

Blue Line Capital



The Central Bank Outlook As Inflation Slows

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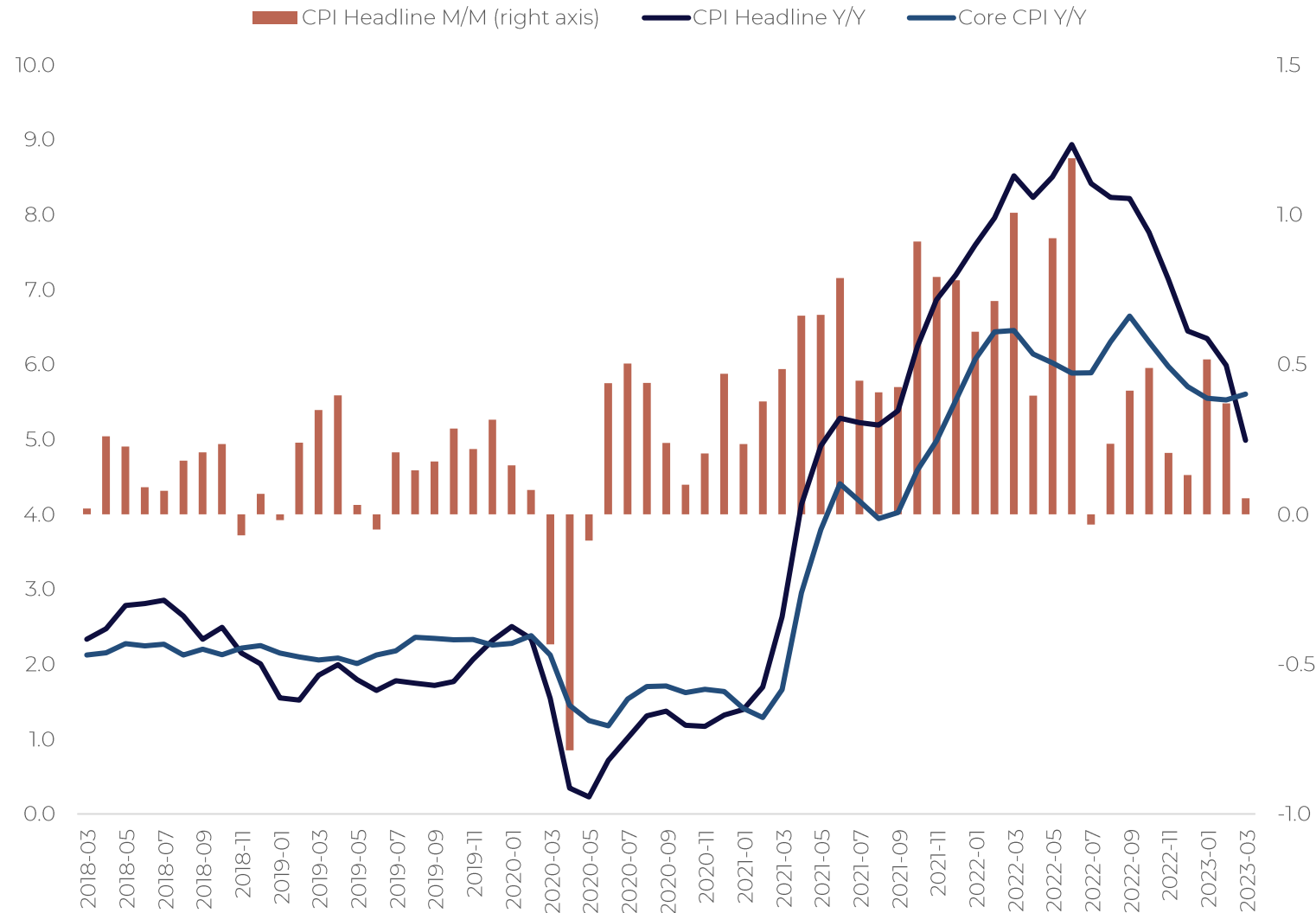


Macro Dynamics

CPI, PPI & Retail Sales Data Review

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CPI Decelerated To 5% Y/Y In March

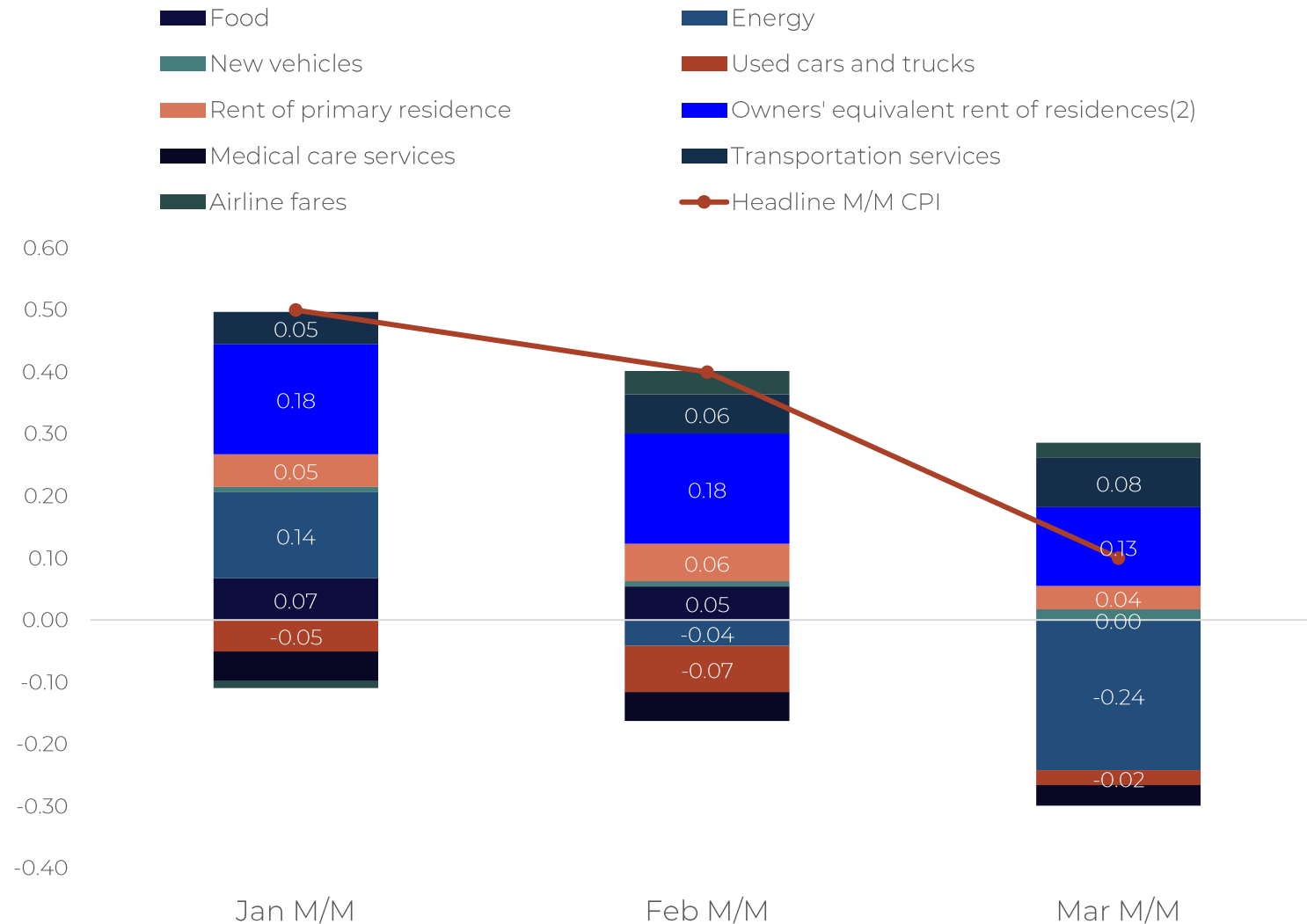


- After 6% in February and 6.3% in January, March headline CPI came in at 5% Y/Y
 - Monthly Headline CPI decelerated from 0.4% in February and 0.5% in January to 0.1% in March
- Core CPI accelerated from 5.5% in February and January to 5.6% in March
 - Monthly Core CPI decelerated from 0.5% in February to 0.4% in March

