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Silver Miners: The Decade Opportunity

Record Margins & Historic Discounts

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With silver prices proving resilient at these levels, miners are trading at some of the cheapest valuations in their history. These companies are delivering record cash flows with exceptionally high margins.

Game on.

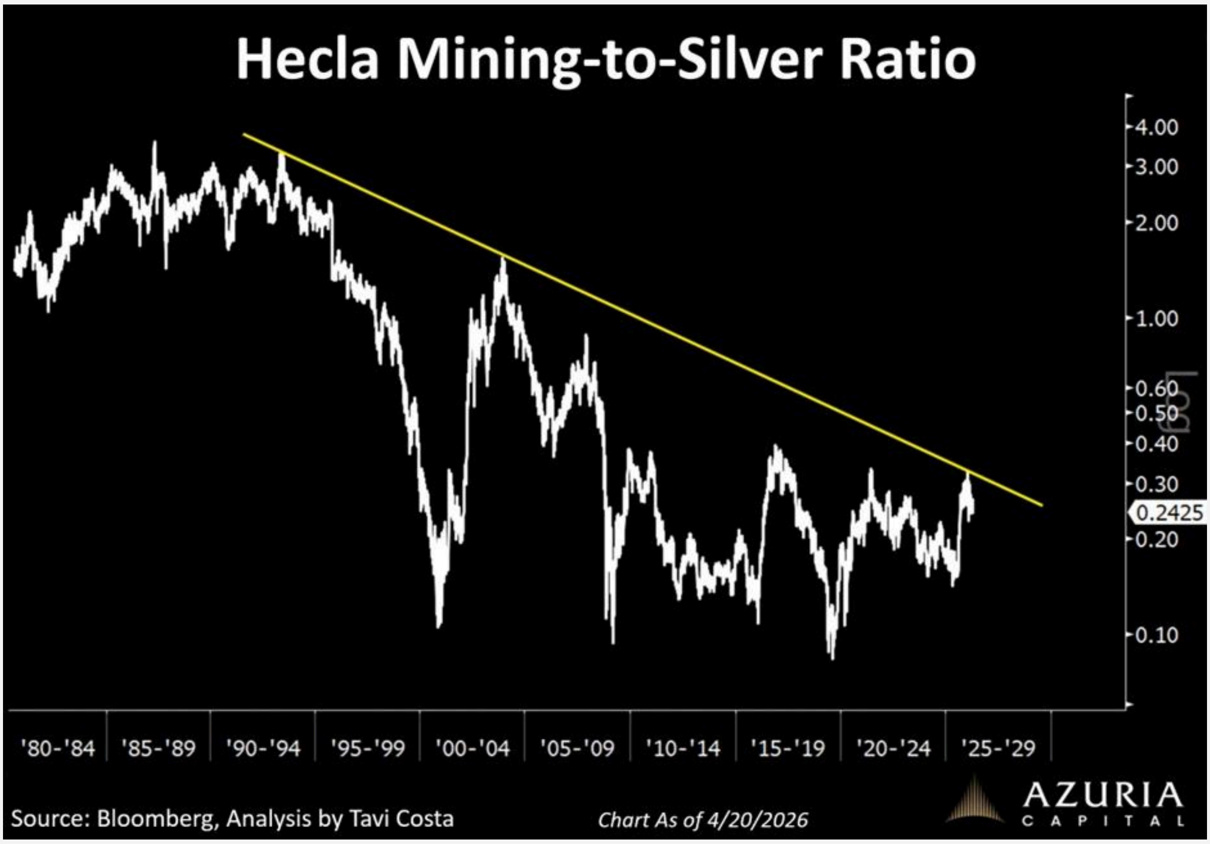
Here's a deeper dive into the silver market — one of the most important macro themes of this decade.

With prices well above $50/oz, silver miners have entered a completely different regime — where operating leverage kicks in, margins widen sharply, and cash flow begins to compound at a much faster pace. This is one of the most attractive pricing environments the industry has ever seen relative to production costs.

