK) is selected as our overall top pick. We like TECK for peer-leading copper volume growth, among other factors. In steel, we like Commercial Metals (CMC) for its substantial exposure to US government infrastructure spending. For exposure to our bullish uranium view, we like Canadian nuclear fuel company, Cameco (CCJ). Among the precious metals, we select senior gold producer, Agnico Eagle Mines (AEM), mid-tier gold-silver producer, Pan American Silver (PAAS) and royalty/streaming company, Wheaton Precious Metals (WPM).

TECK offers compelling copper volume growth

The BofA commodities team likes copper. Copper market balances have become increasingly bullish as mined supply has been reduced from a combination of factors. Meanwhile, decarbonization / electrification demand is offsetting weak China property demand. TECK offers inexpensive, growth-oriented exposure with the potential of substantial capital return.

CMC: steel rebar leader and US infrastructure winner

With several indicators pointing to stronger US infrastructure spending in 2024, we are constructive on US steel rebar pricing. At the same time, new domestic US rebar supply will be constrained in 2024 at a time when imports should be limited. With 80% of shipments derived from rebar, CMC is ideally placed to benefit for strong rebar pricing. CMC is our top 2024 stock pick among our North American steel coverage.

Buy CCJ for exposure to bullish uranium view

Despite having appreciated by 91% during 2023, we think uranium (U_3O_8) prices are set for another sharp increase in 2024. We think the global U_3O_8 market remains in deficit through to mid-2025 at the earliest, with anticipated mined supply increases materially surprising to the downside. We are calling U_3O_8 prices to more than $120 per pound by year-end. We see CCJ, with tier one supply, based largely in Canada as a top 2024 pick.

Top precious metals picks: catalyst rich = summer trade

Our commodities team sees the gold price strengthening sharply through the northern summer on the *back* of Fed rate cuts. This is based on the BofA Economics team's call for a first rate cut to occur in June. We like stocks with multiple potentially positive catalysts and "safer" jurisdictional exposure: AEM, PAAS, and WPM.

We updated estimates for TECK and CMC. We raise our CMC price objective (PO) to $58 (from $55). For TECK, we raise our PO to $49 (C$67) from $43 (C$59).

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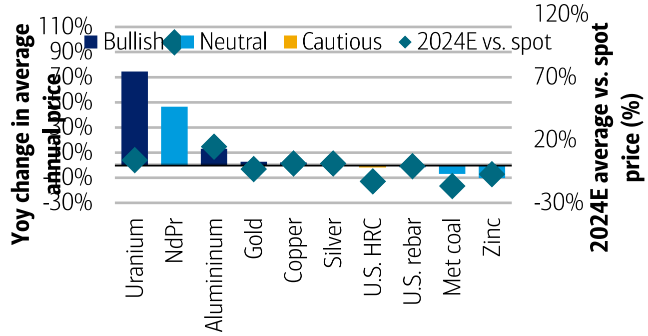
Refer to important disclosures on page 26 to 28. Analyst Certification on page 24. Price Objective Basis/Risk on page 22. **12653828**

Timestamp: 01 February 2024 05:30AM EST

The 2024 year ahead in charts

Exhibit 1: 2024E vs 2023A + 2024E vs spot commodity prices
Strongest outlook for uranium, NdPr, aluminum



Source: BofA Global Research, Bloomberg

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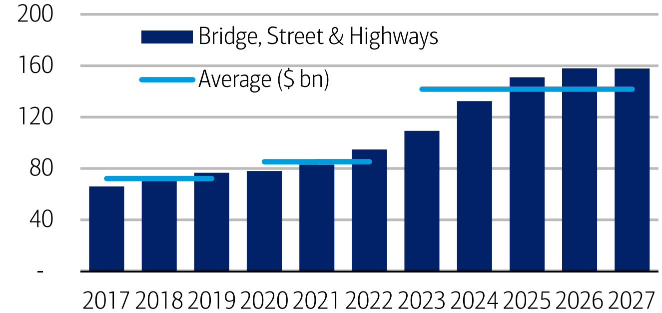
Exhibit 2: Bridges, Streets & Highways spends inflecting
Road transport = 30-40% of rebar demand, to grow strongly with IIJA



Source: BofA Global Research, Dodge

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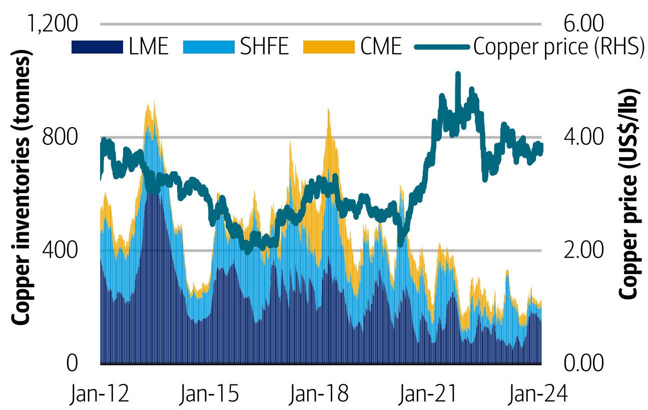
Exhibit 3: Copper exchange inventories vs the copper price
Inventories are low, risking a price squeeze



Source: Bloomberg

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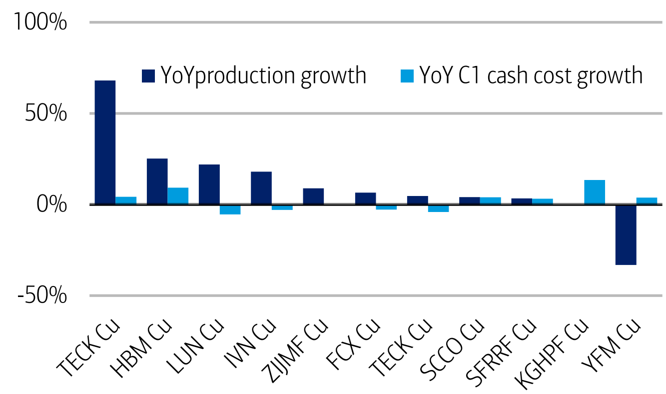
Exhibit 4: Global Copper Coverage Production and C1 YoY
TECK has the highest production growth for 2024E in our global coverage on the back of the QBII ramp-up.



Source: BofA Global Research

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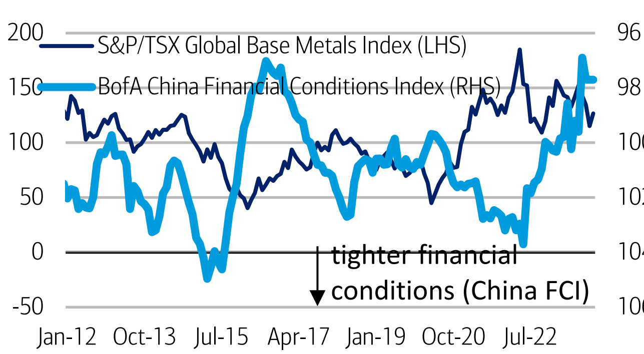
Exhibit 5: S&P/TSX Global Base Metals Index vs BofA China FCI (reverse)
The miners had been closely correlated to China



Source: BofA Global Research Financial Conditions Index, Bloomberg

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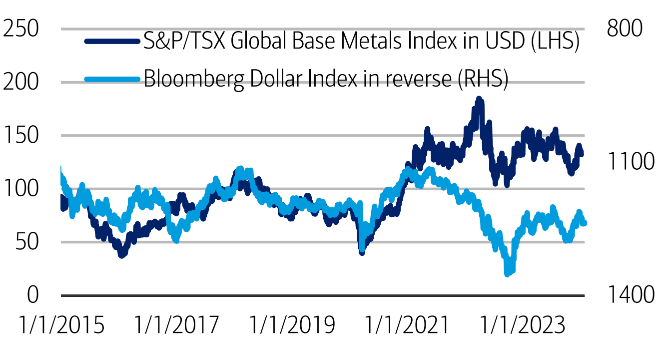
Exhibit 6: S&P/TSX Global Base Metals Index vs Bloomberg USD Index
The USD is very closely correlated to the miners



Source: Bloomberg

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2024 top pick: Teck Resources (TECK)

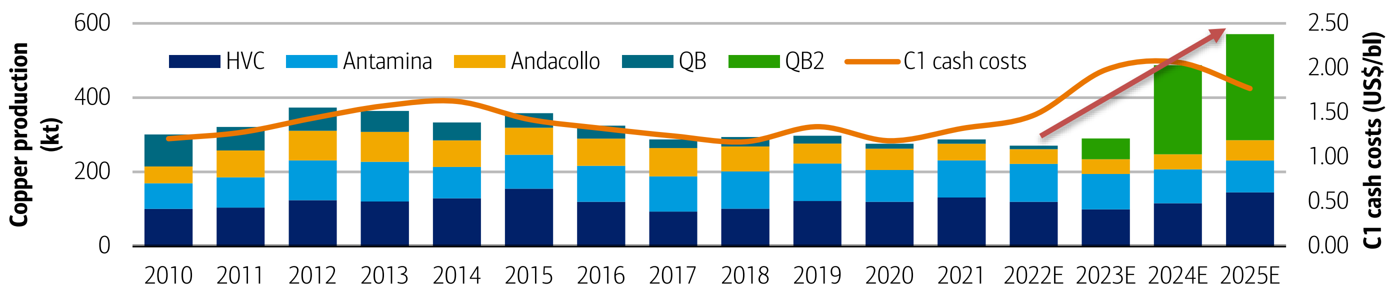
We set Buy rated Teck Resources (TECK) as our 2024 top overall pick. We increase our PO on TECK to $49 (C$67 per share). We are increasing our TECK PO based on an increased multiple (8.0x in 2024E and 7.5x on 2025E), versus previously at 6.5x/6.0x. Our new multiples are more aligned to the group historical average copper multiple of 7.5x. We use 8x on 2024E reflecting a much lower than run-rate EBITDA given QB2's continued ramp-up. We think a group average historical multiple is warranted for TECK considering its high-quality, long-life copper asset base, with significant growth optionality, partly offset by the need to still execute the ramp-up of its QB2 copper project in Chile.

Investment Thesis

Transformational, peer-leading copper production growth

TECK is now in the final stages of ramping-up its transformational Quebrada Blanca II (QB2) copper mega-project in Chile. As per recently issued guidance, TECK's consolidated 2024 copper production is expected to be 465-540kt (BofAe 487kt; up 68% year-over-year (YoY) from 297kt in 2023A); and further grow to 550-620kt in 2025 (BofAe 571kt, +17% YoY). At the end of 2023, QB2 was operating near design throughput capacity. As the QB2 ramp-up drives toward completion, management will focus on improving reliability/consistency and increasing mill availability, with the majority of the known start-up issues expected to be resolved in H1'24. QB2 is guided to produce 230-275 kt in 2024 (BofAe now at 240kt vs 205kt prior). For 2025-2027, TECK expects QB2 to operate at design throughput with annual copper production guidance increasing to between 280 and 310kt for those years (BofAe 294kt).