Sources: FRED, Blue Line Capital, Blue Line Futures

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Monthly CPI Contributions With Headline At 0.1% In March

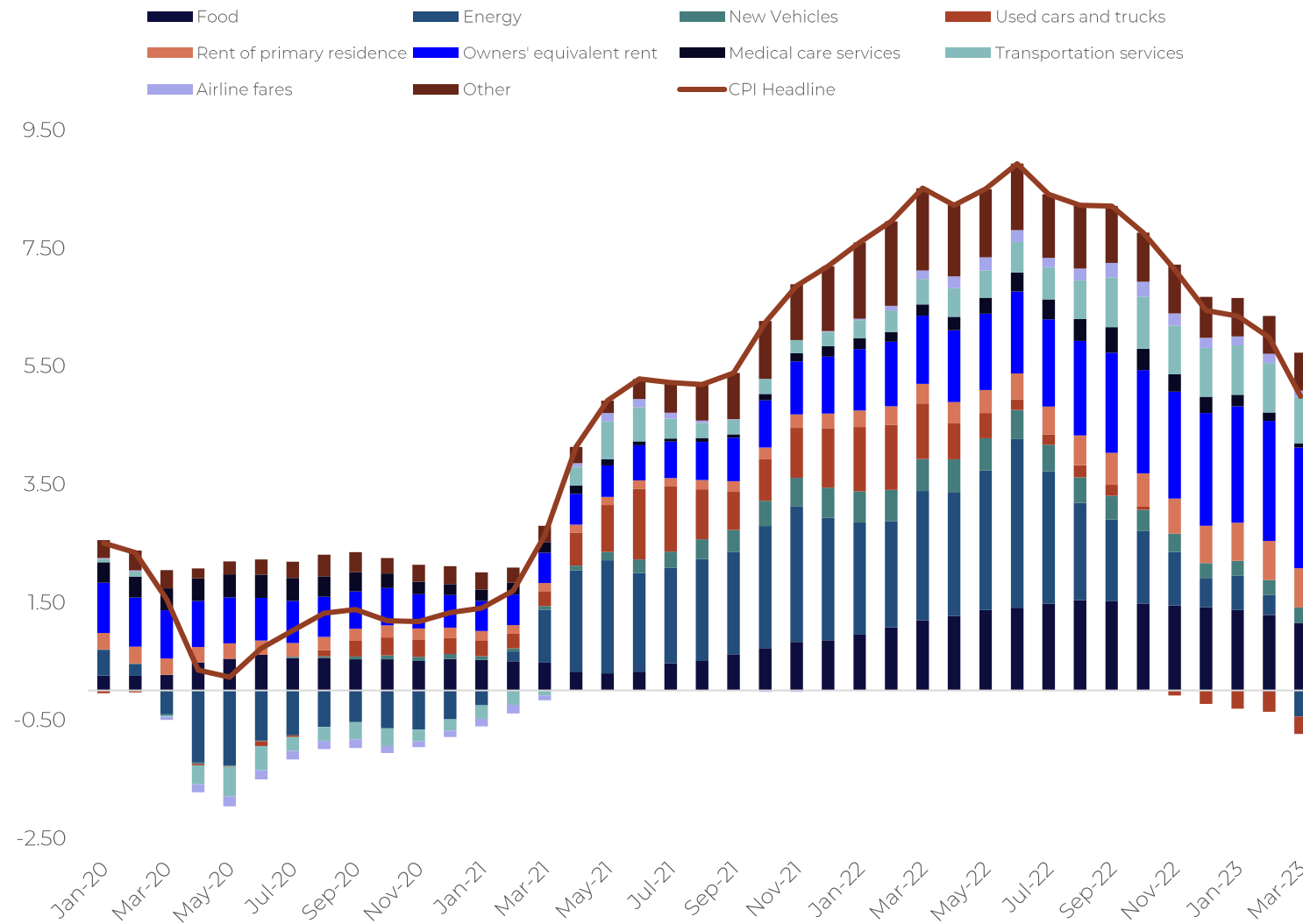


- January | February | March Monthly Contributions:
 - Food: 0.07 | 0.05 | 0.00
 - Energy: 0.14 | -0.04 | -0.24
 - New vehicles: 0.01 | 0.01 | 0.02
 - Used cars and trucks: -0.05 | -0.07 | -0.02
 - Rent of primary residence: 0.05 | 0.06 | 0.04
 - Owners' equivalent rent: 0.18 | 0.18 | 0.13
 - Medical care services: -0.05 | -0.05 | -0.03
 - Transportation services: 0.05 | 0.06 | 0.08
 - Airline fares: -0.01 | 0.04 | 0.02

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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Yearly Contributions to 5.0% Headline CPI Breakdown