If you're looking at this through a longer-term lens, this next chart may be even more compelling. It shows Hecla Mining shares adjusted for the price of silver. Think of it as a proxy for how the silver mining industry is being valued versus the underlying metal — and Hecla serves as a useful benchmark given its longevity across multiple cycles.

What stands out is the long-term downtrend in the ratio. Despite several strong bull markets in silver, equities have lagged, with the metal itself doing most of the heavy lifting. Today, that relationship is stretched to an extreme.
We're near the lower end of the historical range, pressing against a multi-decade downtrend line.

In practical terms, Hecla — and by extension much of the silver mining space — is trading at one of the most discounted levels in history relative to silver prices. That's precisely where the opportunity lies. You have a setup where the commodity is strong, fundamentals are improving, and valuations remain deeply compressed. If silver prices prove even partially sustainable at these levels, the re-rating potential for high-quality silver miners could be substantial.



This becomes even more compelling when you overlay the fundamentals.
Hecla Mining — and, importantly, much of the silver mining space — is not just performing well; it is entering a phase of exceptional profitability. At current silver

prices, many of these businesses are operating with some of the widest margins seen in decades, translating directly into record or near-record free cash flow generation.

This isn't simply a function of higher prices — it's the result of a more disciplined industry, with leaner cost structures, better capital allocation, and far less balance sheet risk than in prior cycles.

Yet despite this step-change in earnings power, the market continues to treat these cash flows as fleeting. Equity valuations still imply that current silver prices are unsustainable, effectively pricing in a reversion that has yet to materialize.

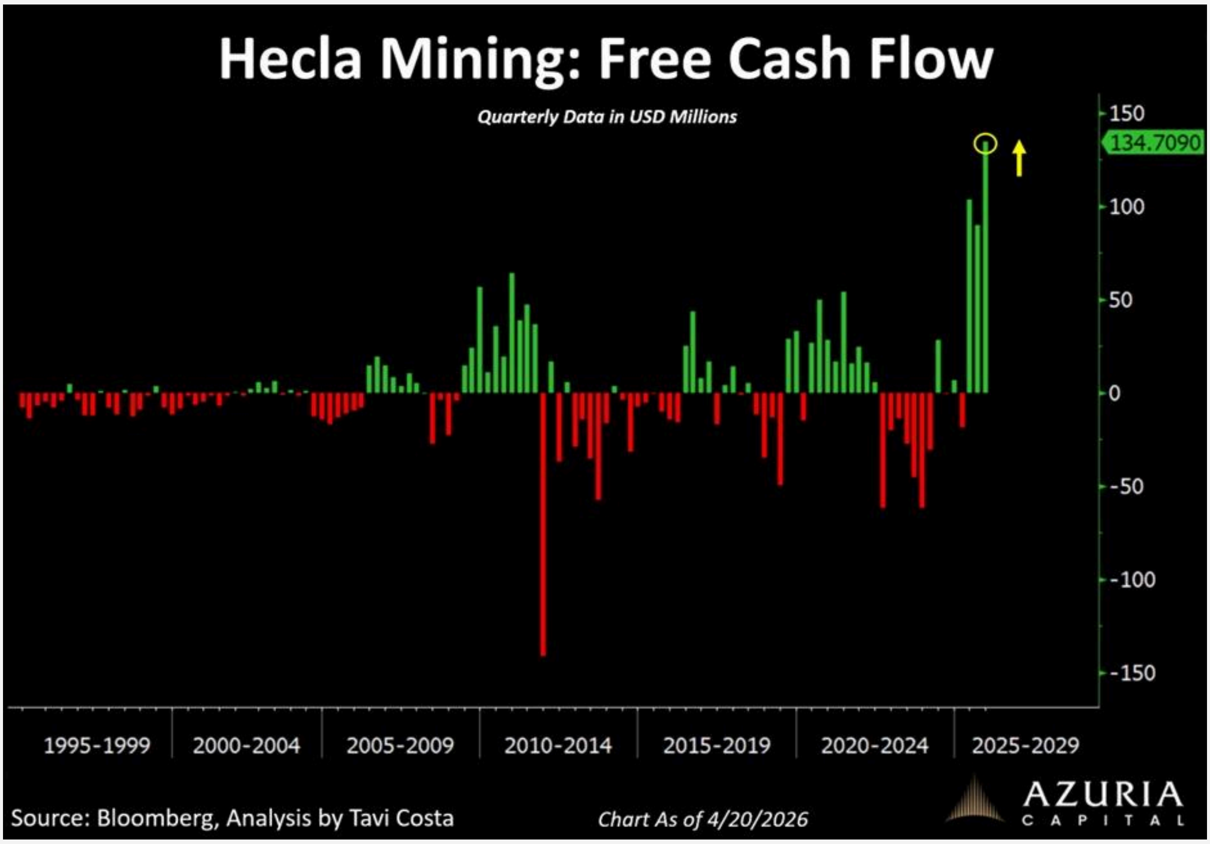
That disconnect is precisely what this ratio is capturing: a sector generating historically strong profits, while still being valued as if those profits are temporary.