Exhibit 7: TECK's copper production growth and unit cost profile
Copper production to increase 68% YoY in 2024 and a further 17% YoY in 2025, driven by QB2 ramp-up



Source: Company reports, BofA Global Research

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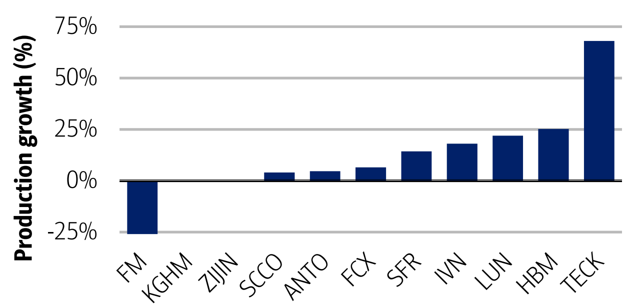
Exhibit 8: 2024E YoY copper production growth
TECK has peer-leading copper production growth in 2024



Source: Company reports, BofA Global Research

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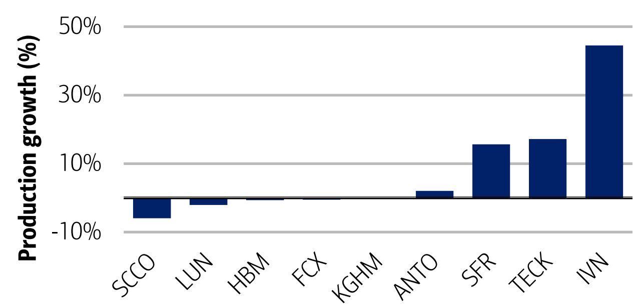
Exhibit 9: 2025E YoY copper production growth
TECK has one of the highest copper production growth in 2025



Source: Company reports, BofA Global Research

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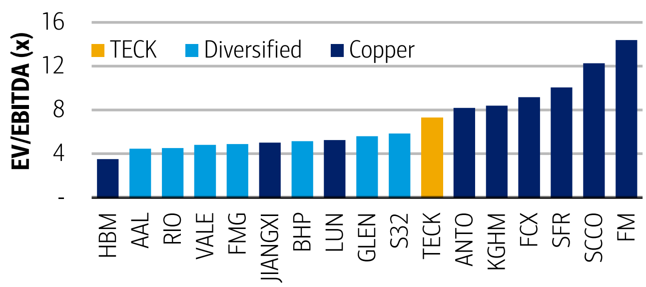
Abundant copper optionality in the portfolio

Copper optionality within TECK's portfolio is abundant. There is a path to drive TECK's copper production to >1Mtpa in the near-to-medium term, through Zafranal (capital and operating cost update progressing, detailed engineering to start in H1'24) project in Peru, 50%-owned San Nicolas project in Mexico (feasibility study expected to be completed in H1'24), and the Quebrada-Blanca Mill Expansion (decision after completing a detailed project review by third party). In addition, TECK has several long-term development projects including the 50%-owned Galore Creek copper-gold-silver project in British Columbia.

Valuation very attractive relative to copper producer peers

With the announced divestment of steel-making coal assets (expected to close in Q3'24), TECK will become a "cleaner" copper company (66% of our updated TECK net asset value (NAV) is copper) which should drive a re-rate of the stock higher. On 2024E and 2025E TECK trades at a 27% and 39% discount to the market capitalization weighted global copper producer EV/EBITDA average; and at a 48% premium and 23% discount to the market capitalization weighted global diversified producer average. These are sizeable discounts on average that should close as QB2 is ramped-up and operations run consistently.

Exhibit 10: 2024E EV/EBITDA - copper and diversified producers
TECK is trading below many copper peers on 2024E.



Source: BofA Global Research estimates, Bloomberg

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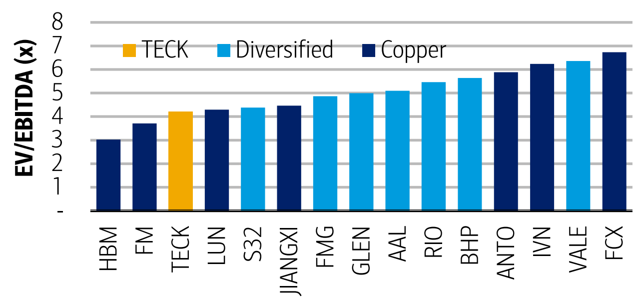
Exhibit 11: 2025 EV/EBITDA – copper and diversified producers
TECK is trading on the low-end of copper and diversified peers on 2025E.



Source: BofA Global Research estimates, Bloomberg

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Based on FactSet consensus estimates, TECK is trading at around 6.7x next twelve month (NTM) rolling EV/EBITDA (adjusted for sale of the steelmaking coal assets). This is above TECK's long-term average of 5.2x. However, versus global copper producer peers, TECK trades at an 12% discount to long-term (LT) average of 7.7x and 29% discount to current group multiple of 9.5x.

Cash infusion to drive significant capital return + growth

As of 30-Sep-23 TECK had net debt of C$6.15bn. With the close of the announced coal segment sale (for total proceeds of approximately C$13bn, including expected coal free cash flow generation between now and closing) TECK's financial position upon close is set to substantially improve (BofAe at net cash of C$7.53bn by year-end 2024). This should allow TECK to shore-up its ability to fund its copper growth ambitions while also returning significant capital to shareholders. We forecast share repurchases of C$653 million (mn) in 2024E. Combined with our forecast for a base dividend of C$455mn, this represents a 2024E total return of $1.5bn, equivalent to a yield of 3.3%. We forecast total capital return increasing to C$3.2bn in 2025E for a yield of 12.7%. It is possible that this capital return is partially accelerated in to 2024E.

Key risks

Lower commodity prices and inflationary cost pressures

As with all metal producers, downside from a decline in commodity prices poses a significant risk to our cash flow estimates. Based on the 2024 guidance reporting we have seen thus far, a common theme has been cost inflationary pressures. This could also pose downside risk to our near-term EBITDA / cash flow estimates.

Any further delay / disruption in QB2 ramp-up

TECK faced significant challenges in the build of the QB2 project (with delays and significant capex over-runs) and even the subsequent ramp-up of the project saw several issues. We think that TECK is entering the final phase of its ramp-up, with construction of the port facilities on track to be completed by the end of Q1'24 and the molybdenum plant ramp-up expected to be completed by the end of Q2'24. The re-rating of TECK's stock is dependent on management successfully resolving all reliability/availability issues in H1'24 and operated QB2 at design throughput in 2025-27.

The sale of its steelmaking coal assets not closing

In the event the sale of the remaining interest in the steelmaking cost assets to Glencore for $6.9bn does not close, this would materially negatively impact TECK's ability to return capital to shareholders. Market perceptions of the biggest risk to this closing is the Investment Canada ruling on the transaction. We would be surprised if Investment Canada were to oppose the acquisition of a Canada based steelmaking coal asset, given the government's generally green-leaning views that contrast with the public's view of coal assets with its high carbon content (even if steelmaking coal is not being burned to produce electricity and generally contributes much lower carbon emissions than thermal (power generation) coal.

Resource nationalism, though QB2 benefits from fiscal stability

Resource nationalism has been a common theme over the last few years, with the most recent being the challenges First Quantum has faced in Panama with its flagship Cobre Panama mine. Chile has also seen several attempts recently to re-write its constitution. This comes with risks to mining companies located in Chile and we estimate Chile accounts for 38% of TECK's mining asset NAV. Fortunately for TECK, QB2 benefits from having entered into into a fiscal stability agreement with Chile that fixes the mine's fiscal regime for 15 years from the date of commercial production.

Commercial Metals (CMC) = infrastructure

We set Buy-rated Commercial Metals (CMC) as our 2024 top pick within the North American Metals & Mining Steel sub-sector. Our price objective (PO) for CMC is $58 per share, up from $55 per share prior, based on higher estimates.

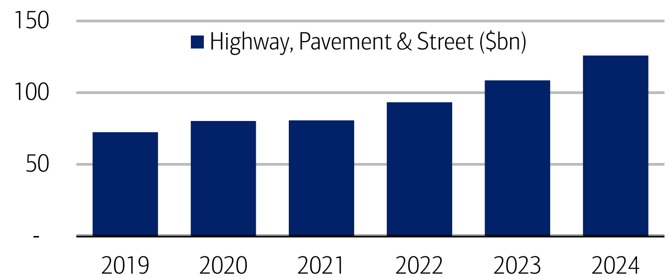
Investment case in brief

Early IIJA projects to enter construction phase in 2024; spending +16-21% YoY

The $1.2tn Infrastructure Investment and Jobs Act (IIJA) signed in 2021 included a 65% increase in funding for surface transportation (vs previous federal package). CMC estimates that this could translate to 15-17% (or ~1.5mn ton) in incremental rebar demand per annum. Further, re-shoring of manufacturing facilities and energy transition projects could provide a 5-9% additional source of rebar demand.

Exhibit 12: ARTBA 2024 market outlook

ARTBA expects Highway, Pavement & Street construction growing double digits in 2024 - reaching $126bn (+16% YoY)



Source: American Road & Transportation Builders Association (ARTBA)

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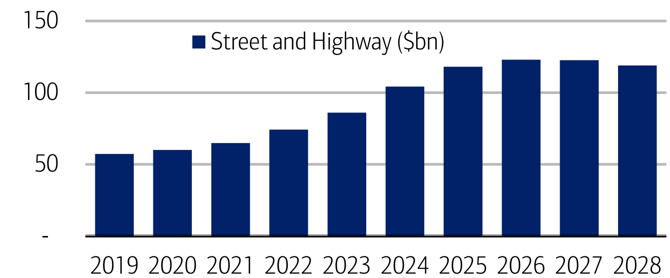
Exhibit 13: Dodge Street & Highway spending forecast

Dodge Construction Network expects Street & Highway spending to grow at a faster pace at 21% YoY to $104bn in 2024



Source: Dodge Construction Network

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According to American Road and Transportation Builders' Association's (ARTBA) annual market outlook, Highway, Pavement & Street construction is expected to grow at double digits for the second year in a row - reaching $126bn (+16% YoY) in 2024, with growth supported by early IIJA projects getting into major construction phase and increases in state revenue budgets to both match federal funds and provide additional investments. Separately, Dodge Construction Network expects Street & Highway spending to grow at a faster pace at 21% YoY to $104bn in 2024. While there are differences in projects tracked by both ARTBA/Dodge, the underlying data points to strong rebar demand support in 2024 and beyond.

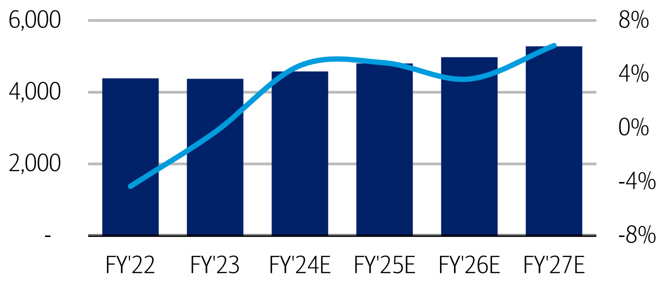
CMC's AZ2 mill attractively positioned to benefit from strong demand

CMC commissioned its 500 thousand ton per annum (ktpa) Arizona 2 (AZ2) micro mill in summer 2023. The company is currently ramping-up its rebar production (350 ktpa capacity) and expects to produce/ship 250kt in FY'24. CMC expects the mill to turn EBITDA positive by late-Q3'FY24. The merchant bar line (150 ktpa capacity) will also be commissioned in the coming months. Together, we expect the AZ2 mill to contribute ~10% higher shipments to the company's North America Steel Group's (NASG) segment over the next two years.

CMC NASG steel product margins to inflect / improve in H2'FY24

US domestic rebar mills announced a $50/st price hike in early-December 2023, to offset the strong ($40-80/st) increase in scrap costs for the month. This was the first hike announced since Q2'23, allowing mills to stabilize margins. With construction activity expected to be robust in spring / summer 2024, we see potential for mills to hold on to these price gains and announce additional price hikes despite potential for scrap prices to trend lower due to anticipated correction in flat-rolled steel pricing. As a result, we expect CMC's NASG steel product margins to inflect and improve in the coming quarters.