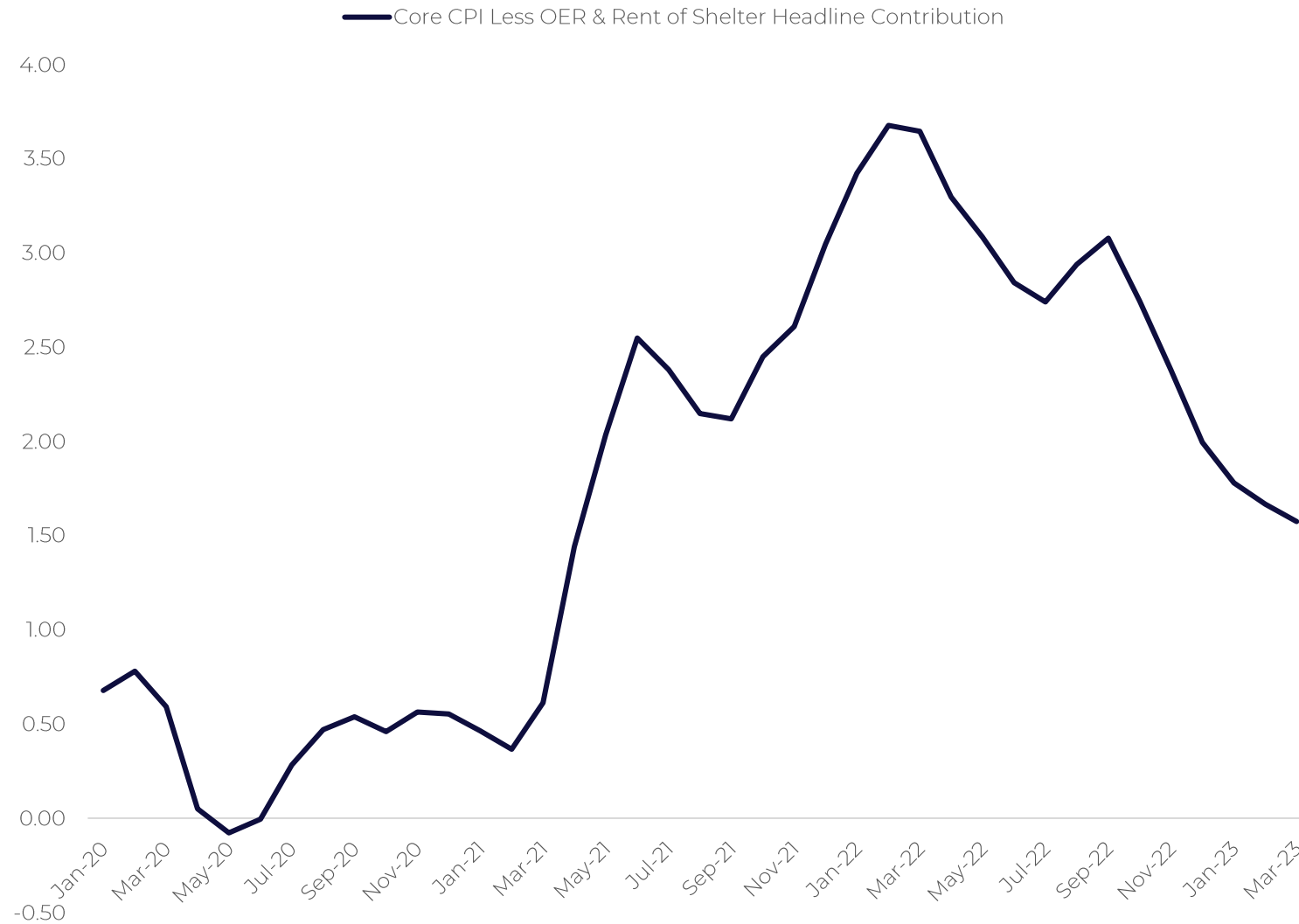


- January | February | March Yearly Contributions:
 - Food: 1.15 | 1.28 | 1.37
 - Energy: -0.44 | 0.34 | 0.58
 - New vehicles: 0.26 | 0.25 | 0.25
 - Used cars and trucks: -0.30 | -0.36 | -0.31
 - Rent of primary residence: 0.66 | 0.66 | 0.64
 - Owners' equivalent rent: 2.04 | 2.04 | 1.97
 - Medical care services: 0.07 | 0.14 | 0.20
 - Transportation services: 0.79 | 0.84 | 0.84
 - Airline fares: 0.10 | 0.16 | 0.15

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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Headline Contribution Of CPI Core Less Shelter Deceleration

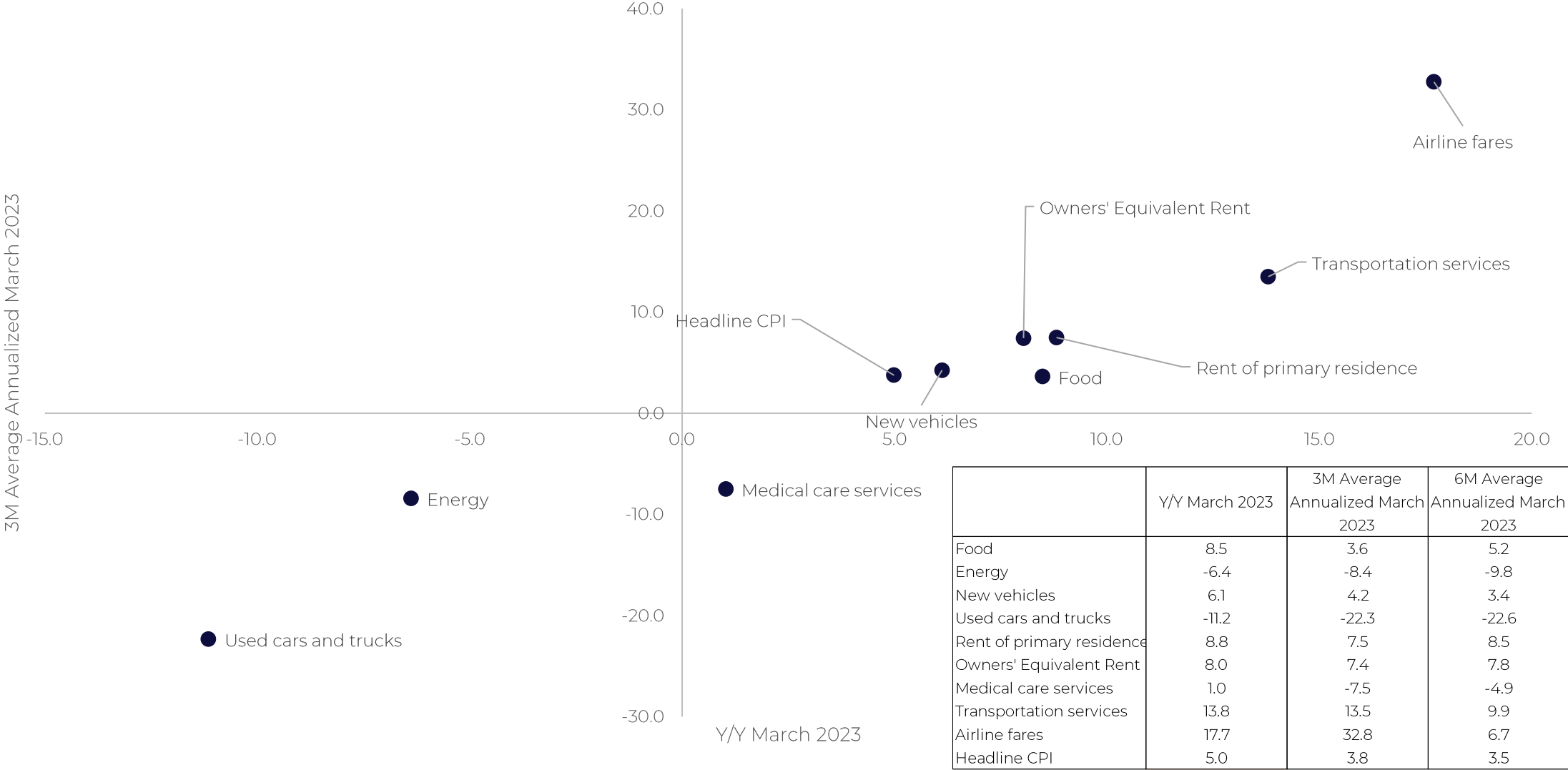


- As one of the most important component, reflecting wage dynamics in the economy, Core CPI Less Shelter is crucial for the Fed's policy trajectory.
 - In March, the contribution to Headline CPI decelerated to 1.58%, down from 1.67% in February and 1.78% in January.

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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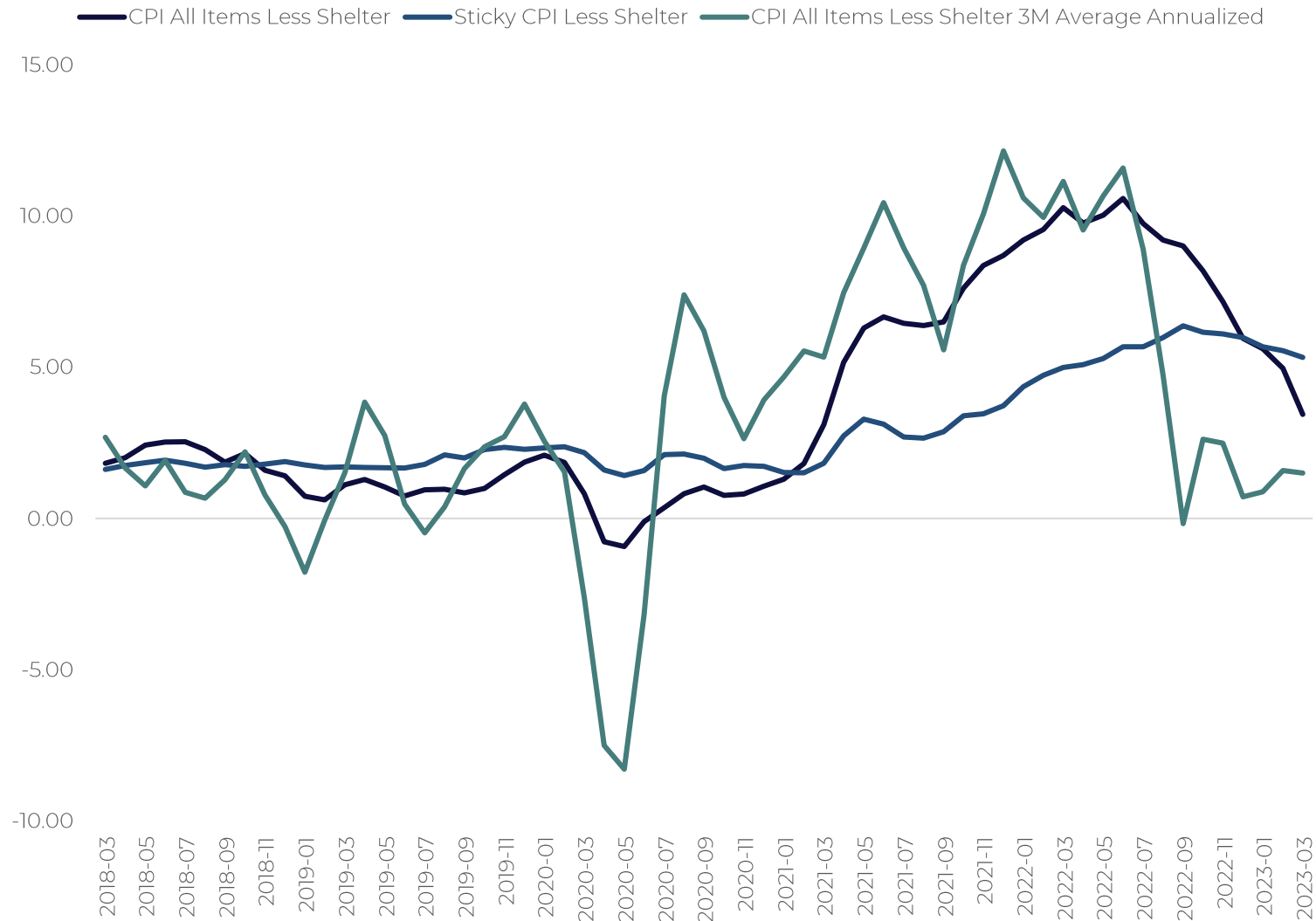
8 Out Of 9 CPI-Subcomponents Are Lower On A 3M Annualized Basis Compared To Y/Y (9/9 On 6M)