When miners trade at extreme discounts to the underlying commodity, the resolution tends to be binary: either the metal price breaks down — or equities re-rate aggressively to reflect the true earnings power of the business.

Given today's backdrop — structurally constrained supply, years of underinvestment, and a growing layer of industrial demand — the probability increasingly tilts toward the latter.

That's what makes this moment so unusual. You have an industry producing record levels of cash flow, with balance sheets improving and optionality expanding, yet still trading at compressed multiples relative to both history and the metal itself. If silver prices simply hold these levels — let alone move higher — the embedded operating leverage in high-quality producers could drive significant upside in equity valuations.

This isn't just about one company — it's about an entire sector that has been structurally overlooked for years, now quietly delivering some of the strongest financial performance in its history.



If you're wondering where we are in the silver cycle, the chart below helps put things into perspective. When you adjust silver prices for money supply, the metal is still roughly 90% below its 1980 peak in real terms.

Another way to think about it: if you held money supply constant and simply asked what price would be required to revisit that prior peak, silver would be trading closer to $700/oz.

Now, before that sounds extreme — that calculation assumes no growth in money supply, which is clearly unrealistic.

What this really tells you is that the range of potential outcomes is far wider than most are willing to consider. When you combine:

· relentless monetary dilution
· structurally constrained supply after years of underinvestment
· and a growing layer of industrial and monetary metal demand

This is setting the stage for a non-linear repricing of the metal.

This isn't about anchoring to a specific number — it's about recognizing that extreme price moves are not only possible, but historically consistent in commodities when these forces align.

In that context, silver reaching high triple-digit levels over time is not a fringe scenario — it's a logical extension of the macro environment.

In my view, the real risk isn't that these outcomes are too aggressive — it's that most investors are still not positioned for anything close to them.

If you're still wondering whether the supply constraint is real, the next chart makes this point incredibly clear, in my view.

In a typical cycle, strong metal prices lead to a supply response — producers ramp up output and new projects come online to take advantage of the environment.

That's not happening this time.

Years of underinvestment in mining have been so severe that there are very few meaningful new projects ready to move the needle. Permitting takes longer, discoveries have been limited, and the industry simply hasn't spent enough to build the next wave of supply. So even with favorable prices, output isn't responding the way it normally would.