Exhibit 14: CMC NASG finished steel shipments (k st)
AZ2 mill to contribute ~10% higher shipments over the next two years



Source: Company reports

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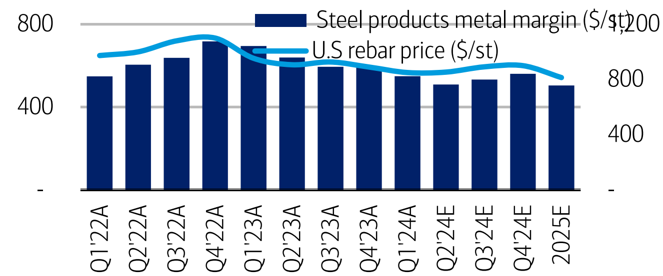
Exhibit 15: CMC NASG steel metal margin ($/st)
NASG steel product margins to inflect and improve in H2'FY24



Source: Company reports

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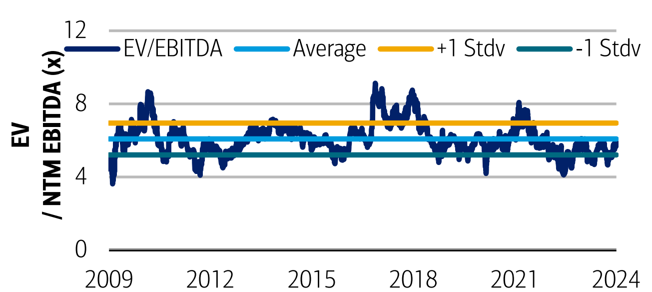
Green shoots in Polish construction market; operational EBITDA to recover

While the market conditions in Poland remain challenging, domestic mills have adjusted production levels and customer inventory levels have normalized. Looking ahead, management sees two green shoots appearing: 1) increase in new mortgage originations since late-summer 2023, which should drive support residential construction over the next few quarters, and 2) expected release of €60 billion (bn) to Poland from the EU Recovery and Resilience fund (€5bn already released), with majority of the spending to be directed towards infrastructure and renewable energy projects. Overall, CMC expects construction activity to recover, thereby driving sequential improvement in operational EBITDA (excluding energy credits received in Q1'FY24) through the reminder of FY'24.

EBG – an avenue for higher margin growth

In December 2023, CMC realigned its operations into three segments, to allow enhanced visibility into key value drivers, unlock commercial and operational synergies, optimize capital investment planning, and renew focus on through-cycle margins and drive growth. As part of the realignment, CMC carved out its Tensar geogrid and Geopier, CMC Construction Services, Performance Reinforcing Steel, CMC Anchoring Systems, and Impact Metals operations into a new business segment – Emerging Businesses Group. The EBG typically have higher, more stable margins (18-20% EBITDA margin) and can grow at a faster pace (compared to traditional steel production), driven by increased market penetration, organic investment, and acquisitions.

Exhibit 16: CMC EV/NTM consensus EBITDA
CMC is trading at 5.9x NTM EBITDA, ~2% below its long-term average of 6.0x. On BofAe, CMC is trading at 5.5x or 9% discount to its long-term average



Source: BofA Global Research, FactSet. NTM = Next Twelve Month

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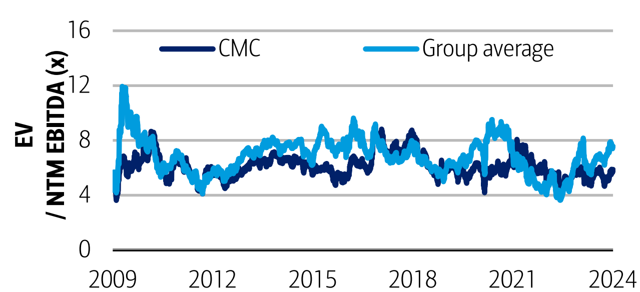
Exhibit 17: CMC EV/NTM consensus EBITDA vs Group average
CMC is currently trading at 5.9x NTM EBITDA, about 22% below sector average of 7.6x



Source: BofA Global Research, FactSet. NTM = Next Twelve Month

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Valuation attractive; Upside to consensus

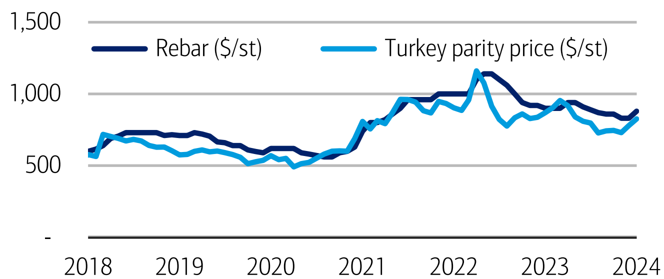
CMC is currently trading at 5.9x NTM consensus EBITDA, ~2% below its long-term average of 6.0x and 22% below sector average of 7.6x. We see upside to consensus, with BofAe adjusted EBITDA for 2024 at $1.2bn, ~6% higher than Visible Alpha consensus of $1.14bn. On BofAe, CMC is currently trading at 5.5x or ~9% discount to its long-term average of 6.0x.

Risks

Resurgence of imports could pressure domestic pricing and margins

Türkiye accounted for 29% of total rebar imports (1.45mn st) into the US in 2022. Following the devastating earthquake, imports from the country are down 76% YoY to 101k st in 2023. However, countries like Algeria, Egypt have picked up some of the slack, with total US rebar imports down just 5% YoY in 2023. Looking ahead, while imports from Türkiye could remain subdued as it focuses on domestic reconstruction, imports from other countries could increase, thereby pressuring domestic pricing and margins.

Exhibit 18: US rebar vs Türkiye export parity price
Import arbitrage is currently less than $40/st



Source: BofA Global Research, CRU, Platts

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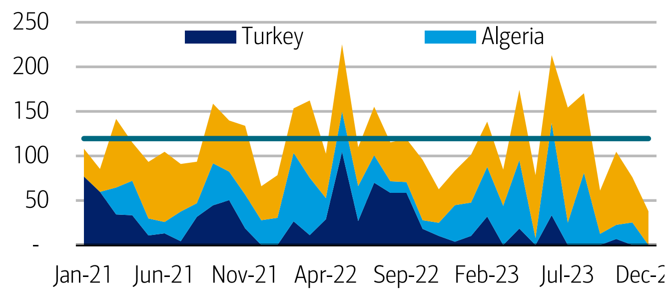
Exhibit 19: US rebar imports by country (k st)
Imports from Türkiye could remain subdued, but other countries could offset



Source: BofA Global Research, US Census Bureau

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New capacity additions could start outpacing infrastructure tailwind

CMC is building a new 500k ton per annum (tpa) micro-mill in Berkeley County, West Virginia. Also, Nucor is constructing a 600ktpa melt shop at Kingman, AZ and a new 430ktpa micro-mill at Lexington, NC, and has plans to build a new 600ktpa mill in Pacific Northwest region. Separately, Global Principal Partners, a private equity firm run by former Big River Steel CEO David Stickler, is building a 600ktpa rebar mill at Osceola, AZ. Together with CMC's Arizona 2 mill, >3.5mn tons of rebar projects are under construction or in planning stage, risking a potential oversupply in the medium term.

Exhibit 20: US rebar capacity additions
>3.5m tons of rebar projects are under construction or in planning stage

Company	Asset	Capacity (ktpa)	Start
72 Steel	Aliquippa, PA	250	?
Ashoka	Sulphur Springs, TX	350	??
CMC	Mesa, AZ	350	Jun23
CMC	Berkeley, WV	500	YE25
Hybar	Osceola, AZ	630	Q2'25
Hybar	Mill #2	600	???
Miami Steel	Homestead, FL	750	????
Nucor	Kingman, AZ	600	2024
Nucor	Lexington, NC	430	2025
Nucor	Pacific Northwest	650	n/a
Optimus Steel	Beaumont, TX	400	Late-2024
Pacific Steel	Mojave, CA	380	?????
Total capacity announced		**5,890**	
Probable capacity additions		**3,560**	
2017-2021 avg consumption		8,937	
2017-2021 avg imports		1,250	
Infrastructure demand		>1,500	
Reshoring demand		100-500	

Source: BofA Global Research, company reports, Platts

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CMC model changes

We have updated our model for Q1'24 reported results (see Q1'24 results first take; 08 January 2024 report) and incorporated new segment reporting structure. We lower our fiscal 2024E EBITDA and EPS by 3% and 10% to $1.2bn and $5.25, mainly on lower volumes for its NASG segment due to reduced guidance from the company for AZ2 mill (250k st instead of 400k st prior). Our 2024E and 2025E EBITDA/EPS increase 8%/flat and 10%/6%, respectively, due to improved profitability from its NASG (change in mix) and EBG segments. We raise our Price Objective (PO) from $55 per share to $58 per share, based on a blended 6.0x FY24E EV/EBITDA, 5.5x FY25E EV/EBITDA and 1.0x our NAV (methodology unchanged).

Exhibit 21: CMC key estimate changes

Our Fiscal 2024E EBITDA / EPS are 3% / 10% lower mainly due to lower volumes for AZ2 mill.

		2024E			2025E			2026E	
(US$mn, except per share data)	**Old**	**New**	**Var.**	**Old**	**New**	**Var.**	**Old**	**New**	**Var.**
Net Sales	8,487	8,515	0%	8,331	8,636	4%	8,302	8,684	5%
Adjusted (core) EBITDA	**1,231**	**1,199**	**-3%**	**1,099**	**1,188**	**8%**	**989**	**1,083**	**10%**
EBITDA margin	*14.5%*	*14.1%*	*-43bp*	*13.2%*	*13.8%*	*56bp*	*11.9%*	*12.5%*	*57bp*
Depreciation	278	279	0%	271	280	3%	294	303	3%
Adjusted Earnings	674	614	-9%	582	595	2%	479	495	3%
Adjusted EPS	**5.85**	**5.25**	**-10%**	**5.25**	**5.28**	**0%**	**4.32**	**4.57**	**6%**
Operating Cash Flow	1,097	1,047	-5%	839	908	8%	769	821	7%
Capex	(575)	(575)	0%	(500)	(550)	10%	(175)	(300)	71%
Free Cash Flow	522	472	-10%	339	358	5%	594	521	-12%
Net Debt	451	391	-13%	439	363	-17%	(69)	175	nm
North America Steel Group									
Net Sales	7,251	6,618	-9%	7,159	6,547	-9%	7,081	6,470	-9%
Adjusted EBITDA	**1,211**	**1,070**	**-12%**	**1,070**	**1,020**	**-5%**	**959**	**890**	**-7%**
Steel products shipments (kst)	3,140	3,132	0%	3,128	3,250	4%	3,263	3,325	2%
Downstream products shipments (kst)	1,492	1,446	-3%	1,716	1,550	-10%	1,802	1,650	-8%
Steel products price (US$/st)	920	915	-1%	864	859	-1%	806	801	-1%
Downstream products price (US$/st)	1,275	1,324	4%	1,195	1,269	6%	1,139	1,206	6%
Cost of ferrous scrap (US$/st)	376	376	0%	354	354	0%	359	359	0%
Steel products metal margin (US$/st)	**544**	**539**	**-1%**	**509**	**505**	**-1%**	**447**	**442**	**-1%**
Adjusted EBITDA per ton (US$/st)	**261**	**234**	**-11%**	**221**	**213**	**-4%**	**189**	**179**	**-6%**
Europe Steel Group									
Net Sales	1,243	1,105	-11%	1,181	1,257	6%	1,229	1,343	9%
Adjusted EBITDA	**95**	**51**	**-46%**	**119**	**103**	**-14%**	**119**	**117**	**-2%**
Steel products shipments (kst)	1,594	1,483	-7%	1,704	1,625	-5%	1,738	1,700	-2%
Steel products price (US$/st)	703	723	3%	622	752	21%	638	769	21%
Cost of ferrous scrap (US$/st)	405	409	1%	372	402	8%	379	409	8%
Steel products metal margin (US$/st)	**299**	**313**	**5%**	**250**	**350**	**40%**	**259**	**360**	**39%**
Adjusted EBITDA per ton (US$/st)	**60**	**35**	**-42%**	**70**	**63**	**-9%**	**69**	**69**	**0%**
Emerging Businesses Group									
Net Sales	n/a	754	nm	n/a	792	nm	n/a	832	nm
Adjusted EBITDA	n/a	**142**	**nm**	n/a	**154**	**nm**	n/a	**166**	**nm**

Source: BofA Global Research, Company reports. Note: Segment results (new vs old) are not comparable due to change in reporting structure.