Sources: FRED, Blue Line Capital, Blue Line Futures

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Headline Contribution Of CPI Core Less Shelter Deceleration

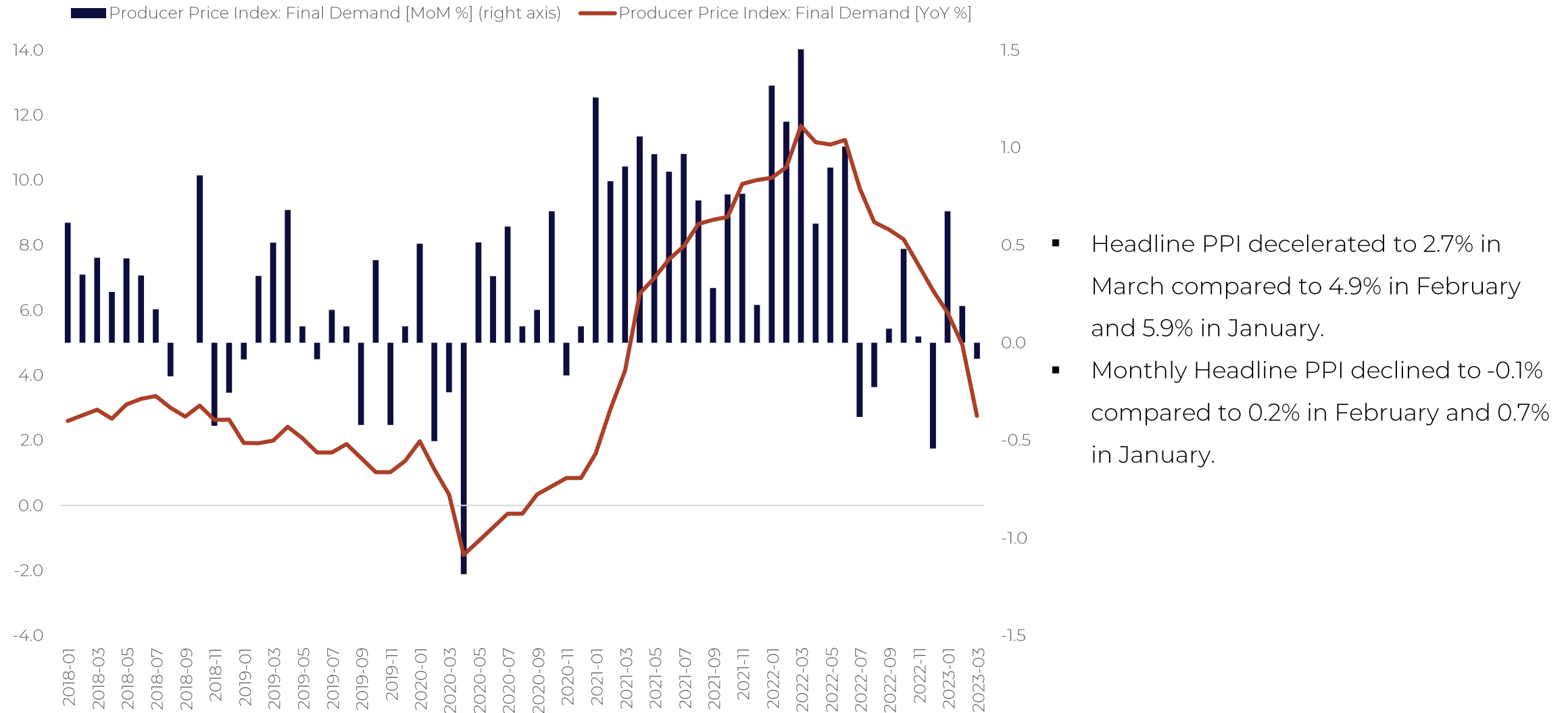


- Headline CPI Less Shelter decelerated to 3.44% Y/Y from 4.96% in February and 5.60% in January.
- Sticky CPI Less Shelter decelerated to 5.32% from 5.54% in February and 5.67% in January.
- Headline CPI Less Shelter 3M Average Annualized continues to remain low at 1.50% compared to 1.58% in February and 0.88% in January.

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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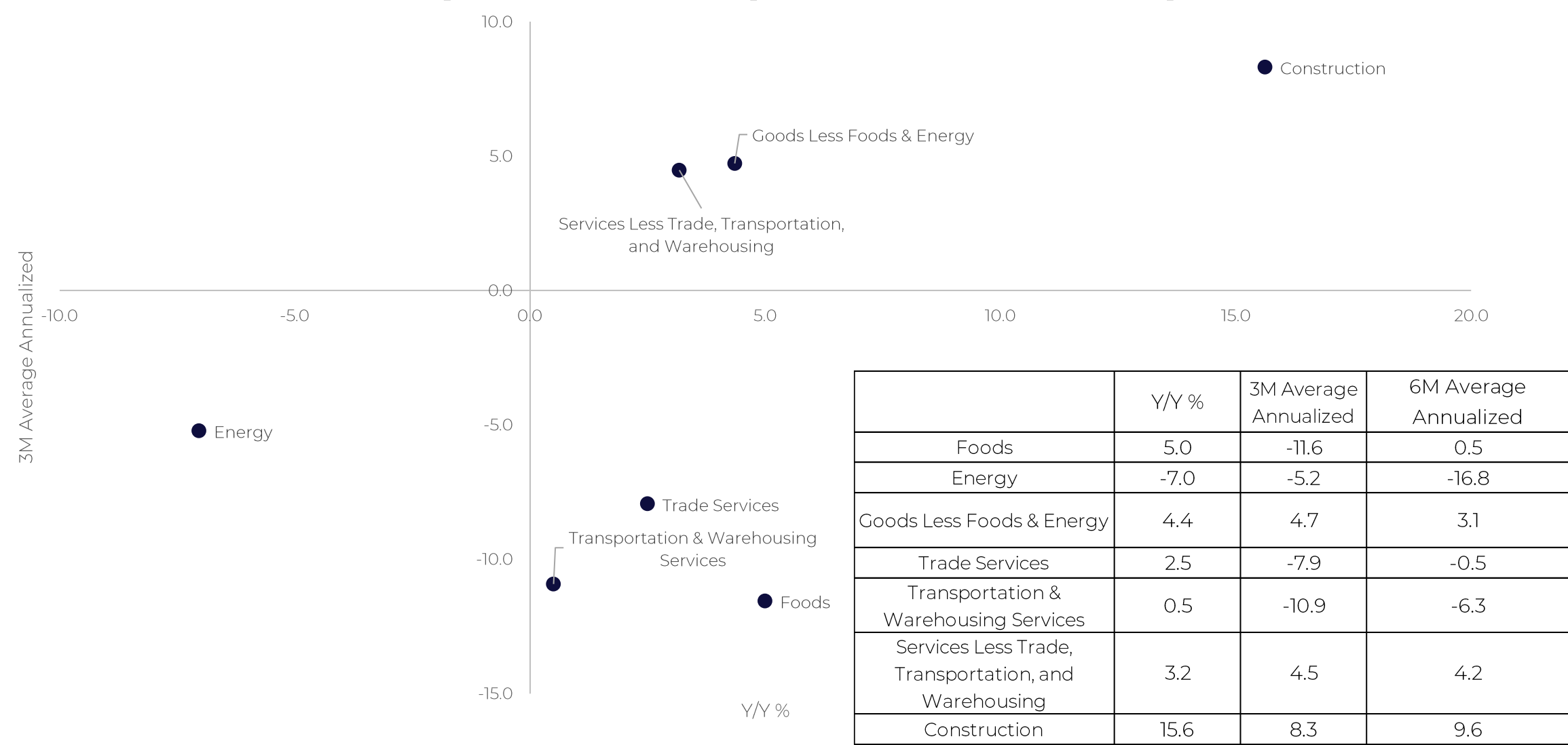
PPI Deceleration To 2.7% In March



Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

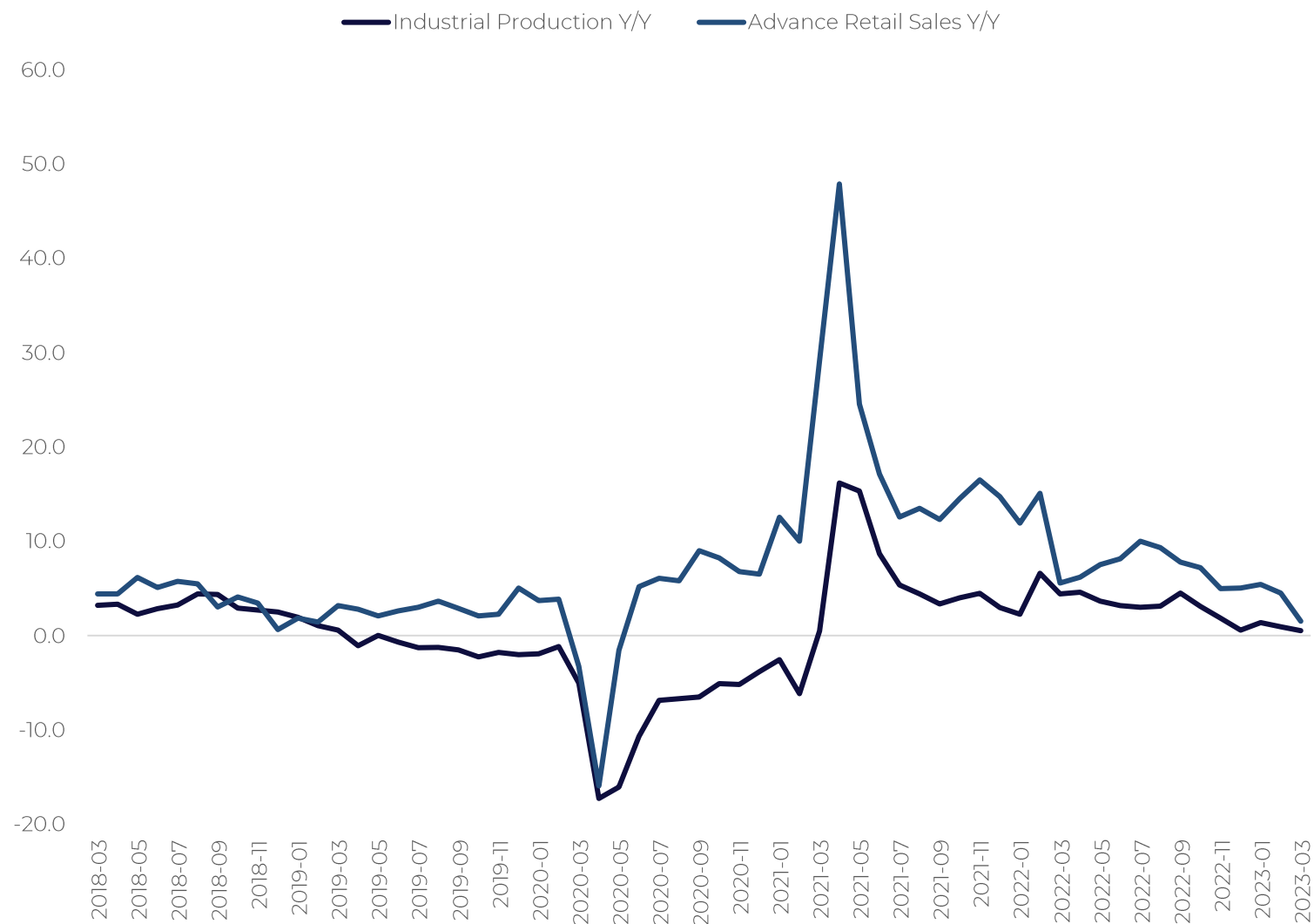
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3/7 Subcomponents Are Lower On A 3M Average Annualized Basis Compared To Y/Y (6/7 On A 6M Basis)



Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

Advance Retail Sales & Industrial Production Decline



- Y/Y Advanced Retail Sales decelerated to 1.5% in March from 4.5% in February and 5.4% in January.
- Y/Y Industrial Production decelerated to 0.5% in March compared to 0.9% in February and 1.4% in January.

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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Advance Retail Sales & Industrial Production Decline