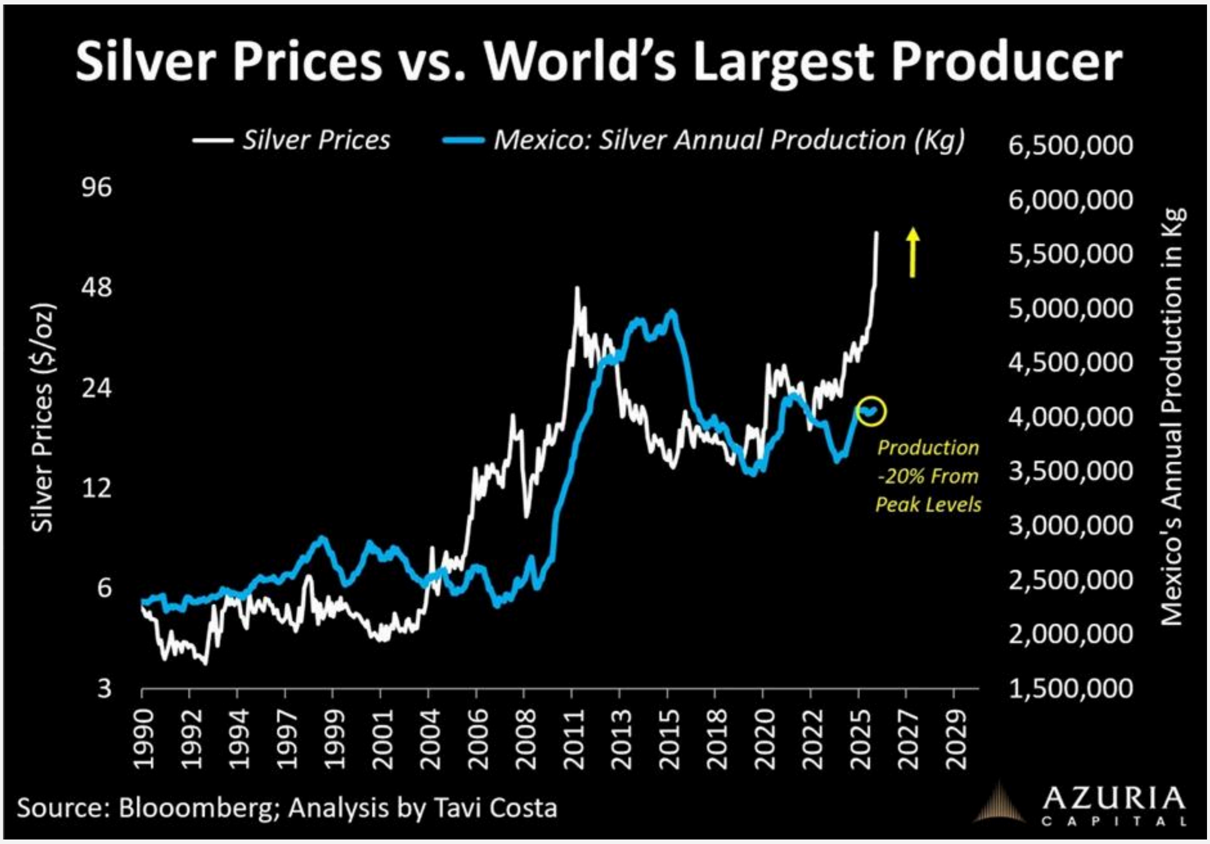
And this isn't just a silver issue.

While the imbalance is more pronounced there, other metals are dealing with the same problem: a lack of new supply coming through the pipeline. That's a big reason why this cycle could last longer than most people expect — structural constraints don't get fixed overnight.

Lastly, in case you were wondering:

When it comes to silver, Mexico is essentially the "Saudi Arabia" of the market. It accounts for about 25% of global supply — an even larger share than Saudi Arabia holds in oil. The fact that Mexican output has been in multi-year decline poses a profound challenge for the silver market.

This isn't a normal cycle — supply isn't coming to the rescue.



As you've probably noticed, I try to balance the big macro picture with more grounded, company-level fundamentals. This piece was more focused on the broader thesis — why silver, and more importantly, why silver miners look so compelling right now.

I know the natural next question is: which names do I actually like? I'll cover that in a separate piece. My goal here was simply to walk you through the thinking first — to lay out why the setup for silver miners today stands out.

One thing I really like about the current environment is how silver has gone from being one of the most talked-about commodities to barely on anyone's radar. That kind of shift usually signals a market that's cooled off, digested prior gains, and is setting up for a more sustainable move higher.

To me, the silver story is far from over. Like gold, copper, energy, and Latin America more broadly, it's a theme that's here to stay.

Have a great evening.

Best,

Tavi