BofA GLOBAL RESEARCH

Cameco (CCJ) for uranium exposure

We set Buy-rated Cameco (CCJ) as one of our 2024 top picks within the North American Metals & Mining coverage. CCJ is our preferred name in the uranium space. Our price objective (PO) for CCJ is US$55.50 (C$76) per share.

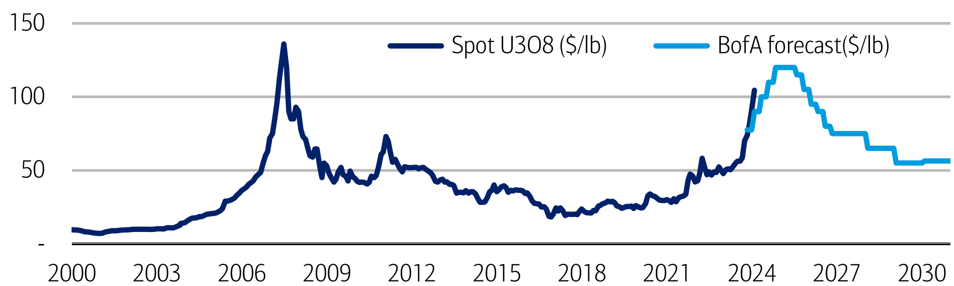
Investment case in brief

Uranium market to remain tight until 2025

We are constructive on uranium (U_3O_8) prices, currently trading at a 15-year high of US$101 per pound (/lb) given an increasingly tight spot market. We expect the market to remain tight well into 2025E when new mined supply is forecast to finally provide relief from lack of supply. There is risk markets don't balance until 2026, given supply issues. With inventories evidently lower than we had previously believed and production slippages a risk (as seen recently from Kazatomprom (KAP), which warned on its 2024 production ramp citing difficulties getting acid & delayed construction works), we see upside risk to our U_3O_8 price forecasts of $105/lb in 2024E and $115/lb in 2025E.

Exhibit 22: Uranium price US$/lb

Spot uranium is currently trading at US$101/lb with the market expected to remain in deficit until year-end 2024



Source: UxC LLC, BofA Global Research estimates

BofA GLOBAL RESEARCH

Uranium prices have further room to run

The main driver of the uranium market for decades has been excess inventory, i.e., production exceeded demand (inventory +2,000Mlbs from 1990). But now that the era of excess inventory is over (in our view), the focus has shifted from inventory to mobility. How much of it is likely to change hands even in a rising market? With spot volumes declining and an expectation for the Sprott Physical Uranium Trust (SPUT) and holdings by Yellowcake (YCA) to continue consuming material from the spot market, we think the uranium price has further room to run.

We expect a surplus in 2025E (+5.1Mlbs) as Kazatomprom (KAP), the world's largest uranium producer, ramps-up production in 2024/25, but this is highly dependent on KAP executing its ramp-up as guided, meanwhile it has recently warned on its ability meet its previously provide production guidance, suggesting the potential for deficits through 2025E. Until the market balances, uranium prices should go higher, particularly if there are unexpected disruptions to current production and delayed supply from idled mine restarts. In terms of our model and upside to pricing in the next year, the big unexpected (i.e., unmodeled factors) could be:

1. Continued geopolitical pressure on uranium producing countries, i.e., SOMAIR shutting in Niger or sanctions/restrictions on Kazatomprom exports via Russia.

2. The spot market is very thin, so it's difficult to buy meaningful volumes in the spot market without impacting the price. If the SPUT/YCA/Zuri/Kazakh ETFs buy greater than 5Mlbs in 2024, this would further disrupt our forecast supply/demand balance.

3. Japan restarting more than 15 reactors, there are around 29 that could be eligible.

4. Cameco missing production (more likely be related to the Key Lake mill).

5. Potential delays in the ramp-up of Paladin's Langer Heinrich (LH) Mine restart due in Q1'24 (although modest volumes) and Boss Energy's Honeymoon now due Q1'24. In 2024, we expect 850klbs in 2024 from Honeymoon and 3.4Mlbs from LH.

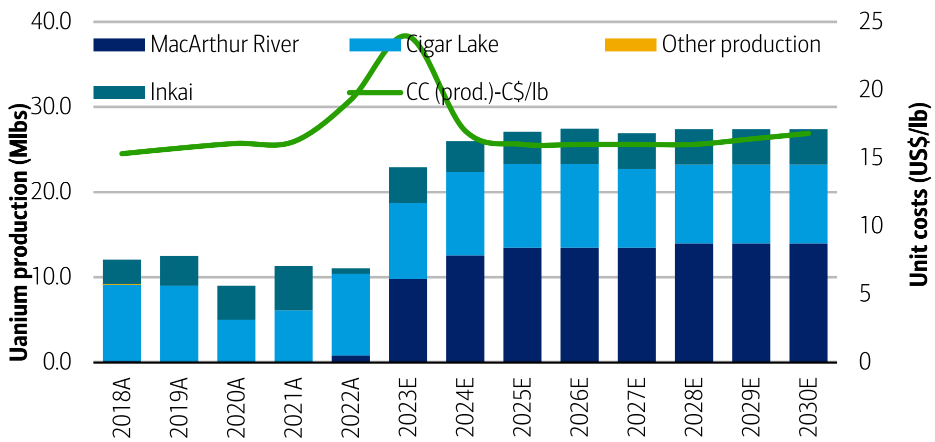
6. An easing up in conversion (i.e uranium hexafluoride (UF_6)) supply leading to a ramp-up in U_3O_8 overfeeding at enrichment facilities (overfeeding, a form of over-capacity utilization, would create additional demand for U_3O_8). A lack of excess conversion is one of the factors keeping overfeeding to a modest level.

Cameco should benefit from the restart/ramp-up of McArthur River / Key Lake

The restart and ramp-up of CCJ's McArthur River mine and Key Lake mill is set to drive a substantial increase in CCJ's U_3O_8 production. This will drive margin expansion in an outsized way since CCJ is current selling U_3O_8 in-excess of its production capability, causing it to partially purchase U_3O_8 in the spot market to make up the difference. With spot prices at 10-year highs, the spot market purchasing is negatively impacting CCJ's profitability. Additional U_3O_8 production will (all else equal) alleviate this situation.

Exhibit 23: Cameco U3O8 production profile

The growth in production from 2022A through 2026E is driven by the restart and ramp-up of McArthur River / Key Lake



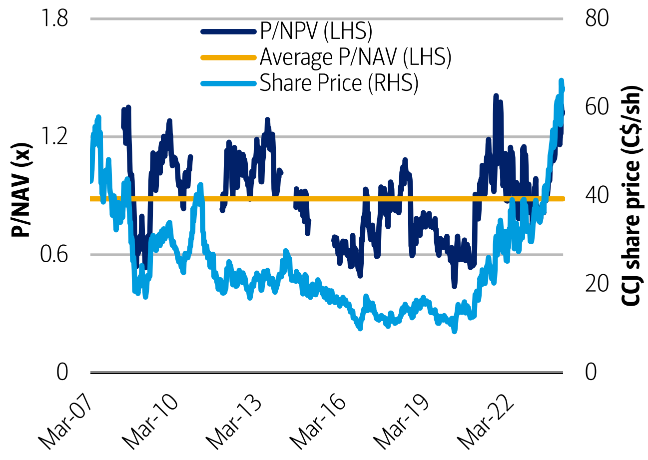
Source: BofA Global Research, Company reports

BofA GLOBAL RESEARCH

Valuation upside with CCJ trading below long-term average

We see potential upside to CCJ's share price given its historical tendency to trade in line with spot uranium which we think is set to increase. CCJ is the only large, liquid, US listed vehicle for exposure to uranium and is trading at a discount to its historical EV/EBITDA multiple, in our view. On a P/NAV basis, CCJ is now trading at 1.3x, still below the all-time peak at 1.35x but above the long-term average of just below 1x. On a rolling next twelve-month (NTM) EV/EBITDA basis, CCJ is now trading at 12.5x, significantly below the last cycle peak at 30x, and also below to the long-term average of 14x.

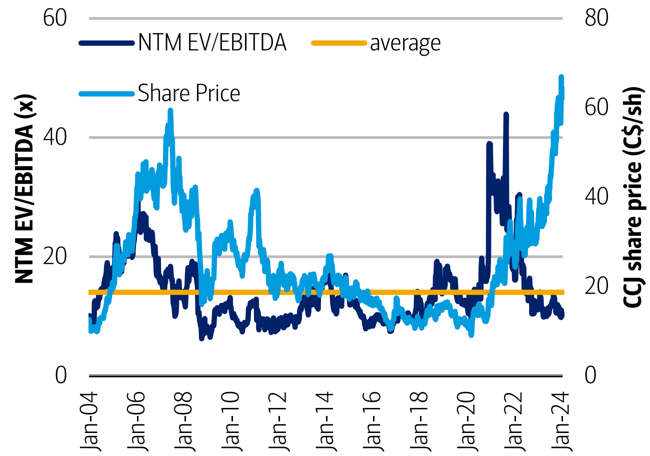
Exhibit 24: CCJ historical P/NAV
At 1.3x, CCJ is trading above the just under 1x historical average



Source: BofA Global Research, Bloomberg, Company reports

BofA GLOBAL RESEARCH

Exhibit 25: CCJ EV/EBITDA NTM
CCJ is trading at 12.5x EV/EBITDA NTM, below the 14x historical average.



Source: BofA Global Research, Bloomberg, Company reports

BofA GLOBAL RESEARCH

We note that on 2025E EBITDA, when both of CCJ's flagship assets, Cigar Lake and McArthur River are expected to be operating at much closer to full capacity, CCJ is trading at 10.7x. This is well below the CCJ's long-term average (which we estimate on a normalized basis is around 11x, but with the addition of Westinghouse should be 12x-13x, in our view).

Exhibit 26: Uranium Comparable Valuations
CCJ trades at a slight premium to the peer average on P/NAV as well as on EV/EBITDA 2024E and 2025E

Priced as of 31-Jan-24	BofA Sym	BofA Rating	Shr. Price	MC (US$M)	EV (US$M)	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	FCF yield 2023E	FCF yield 2024E	P/NAV 2024E	Dividend yield 2023E	Dividend yield 2024E	ND/EBITDA 2023E	ND/EBITDA 2024E	ND/EBITDA 2025E
Uranium Producers																
Boss Energy	BQSSF	BUY	AUD 5.57	1,688	1,688	142.4	33.0	10.3	-2%	-3%	2.37	0.0%	0.0%	(5.6)	(2.0)	(1.1)
Cameco	YCCO	BUY	CAD 64.19	20,739	23,496	43.3	13.1	10.7	1%	4%	1.32	0.2%	0.1%	2.0	0.1	(0.5)
Kazatomprom	XWREF	BUY	KZT 40.50	10,504	11,285	7.0	3.8	3.3	5%	9%	0.64	4.2%	3.7%	0.1	0.0	(0.2)
Paladin Energy	PALAF	BUY	AUD 1.30	2,536	2,351	NA	55.9	10.9	0%	0%	1.84	0.0%	0.0%	7.3	(1.5)	(1.3)
Yellow Cake Plc	YLLXF	BUY	GBP 695.50	1,747	1,663	NA	NA	NA	0%	-1%	0.94	0.0%	0.0%	NA	NA	NA
Market Cap Weighted Avg.						**36.7**	**13.8**	**8.5**	**2%**	**5%**	**1.20**	**1.3%**	**1.1%**	**1.5**	**(0.1)**	**(0.5)**

Source: BofA Global Research Estimates, Bloomberg, Company Reports

BofA GLOBAL RESEARCH

Pan American Silver (PAAS) = catalyst rich

We set Buy-rated Pan American Silver (PAAS) as a 2024 top mid-tier gold/silver pick in the precious metals space. Our price objective (PO) for PAAS is $18.00 per share.