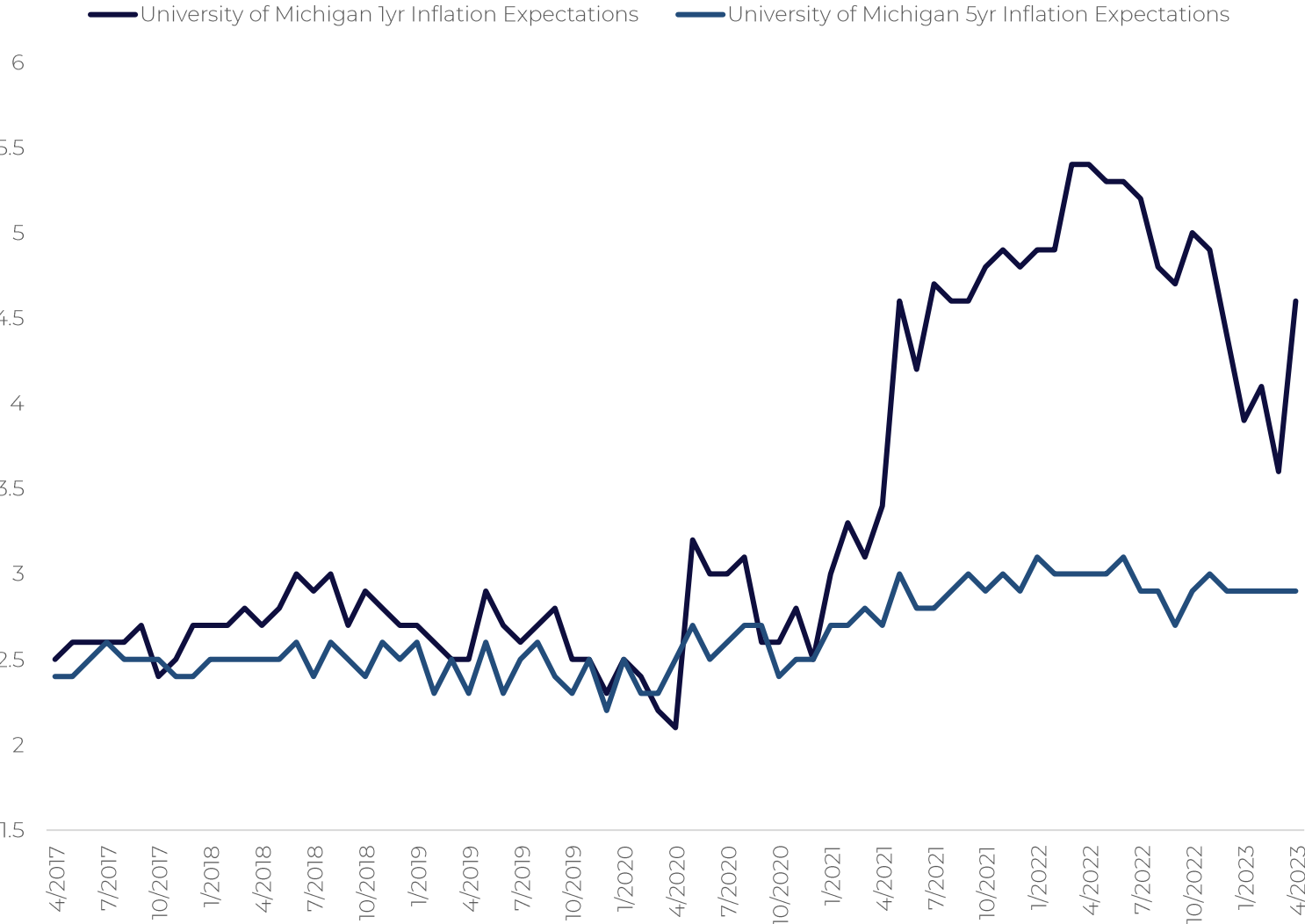


- 3M Average Annualized Advance Retail Sales remains high at 6.6% in March compared to 7.0% in February and 2.2% in January.
- 3M Average Annualized Industrial Production accelerated to 6.1% in March compared to -1.6% in February and -3.8% in January

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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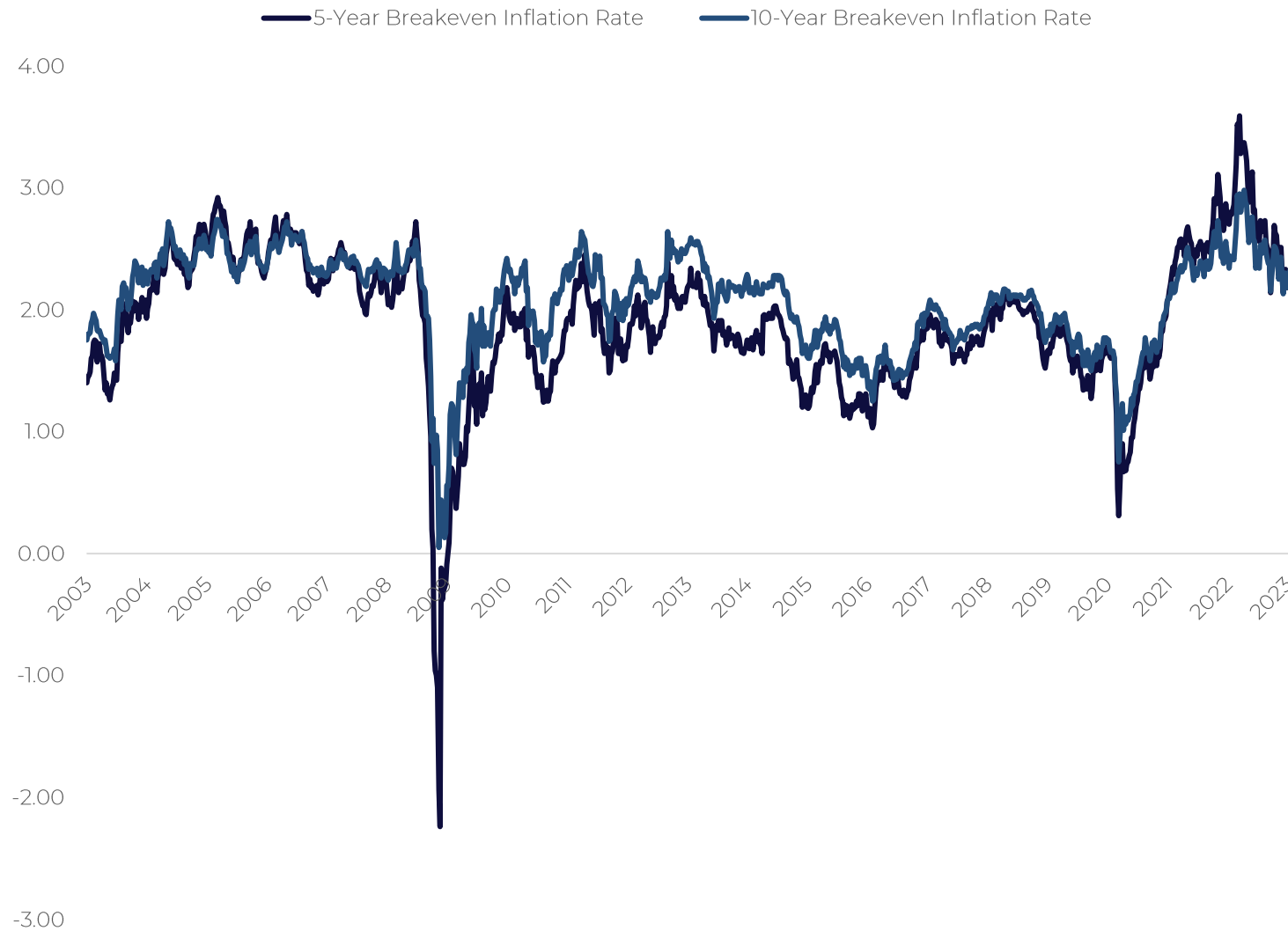
Michigan 1-Yr Inflation Expectations Rose To 4.6% In April



- Michigan 1-Yr Inflation Expectations rose to 4.6% in April, up from 3.6% in March and the highest since November 2022.
- Michigan 5-Yr Inflation Expectations remained steady at 2.9%.