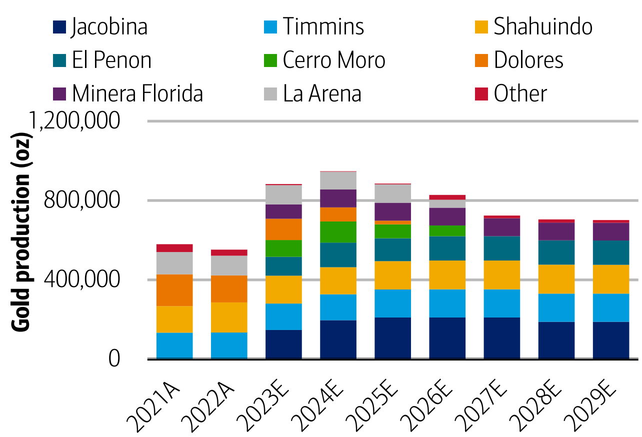
Investment Thesis

Solid production growth on deck

We model 2024E silver production of 21.7Moz and gold production of 947koz, +17% and +72% vs 2022A. This is peer-leading growth, reflecting benefits of the recent acquisition of Yamana (AUY) and operational improvements. In a constructive precious metals price environment, equities with production growth are preferred for torque.

Exhibit 27: PAAS Consolidated Gold Production Profile By Asset

For 2024E, we forecast gold production of 947koz

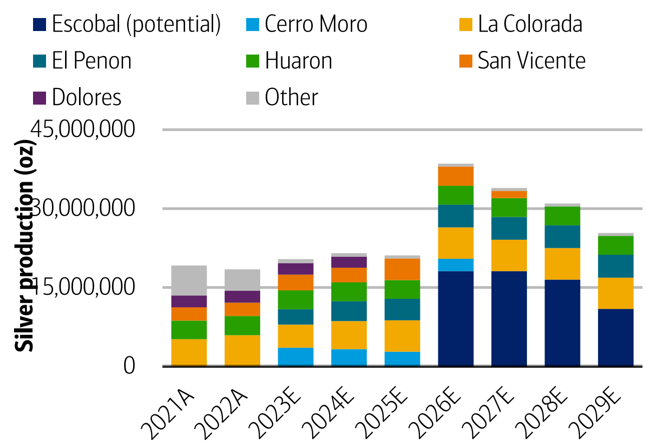


Source: BofA Global Research, Company Reports

BofA GLOBAL RESEARCH

Exhibit 28: PAAS Consolidated Silver Production Profile By Asset

For 2024E, we forecast silver production of 21.7Moz.



Source: BofA Global Research, Company Reports

BofA GLOBAL RESEARCH

Yamana acquisition: yet to reap the upside

The acquisition of Yamana (AUY) closed at the end of Q1'23 and the integration and optimization studies of acquired assets is still ongoing. We highlight the Jacobina mine (19% of NAV) where PAAS recently held a site visit. PAAS is studying optimization opportunities and looking at a potential expansion project at the asset beyond 2025. The mine has a 15-year reserve life, though resources suggest upside to a 23-year mine life. Additionally, the asset has a proven track record of exploration success which we expect to continue with the recent discoveries Maricota and Morro do Vento Down Dip, among others. These discoveries are shallow and close to infrastructure suggesting a straight-forward path to reserve definition and development.

Solid balance sheet makes for a defensive pick

PAAS has a very strong balance sheet with cash and short-term investments of $386mn, and total debt of $809mn, implying net debt of just $423mn as at 30-Sep-23. We forecast a ND/EBITDA (year-end 2023) of 0.7x and we model this peaking at 1.1x by year-end 2024E (very manageable) and thereafter declining to 0.3x by year-end 2025E. PAAS also has solid liquidity with $750mn undrawn on its revolving credit facility.

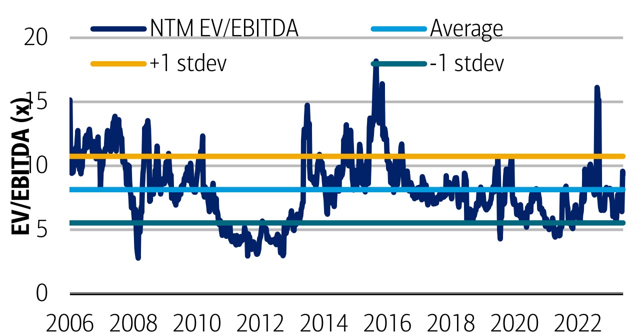
Material catalyst upside: Escobal restart, amongst others

We see material catalyst potential with PAAS. Potential catalysts include: (**1) the re-start of the Escobal mine** located in Guatemala, which has been suspended since 2017 (PAAS acquired the asset through its acquisition of Tahoe (THO) which closed in early 2019. We currently value Escobal at $1,471mn, or 28% of our mining asset NAV, assuming a 7.5% discount rate (vs 5% of the other assets) and re-starting in 2026E. On restart, Escobal has the potential to add, on average, +12Moz of silver production per year and even higher early on in the mine life; (**2**) **unlocking value for the Navidad project**; PAAS owns the Navidad project located in Chubut, Argentina which is one of the largest undeveloped primary silver deposits in the world (M&I silver resources of 632.4Moz and an additional 119.4Moz of inferred resources) – we highlight that a pro-business Libertarian president was recently elected and we currently have no value for Navidad in our base case estimates; **(3) completion of the concrete shaft at La Colorada:** PAAS is on track to complete the ventilation upgrades at La Colorada by mid-2024, which are expected to significantly improve mining conditions (increased air flow/reduced temperatures) allowing access to higher-grade zones and increased and more consistent throughput levels; **(4) non-core asset sales as a source of "value creation":** in 2023, PAAS generated total cash proceeds of $596mn from non-core asset sales (plus significant savings on care and maintenance) strengthening the balance sheet significantly. We see potential for more non-core asset sales and see various divestment candidates within PAAS portfolio such as the La Arena II Sulphides project; **(5) increased capital returns;** PAAS' dividend is performance-linked (tied to the net cash position) which we see growing; (**6**) **partner for La Colorada Skarn;** PAAS recently published a preliminary economic assessment (PEA) on the La Colorada Skarn project; we see a partner transaction as a catalyst to provide confidence in the project and financially de-risk the project from PAAS's perspective.

Valuation attractive relative to historical standards

PAAS trades at a P/NAV of 0.94x, 2024E EV/EBITDA of 10.5x, 2025E EV/EBITDA of 5.8x, Historically, PAAS has traded at an average P/NAV of 1.47x and a NTM EV/EBITDA of 8x.

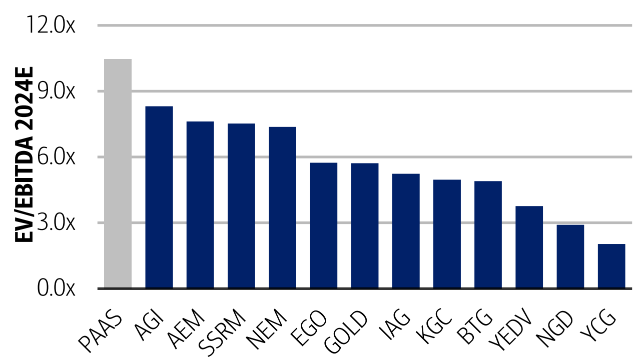
Exhibit 29: PAAS EV/EBITDA (Historical)
PAAS has historically traded at an average EV/EBITDA of 8x.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

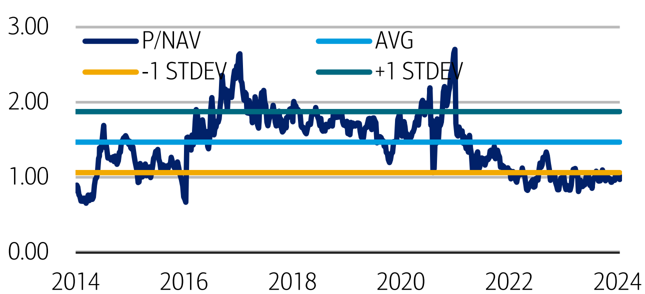
Exhibit 30: PAAS EV/EBITDA (Ranked)
PAAS is currently trading at an EV/EBITDA of 10.5x.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

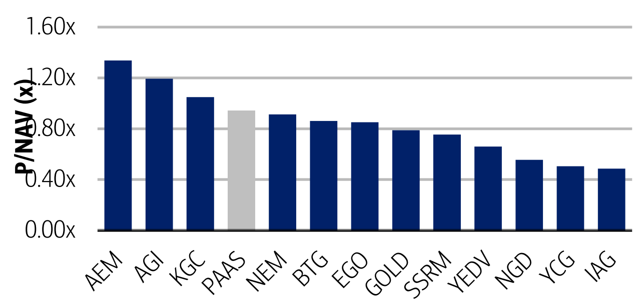
Exhibit 31: PAAS P/NAV (Historical)
PAAS has historically traded at an average P/NAV of 1.47x



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 32: PAAS P/NAV (Ranked)
PAAS is currently trading at a P/NAV of 0.94x.



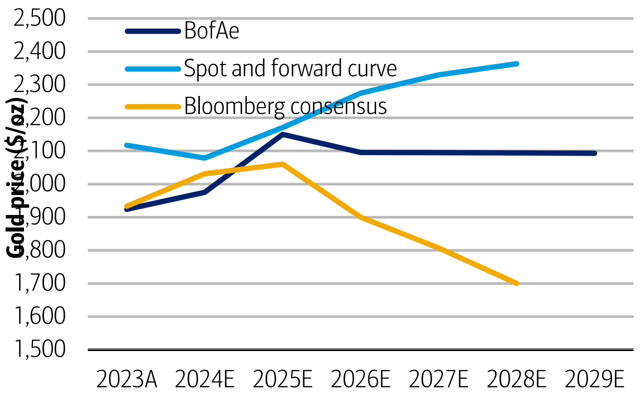
Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Bullish gold and silver near-term; PAAS balanced exposure

BofA has a bullish view on both the gold and silver prices for summer 2024: Precious metals are seen as a H2'24 trade on expectations for monetary policy easing. BofAe (official) base case forecasts for gold and silver are $2,098/oz and $24.15/oz in 2025E. Our Commodity Strategist recently highlighted a blue-sky scenario for gold hitting $2,400/oz by H2'24 – we'd expect silver to rally similarly. PAAS offers balanced exposure to both gold and silver; with each accounting for 49% and 35% of our NAV respectively. We also highlight that PAAS offers above-average leverage to increases in gold and silver prices; a 10% increase in our gold and silver forecast for 2024E translates to an 42% increase in our 2024E EBITDA.

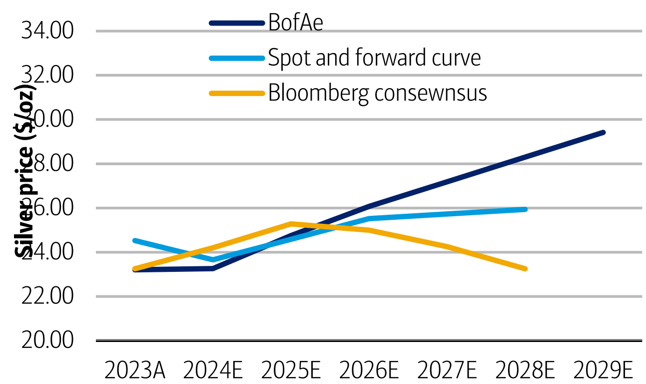
Exhibit 33: Gold Price (BofAe, Consensus, Forward Curve)
BofA is quite bullish gold relative to consensus



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 34: Silver Price (BofAe, Consensus, Forward Curve)
The BofA silver forecast is more in-line to consensus



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Key risks

Commodity price risk (silver or gold prices declining)

As with all producers, downside from a decline in commodity prices poses a significant risk to our cash flow estimates. PAAS has above-average sensitivity to the gold and silver price. A 10% decline in our 2024E base case gold and silver price would imply a 39% decline in EBITDA to $331mn (from $540mn).

Geopolitical risks

PAAS owns 13 mines (two on care & maintenance) and 2 development projects, all which span the Americas region – including Canada, Mexico, Brazil, Bolivia, Peru, Guatemala, Argentina, Chile. Geopolitical risks are heightened in Latin America in our view, where we have seen a trend of increased 'resource nationalism', particularly by way of higher taxes and royalties. We often see this happen with an uptrend in commodity prices and this remains a risk for the company. However, we do like the diversity by country amongst the broader region.

Inflationary cost pressures

Based on the 2024 guidance reporting we have seen thus far, a common theme has been cost inflationary pressures. This could pose downside risk to our near-term cash flow estimates, particularly for 2025E and beyond.

Uncertainty and overhang from a lack of long-term outlook

Many precious metal producer peers provide long-term, multi-year guidance which to some extent de-risks modelling and estimates. PAAS does not provide a long-term outlook, which implies greater estimate uncertainty.

Wheaton Precious Metals (WPM) for silver

We set Buy-rated Wheaton Precious Metals as our 2024 top pick in the precious metals royalty & streaming space. Our price objective (PO) for WPM is $57.00 per share.

Investment Thesis

Peer-leading volume growth, upside to our estimates

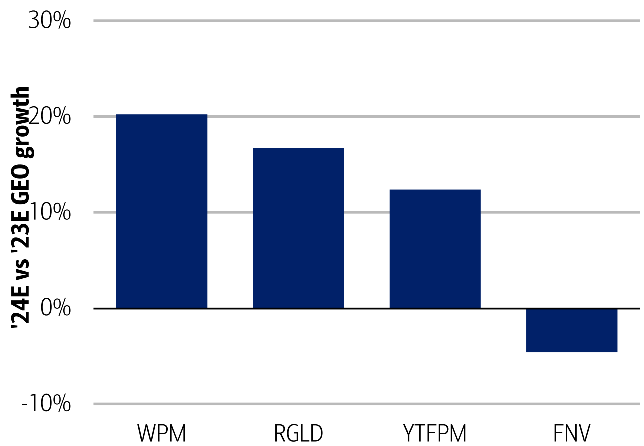
WPM has peer-leading volume growth in gold equivalent ounces (GEOs). On a recent earnings call, WPM management telegraphed the potential for >900k GEOs per year by 2027, and on a track towards 1Moz GEOs per year thereafter. This is substantial growth vs 2023E at approximately 609kGEOs (BofAe). We currently do not model GEO reaching 1Moz annually which implies upside to our estimates. We'll seek clarity on the 5-year and 10-year outlook with WPM's upcoming guidance. A key component of this growth is the unfolding turn-around at the base metal operation of Brazilian miner, Vale. We estimate that over 40% of WPM's NAV is derived from Vale base metal assets.

Go-to R&S name for highest precious metals exposure

In our coverage, WPM offers the greatest precious metal exposure among its ssenior peers (FNV and RGLD). Included in this is silver exposure of 35% of 2024E revenues. This is well-above peers. In a constructive precious metals environment, silver typically exhibits price leverage to gold but (i.e. silver tends to appreciate more than gold in gold bull markets), which would be positive for WPM given its material silver exposure.

Exhibit 35: R&S 2024E vs 2023E % volume growth rate

WPM highest GEO growth rate in 2024E.



Source: BofA Global Research

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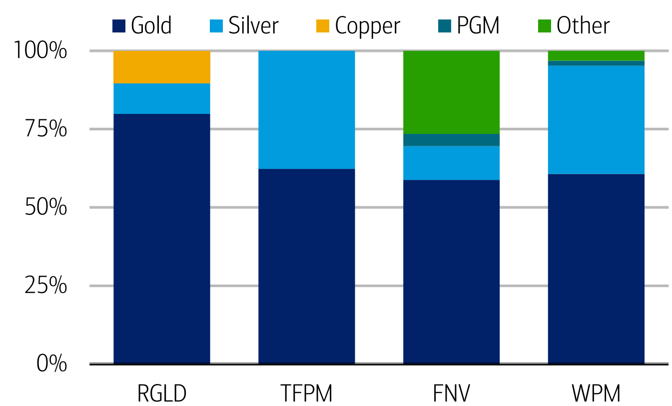
Exhibit 36: 2024E revenue distribution by metal

Versus FNV and RGLD (closest size peers to WPM), WPM has the highest precious metals exposure.



Source: BofA Global Research

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Fortress balance sheet and liquidity and top-tier jurisdictions

As of 30-Sep-23, WPM held net cash of $834mn (no debt). Additionally, WPM has $2bn available under its revolving credit facility, implying liquidity above $2.8bn and positioning it well to fund commitments, acquisitions of new steams and royalties, and the dividend. WPM's assets are concentrated in the Americas, in countries that are generally supportive of mining.

Insulated from inflationary cost pressures

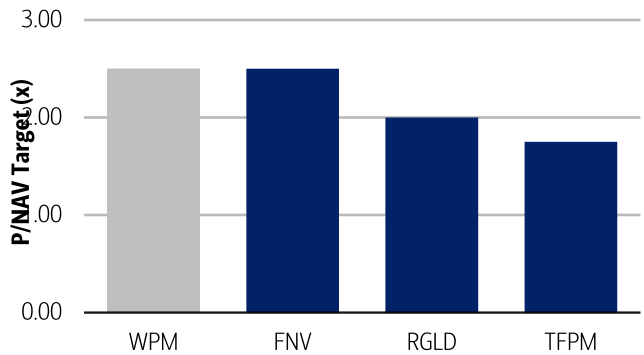
The royalty & streaming business model offers leverage to the gold price but is immune to cost pressures experienced by operators. Within the royalty & streaming model, streamed ounces are delivered at a fixed, agreed upon price, while royalty ounces are typically delivered at no cost. This means royalty & streaming companies do not bear the risks of cost inflation associated with mining and processing.

Valuation above peers but below peaks

WPM trades at a P/NAV of 2.06x. This is well below peak valuations of 2.96x in May 2020. On an EV/EBITDA basis, WPM trades at 20.9x on 2024E, above peers at 18.5x. Similarly, on 2025E EV/EBITDA, WPM trades at 18.5x, vs peers 15.6x, though slightly below its long-term average of 19x. Despite valuation above peers, we see upside to our estimate upside potential.

Exhibit 37: Target P/NAV multiples for R&S sector

WPM and FNV highest target multiples at 2.5x.



Source: BofA Global Research

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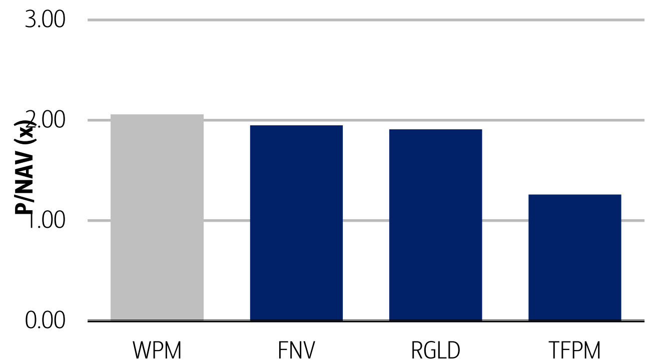
Exhibit 38: P/NAV Multiples (Ranked)

WPM trades at a P/NAV of 2.06x.



Source: BofA Global Research, Bloomberg

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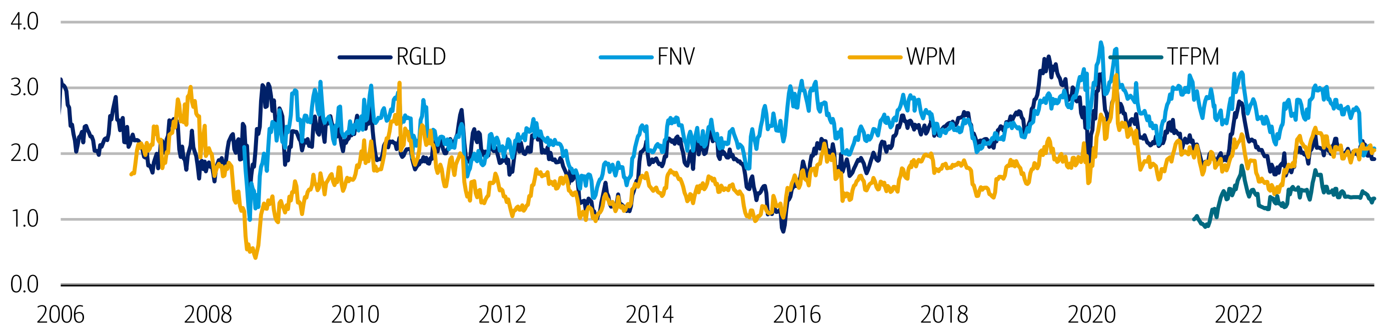
Exhibit 39: P/NAV history for R&S companies

R&S companies have generally traded between 1.0x and 3.0x P/NAV since 2008



Source: BofA Global Research, Bloomberg

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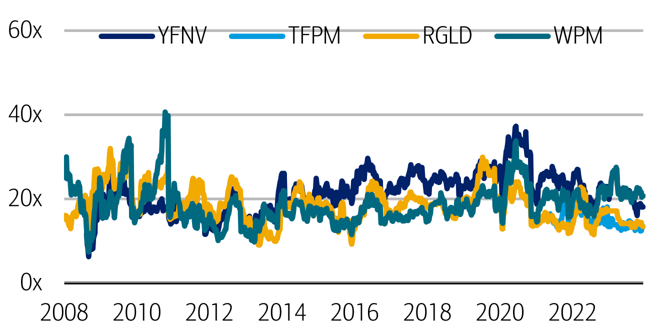
Exhibit 40: NTM EV/EBITDA history for R&S companies

R&S companies have traded between 15x and 30x EV/EBITDA multiples since 2008.



Source: BofA Global Research, Bloomberg

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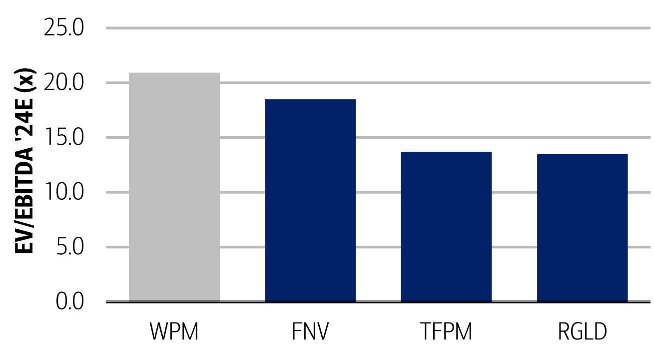
Exhibit 41: 2024E EV/EBITDA multiples for R&S companies

WPM trades at 20.9x EV/EBITDA 2024E.



Source: BofA Global Research, Bloomberg

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Risks

Operator risk

WPM has no control over the operations of any mines that it derives its top-line revenues from. As such, it is exposed to the risks of the operators of those mines, including any operational, financial and legal challenges that they may face and the associated impacts on their mines which WPM may be exposed to. Notable operators that have had operating issues in the past (to which WPM is exposed) is Vale (Salobo, Sudbury and Voisey's Bay mines) and Sibanye-Stillwater (Stillwater mine). Operator risk is especially heightened for new projects coming on-line which does drive a portion of WPM's peer-leading GEO growth.

Commodity price risks

Like all royalty/streaming companies, WPM has risks associated with the price of the commodities to which it is exposed (gold, silver, and others). However, sensitivity is limited and offset by the fact that the royalty/streaming business model is high margin (typically EBITDA margins approaching 90%). As such, royalty/streaming companies have low sensitivity to movements in the commodity prices. A 10% decline in the gold and silver price would reduce WPM's 2024E EBITDA by 12% to $859mn (from $975mn).