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

Inflation Expectations Over 5yr & 10yr Horizon In The Low 2s

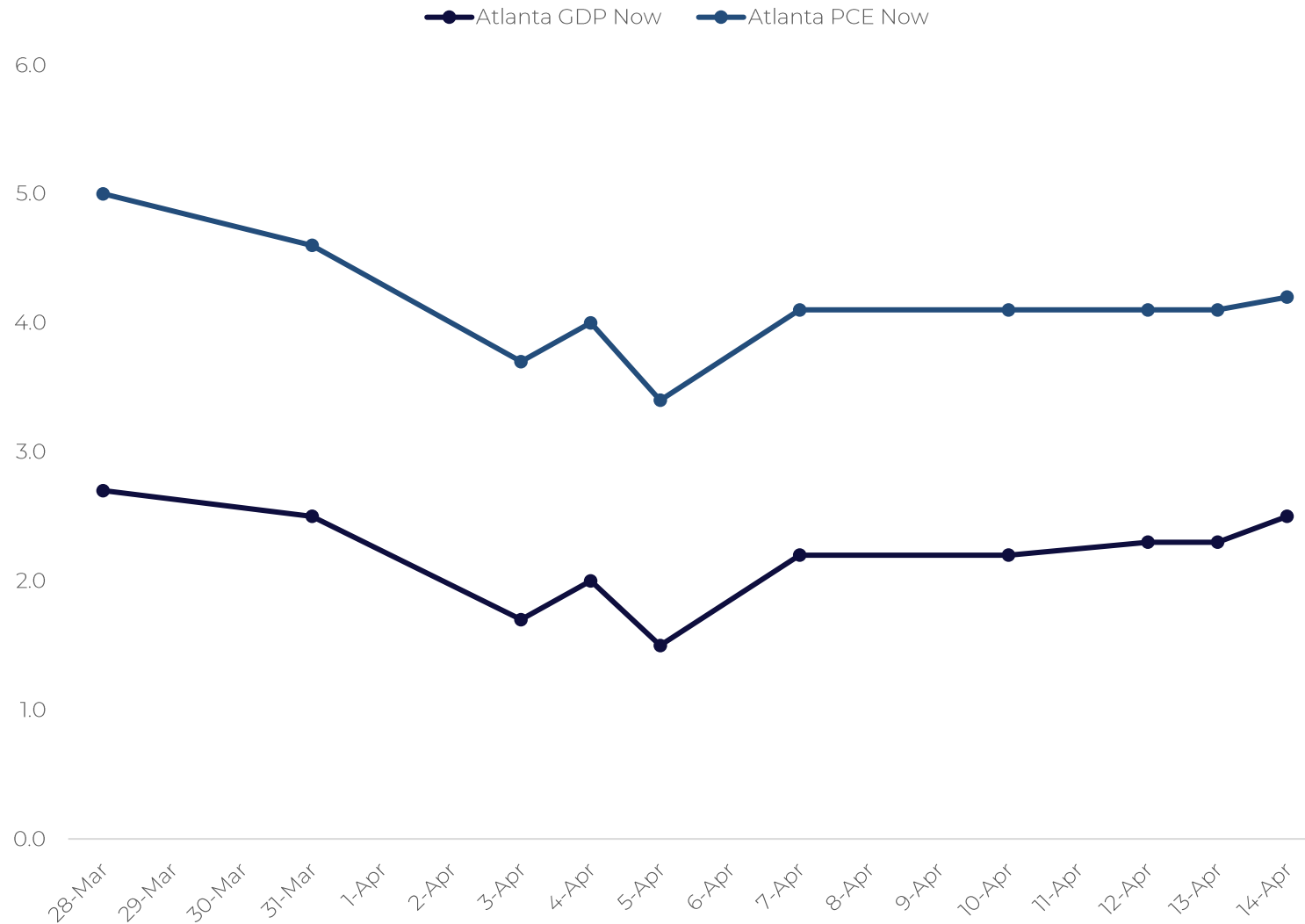


- 5-yr Breakeven Inflation remains in the low 2s, sitting at 2.31% as of Friday.
- 10-yr Breakeven Inflation ticked up slightly on a week-to-week basis but remains in the low 2s at 2.30%.

Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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Atlanta GDP Now Showing 2.5% Growth In Q1



- Atlanta GDP Now showing 2.5% growth in Q1 compared to 1.5% on April 5
- PCE Now has accelerated from 3.4% on April 5 to 4.2% on April 14

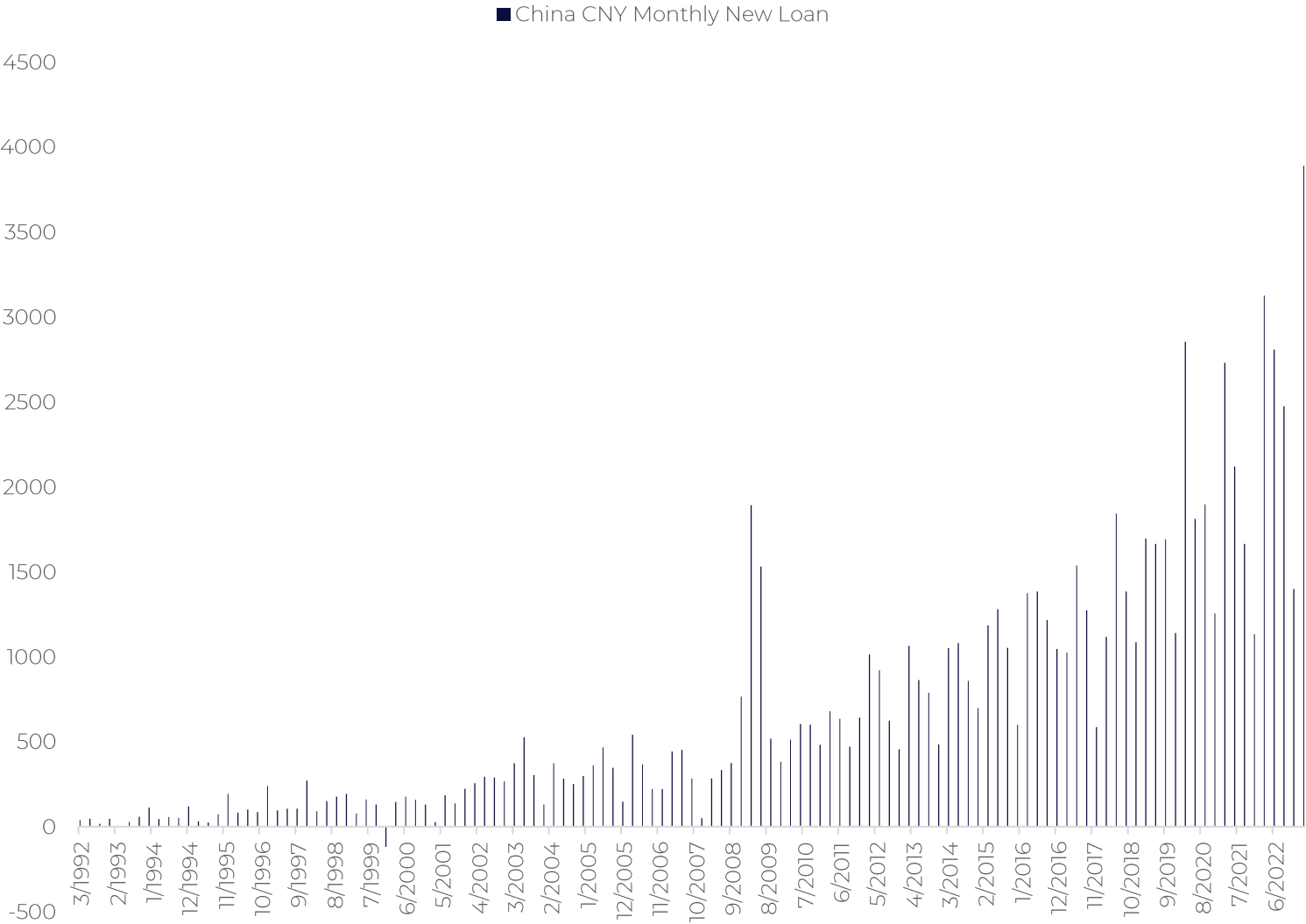
Sources: Atlanta Fed, Blue Line Capital, Blue Line Futures

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China New Loans Up 24% Y/Y



- China New Loan data has expanded by 24% YoY, setting a new record as the reopening kicks in in earnest.
- Bloomberg reports that provinces are planning to increase construction spending by 17% YoY.
- 2025 Evergrande bonds are still trading at 7.6 cents on the Dollar.