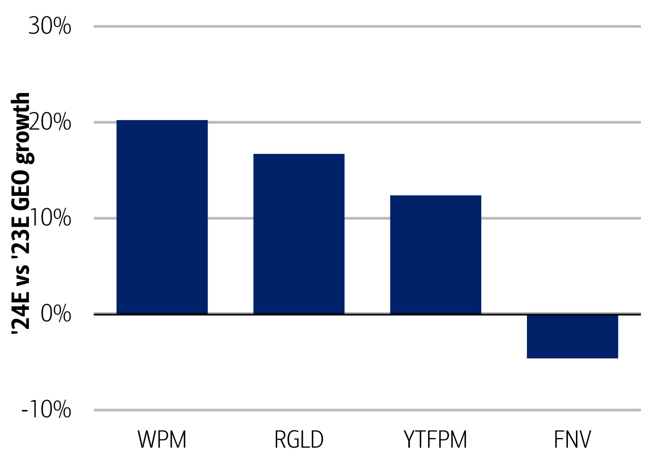
The market and outlook for royalty/streaming deal-making

WPM's ability to grow and maintain its volume profile is dependent on the market for royalty and streaming financing. The state of equity markets, debt markets and other speciality financing all will have an impact on WPM's ability to secure new deals.

Global Minimum Tax (GMT)

WPM is exposed to the global minimum tax (GMT) which will set out a 15% minimum tax on companies with earnings in low-tax jurisdictions. Many royalty/streamers, including WPM, benefit from operating from low-tax jurisdictions.

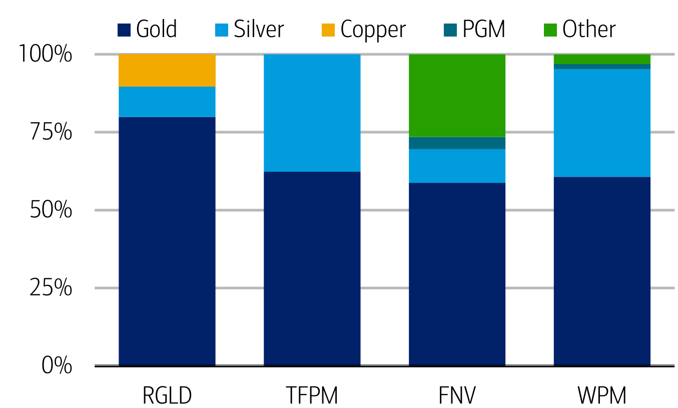
Exhibit 42: Royalty/streamer 2024E vs 2023E % volume growth rate
WPM highest GEO growth rate in 2024E.



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 43: 2024E revenue distribution by metal
Versus FNV and RGLD (closest size peers to WPM), WPM has the highest precious metals exposure.



Source: BofA Global Research

BofA GLOBAL RESEARCH

Agnico Eagle Mines (AEM) = reliable gold

We set Buy-rated Agnico Eagle as our 2024 top pick among the senior precious metal producers. Our price objective (PO) for AEM is $66.00 per share.

Investment Thesis

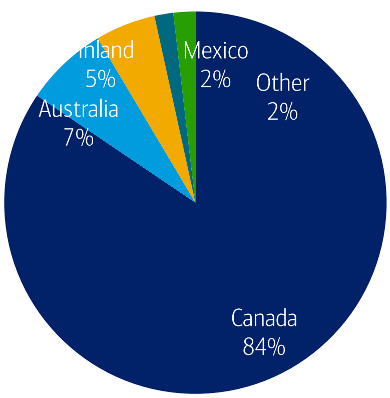
Strong management team

Agnico Eagle (AEM) has an extremely credible management team, in our view. The company has a strong history of meeting or exceeding its targets and expertly executing on project. Starting form Chair of the Board, Sean Boyd, AEM's board and management represent among some of the strong teams in the mining space.

The Canadian gold mining leader: Canada a top-tier jurisdiction

AEM is the largest gold miner in Canada by a large margin. AEM's Canadian asset base comprises of 84% of our estimated NAV. Canada is a top-tier, high-quality, low-risk jurisdiction for gold mining when compared to many other regions in the world (such as Africa or Latin America) and ultimately commands a valuation premium, typically. Canadian gold mines and projects are typically highly sought-after, i.e. meaning companies with exposure to the jurisdiction often have enhanced M&A appeal, which typically also comes with premiums in the gold mining sector.

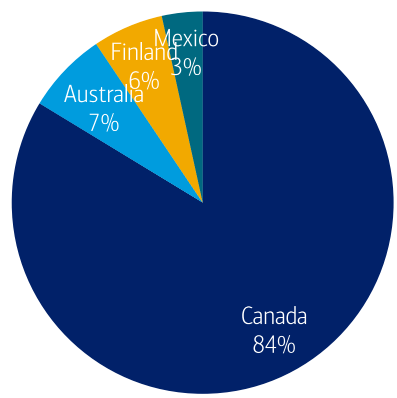
Exhibit 44: 2024E NAV by Country
Canada is 84% of NAV



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 45: 2024E Production by Country
Canada is 84% of production



Source: BofA Global Research

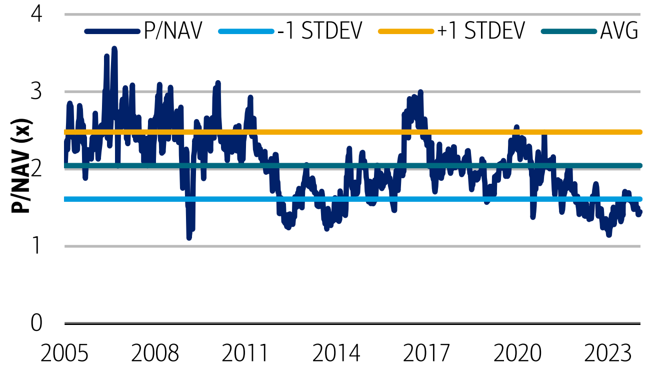
BofA GLOBAL RESEARCH

Valuation attractive vs historical standards

While AEM trades at a premium versus its senior peers, it is notably trading at a significant discount to its own historical standards. On P/NAV, AEM is trading at a P/NAV of 1.34x, versus its historical P/NAV of 2.04x. This is more than 1 standard deviation below the average. Similarly, on EV/EBITDA24 AEM is trading at 7.6x, and on EV/EBITDA25 trading at 6.4x, well below its historical long-term average of 13.3x.

Exhibit 46: AEM Historical P/NAV

AEM has historically traded at a P/NAV of 2.04x.

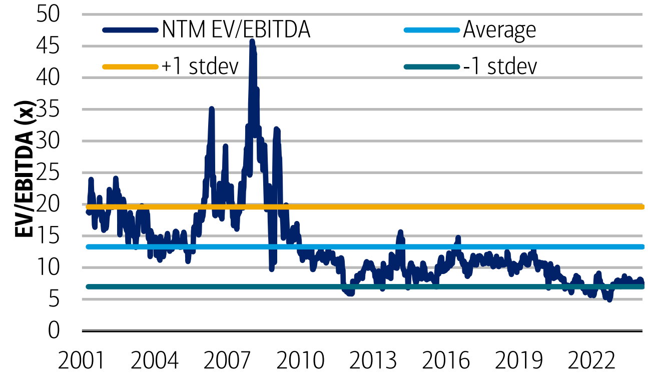


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 47: AEM Historical EV/EBITDA

AEM, historically, on a long-term basis has trades at 13.3x.

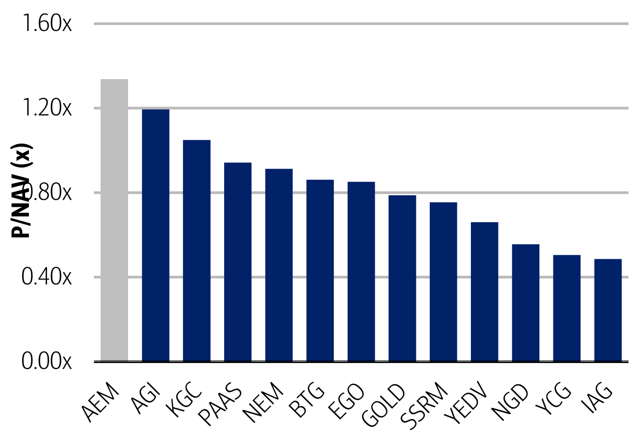


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 48: Precious Metal Producers P/NAV (Ranked)

AEM is trading at a P/NAV of 1.34x.

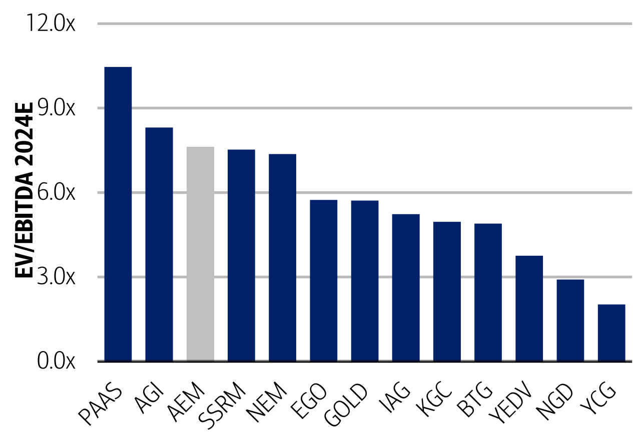


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 49: Precious Metal Producers EV/EBITDA24 (Ranked)

AEM trades at an EV/EBITDA24 of 7.6x.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

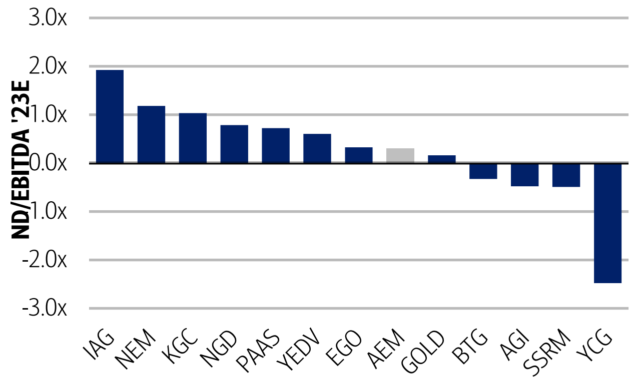
Many potentially positive catalysts for 2024

We see multiple potentially positive catalysts for AEM in 2024. First, the company is expected to report an **exploration** update with Q4'23 results on 15-Feb-24. Key assets expected to potentially deliver materially positive exploration updates include Odyssey (at the Canadian Malartic mine), Kittila in Finaland, Hope Bay in Canada, and Fosterville in Australia. In H1'24, AEM is expected to provide the results of an underground mining study at the **Detour Lake** mine, that should more clearly demonstrate a path to annual production of 1Moz. It's **Meliadine** project in Canada it to be fully ramped-up to a production rate of 6,000 tonnes per day (tpd) by year-end 2024 (driving free cash flow generation). The outlook for long-term production at **Canadian Malartic** (via underground sources) should become increasingly apparent in 2024 via exploration and planning updates, with a target to add several hundred thousand ounces to annual gold price production. Note that at the Canadian Malartic complex there is expected to be, after the cessation of open mining operations toward the end of this decade, 40,000tpd of excess milling capacity. Today, the Odyssey underground is expected to be the dominant source of future ore but only account of one-third of total milling capacity of around 60,000tpd. There are many more intriguing potential options in the region to augment ore supply. Additionally, in Q3'23 results, AEM suggested the ability to extend the mine life at the **Amaruq** gold mine in Canada by at least one year, with details to be provided by mid-2024.

Strong balance sheet and potential for augmented shareholder returns

AEM has a very strong balance sheet with net debt of $1.59bn (cash of $300mn, debt of $1.84bn) as at 30-Sep-23. We model year-end 2023E net debt to EBITDA of 0.3x. In the medium-term, we see AEM generating substantial free cash flow, leading to a net cash position by 2026E. This will continue to support AEM in its future growth prospects and we think this also sets-up AEM to potentially augment capital return to shareholders.

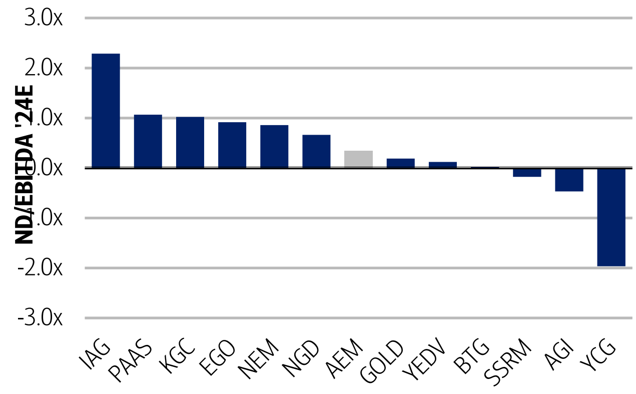
Exhibit 50: Gold Producers ND/EBITDA23 (Ranked)
We estimate ND/EBITDA23 of 0.3x for AEM.



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 51: Gold Producers ND/EBITDA24 (Ranked)
By YE24, we expect ND/EBITDA to stay flat at 0.3x.



Source: BofA Global Research

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Key risks

Commodity price risk and FX rates

As with all producers, downside from a decline in commodity prices poses a significant risk to our cash flow estimates. For AEM, a 10% decline in the gold price reduces our 2024E EBITDA by 18% to $2,818mn (from $3,435mn). Similarly, AEM has significant exposure to the Canadian dollar (CAD) given most of its operations are in Canada and currency fluctuations can impact earnings estimates and cash flows.

Cost inflationary pressures

Based on the 2024 guidance reporting we have seen thus far, a common theme has been cost inflationary pressures. This could pose downside risk to our near-term cash flow estimates, particularly for 2025E and beyond.

Maintaining (or growing) the current production base

In 2024E, we see AEM producing 3.5Moz of gold. We see this as stable into 2025E, and thereafter declining from 2026E. Being able to maintain the current production base at 3.5Moz will require successful execution of unmodeled growth projects (Detour, Canadian Malartic) or significant reserve and resource replacement. By our estimates, AEM has a reserve life of 12.4 years.

Exhibit 52: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AEM	AEM US	Agnico Eagle	US$ 49.16	B-1-7
YCCO	CCO CN	Cameco Corp	C$ 64.19	B-1-7
CCJ	CCJ US	Cameco Corp.	US$ 47.75	C-1-7
CMC	CMC US	Commercial Metals	US$ 52.22	C-1-7
PAAS	PAAS US	Pan American	US$ 13.52	C-1-8
YTECK	TECK/B CN	Teck Resources	C$ 53.81	B-1-7
TECK	TECK US	Teck Resources Ltd	US$ 40.01	C-1-7
WPM	WPM US	Wheaton Precious	US$ 46.87	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Agnico Eagle Mines (AEM)

Our $66 per share price objective is based on Agnico Eagle trading at 1.75x times our estimated NAV (current net debt position plus a mining asset DCF utilizing a 5% WACC). Historically, North American gold producers have traded between 1 and 2 times NAV, with 1.75-2.0 times being accorded to the organically growth-oriented gold producers such as AEM.

Risks of this price objective not being attained are commodity price weakness, the inability to secure financing for expansion or development projects, unforeseen operating problems, and political risk in the countries the company operates in. Upside risks are commodity price strength, better-than-forecast operating performance and favorable changes in the political environment in the regions where it operates.

Cameco Corporation (YCCO / CCJ)

Our US$55.50 (C$76) PO is based on 1.0x our NAV, and 13.5x 2024E & 13x 2025E EV/EBITDA (all three equally weighted). We use a CADUSD FX rate of 1.37. The 1.0x P/NAV is above the longer term avg around 0.9x but below peak of 1.35x. We think 1.0x is justified given Cameco's world-class tier one assets in favorable jurisdictions (Canada) partially offset by the fact one of those tier-one assets has been voluntarily idled (but is in the process of restarting).

Downside risks:1) slower-than-expected global energy demand growth, 2) continued push-out of a Japanese nuclear fleet restart, 3) any worsening in sentiment toward nuclear or more favorable sentiment toward alternative power fuel sources, and 4) any production problems at Cameco's only operating mine, Cigar Lake. Upside risks: 1) additional potential mine disruptions that may further improve supply-demand dynamics, 2) better pace of reactor development in key future demand countries (China, Japan, and India), 3) more stringent carbon emissions restrictions in key countries, encouraging nuclear power as an environmentally friendly base line energy source, 4) a material rise in NatGas prices making nuclear power generation competitive in the US.

Commercial Metals (CMC)

Our $58 per share price objective for Commercial Metals (CMC) is based on a blended 6.0x FY24E EV/EBITDA, 5.5x FY25E EV/EBITDA and 1.0x our NAV. The 6.0x 2024E EV/EBITDA target multiple is in-line its historical trading average. The 6.0x multiple is below the sector average multiple of of 6.7x and the target multiples used for mini-mill peers (6.5-7.0x for STLD/NUE) given its lack of product / end-market diversification. This is partly offset by CMC's leverage to infrastructure demand, which is set to see strong growth from significant a increase in federal spending (management forecasts around 1.5mn ton per annum of incremental demand against a 9-10mn U.S. rebar market).

Upside risks to our price objective are: 1) better-than-expected construction / reshoring demand, 2) higher steel pricing, 3) better-than-expected pricing power in global long products that support pricing and limit imports, 4) additional trade relief, 5) cash deployment for organic or inorganic growth.

Downside risks to our price objective are: 1) sluggish demand due to delay in federal funding and/or tightened credit availability for private projects, 2) lower steel pricing, 3) execution risk related to Tensar and new micro-mills, 4) any rollback of trade relief, particularly related to Section 232, 5) threat of lower priced imports and 6) potential medium term oversupply from various new entrants in the domestic rebar market.

Pan American Silver (PAAS)
Our price objective for Pan American Silver is $18.00, and is based on the stock trading at 1.25x our estimated net asset value (NAV) on a net investments-adjusted basis (i.e. the 1.25x multiple is applied to the asset value and then the value of the equity investments is added to that with an effective 1.0x multiple applied). Our NAV is based on a 5% discount rate for all assets, except Escobal for which we use 7.5%. Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with silver producers generally trading at a discount to gold producers.

Upside risks to our price objective are higher than expected commodity price forecasts, a change in the regulatory/permitting environment in the Chubut province of Argentina where Pan American's dormant Navidad project is located, operating results that exceed expectations and lower than expected capital costs. Downside risks to our price objective are unforeseen operating issues, realized commodity prices that are below our forecast, regulatory issues (including tax, environmental and permitting) that cause financial results to differ from our forecast, and higher than expected capital costs.

Teck Resources (YTECK / TECK)
We set our price objective (PO) for TECK at $49 per share (C$67 per share). This is based on 8.0x 2024E EBITDA, 7.5x 2025E EV/EBITDA and 1.0x NAV for the base metals business, plus 1x cash price offered for the Elk Valley Resources segment by Glencore. The 8.0 EV/EBITDA target multiple is near the middle of the range of 4.0-9.0x used to value the copper producers. Given TECK's copper volume growth, it's suite of additional organic copper production growth options, and relatively attractive jurisdictional exposure, the market could assign a higher multiple to the base metal business. We assume CADUSD = 1.37.

Downside risks to our price objective are: 1) global economic weakness, specifically in China and India, 2) excess supply given China's position and recent elevated prices, 3) unplanned Teck operating disruptions, 4) stricter regulatory or environmental measures, 5) other factors pressuring prices of the commodities it produces.

Upside risks to our price objective are: the potential to monetize its copper projects, especially if copper prices exceed our expectations, and potentially greater success in its cost-savings/efficiency initiatives.

Wheaton Precious Metals (WPM)
Our price objective for Wheaton is $57.00 per share, and is based on the stock trading at 2.50x times our estimated net asset value (NAV). Our NAV per share is based on a 5 percent discount rate. Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with a median of 2.00 times longer-term (1.50 times in the last three years), and with royalty/streaming companies occupying the upper end of the range.

Risks to our price objective for Wheaton are continued commodity price weakness, unforeseen operating problems at the mines on which its silver streams are based, financing challenges, political or legal challenges in the regions in which the mines operate, and delays in the development of projects for which the company silver streams.

Analyst Certification

I, Lawson Winder, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agnico Eagle Mines	AEM	AEM US	Lawson Winder, CFA
	B2Gold Corp	YBTO	BTO CN	Harmen Puri
	B2Gold Corp	BTG	BTG US	Harmen Puri
	Barrick Gold	GOLD	GOLD US	Lawson Winder, CFA
	Cameco Corporation	YCCO	CCO CN	Lawson Winder, CFA
	Cameco Corporation	CCJ	CCJ US	Lawson Winder, CFA
	Commercial Metals	CMC	CMC US	Lawson Winder, CFA
	Endeavour Mining	YEDV	EDV CN	Harmen Puri
	Endeavour Mining	EDVMF	EDVMF US	Harmen Puri
	Endeavour Mining PLC	XEDVF	EDV LN	Harmen Puri
	Franco-Nevada	YFNV	FNV CN	Lawson Winder, CFA
	Franco-Nevada	FNV	FNV US	Lawson Winder, CFA
	IAMGOLD	YIMG	IMG CN	Lawson Winder, CFA
	IAMGOLD Corp.	IAG	IAG US	Lawson Winder, CFA
	Ivanhoe Mines	YIVN	IVN CN	Lawson Winder, CFA
	Ivanhoe MInes	IVPAF	IVPAF US	Lawson Winder, CFA
	Lundin Mining	XLPRF	LUMI SS	Lawson Winder, CFA
	Lundin Mining Corp	YLUN	LUN CN	Lawson Winder, CFA
	Lundin Mining Corp	LUNMF	LUNMF US	Lawson Winder, CFA
	MP Materials	MP	MP US	Lawson Winder, CFA
	Newmont Corporation	NEM	NEM US	Lawson Winder, CFA
	Newmont Corporation	XNCRF	NEM AU	Lawson Winder, CFA
	Nucor	NUE	NUE US	Lawson Winder, CFA
	Pan American Silver	PAAS	PAAS US	Lawson Winder, CFA
	Teck Resources	YTECK	TECK/B CN	Lawson Winder, CFA
	Teck Resources Ltd	TECK	TECK US	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	YTFPM	TFPM CN	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	TFPM	TFPM US	Lawson Winder, CFA
	Wheaton Precious Metals	WPM	WPM US	Lawson Winder, CFA
NEUTRAL				
	Alamos Gold	YAGI	AGI CN	Harmen Puri
	Alamos Gold	AGI	AGI US	Harmen Puri
	Alcoa Corporation	AA	AA US	Lawson Winder, CFA
	Cleveland-Cliffs	CLF	CLF US	Lawson Winder, CFA
	First Quantum	FQVLF	FQVLF US	Lawson Winder, CFA
	First Quantum Minerals	YFM	FM CN	Lawson Winder, CFA
	Freeport-McMoRan	FCX	FCX US	Lawson Winder, CFA
	Hudbay Minerals	YHBM	HBM CN	Lawson Winder, CFA
	HudBay Minerals	HBM	HBM US	Lawson Winder, CFA
	Reliance Steel & Aluminum	RS	RS US	Lawson Winder, CFA
	Steel Dynamics	STLD	STLD US	Lawson Winder, CFA
UNDERPERFORM				
	Centerra Gold	YCG	CG CN	Lawson Winder, CFA
	Centerra Gold	CGAU	CGAU US	Lawson Winder, CFA
	Eldorado Gold	EGO	EGO US	Harmen Puri
	Eldorado Gold	YELD	ELD CN	Harmen Puri
	Kinross Gold	KGC	KGC US	Lawson Winder, CFA
	New Gold Inc.	YNGD	NGD CN	Harmen Puri
	New Gold Inc.	NGD	NGD US	Harmen Puri
	Nexa Resources	NEXA	NEXA US	Lawson Winder, CFA
	Royal Gold	RGLD	RGLD US	Lawson Winder, CFA
	SSR Mining Inc.	SSRM	SSRM US	Lawson Winder, CFA
	SSR Mining Inc.	YSSRM	SSRM CN	Lawson Winder, CFA

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

Equity Investment Rating Distribution: Steel Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	14	43.75%	Buy	9	64.29%
Hold	12	37.50%	Hold	7	58.33%
Sell	6	18.75%	Sell	3	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

R1 Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster R2
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

R2 Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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