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

China Credit Impulse Pointing To More Loan Activity

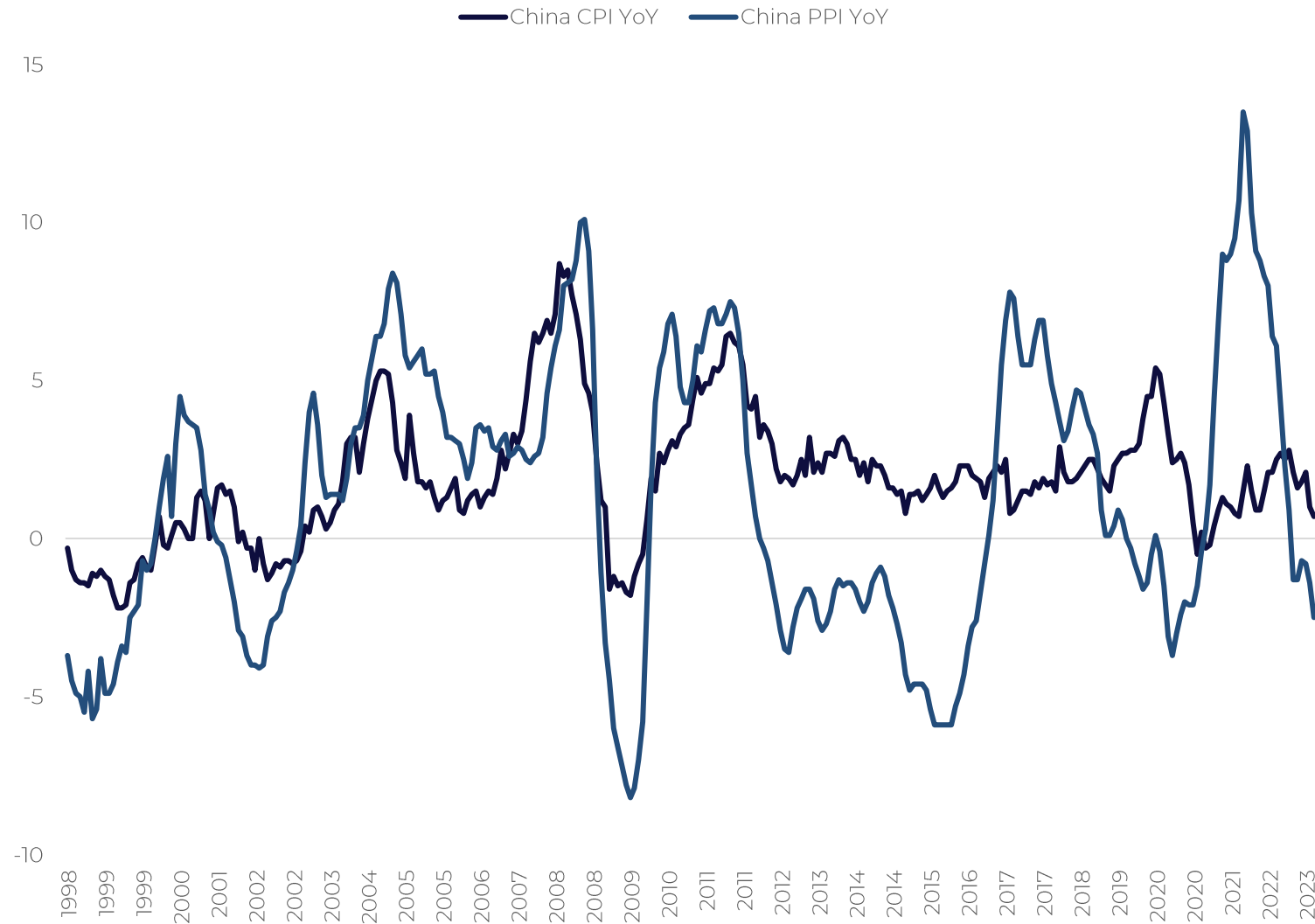


- China's credit impulse expansion indicates more loan activity as the PBoC keeps policy loose.
- China CPI at 0.7% YoY with PPI at -2.5% for March allows central bankers and fiscal policy makers to restimulate and thereby spur business confidence.

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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China Inflation Has Collapsed



- China's CPI has declined from a local high of 2.8% in September 2022 to 0.7% as of March 2023.
- China's PPI has declined from a local high at 13.5% in October of 2021 to -2.5% as of March 2023.

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Equity Trends Research

Agnico Eagle Mines

First Majestic Silver

Southern Copper

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Agnico Eagle Mines



A Hedge Against Currency
Debasement

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Agnico Eagle Mines Earnings Highlights & Stock Performance

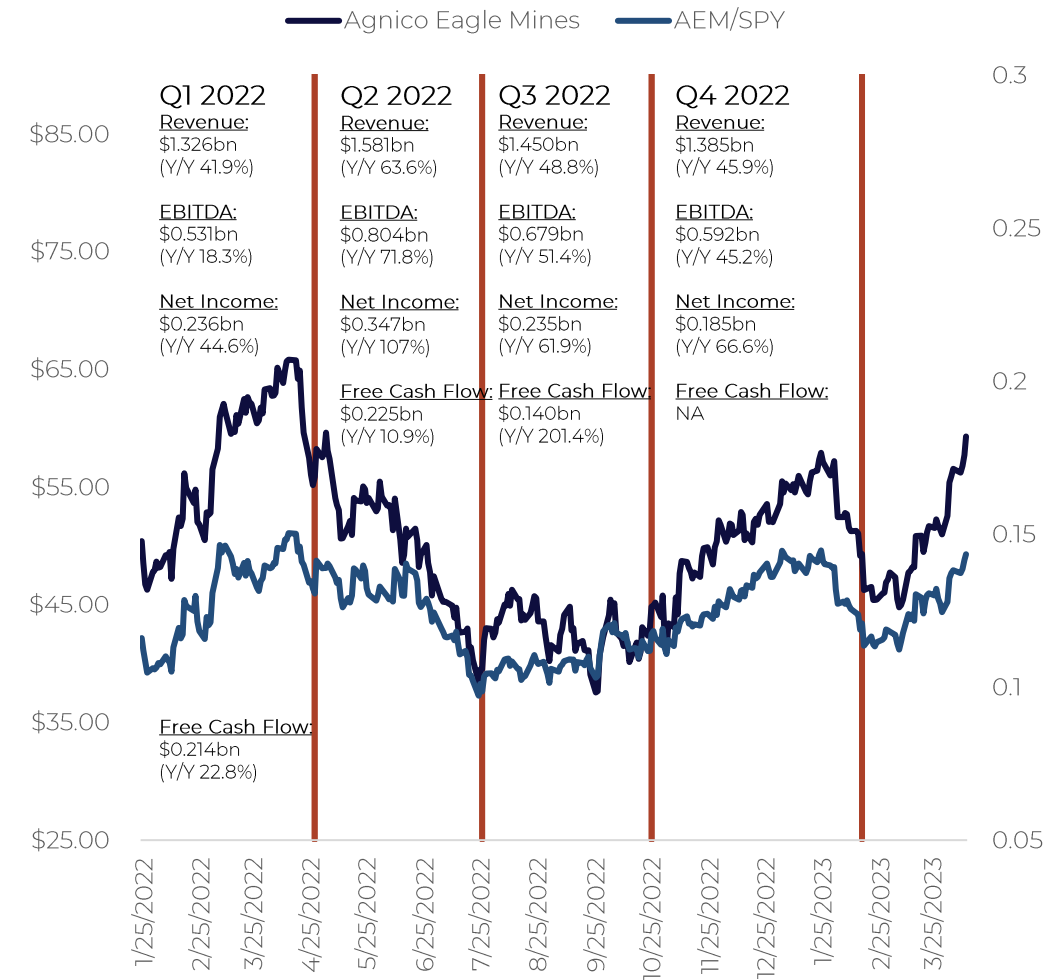
Management Commentary From Q4 2022 Earnings Call

- Yamana Canada Assets & Abitibi Gold Belt:** We're looking forward to the pending acquisition of Yamana's Canadian assets, including, most importantly the second – the other 50% of the world-class Malartic Mine and all the potential that it has. Those 2 strategic deals, the consolidation of Kirkland and Agnica and the acquisition of Yamana's Canadian assets. Abitibi gold belt...it's a region about 160 by 200 kilometers. Minerals reserves over 30 million ounces, resources over 30 million ounces, inferred resources about 20 million ounces. These numbers are about the same as the total Nevada Gold Mine JV. We will be producing in excess of 2 million ounces from this region at about \$800 cash cost.
- Kirkland Merger:** We did the merger with Kirkland. Leverage off our competitive advantage in what we think is one of the best places in the world as measured by geological potential and political stability.
- Detour Lake Production:** We continue to have exceptional exploration results at depth, and moving west. We are continuing to assess and Natasha and the team have done a great job already with mill expansion. We think we can expand, and we're looking at opportunities to go from 28 million tons to 30 million tons with minimal CapEx. Permitting is up to 32 million tons.
- Production & Breakeven:** So the bottom end of the quarter would have been 800,000 ounces, and that's where we came in this fourth quarter, at cost of \$863 per ounce. Not only did we increase reserves by 9%, but equally important, we increased mineral resources by 12%.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	30.11	4.5	32.22	9.86	NA
TTM	38.14	5.01	75.26	11.88	1.64
*Levered FCF					

Sources: Agnico IR, TIKR, Blue Line Capital

Quarterly Data



Agnico Eagle Mines Expectations & Returns

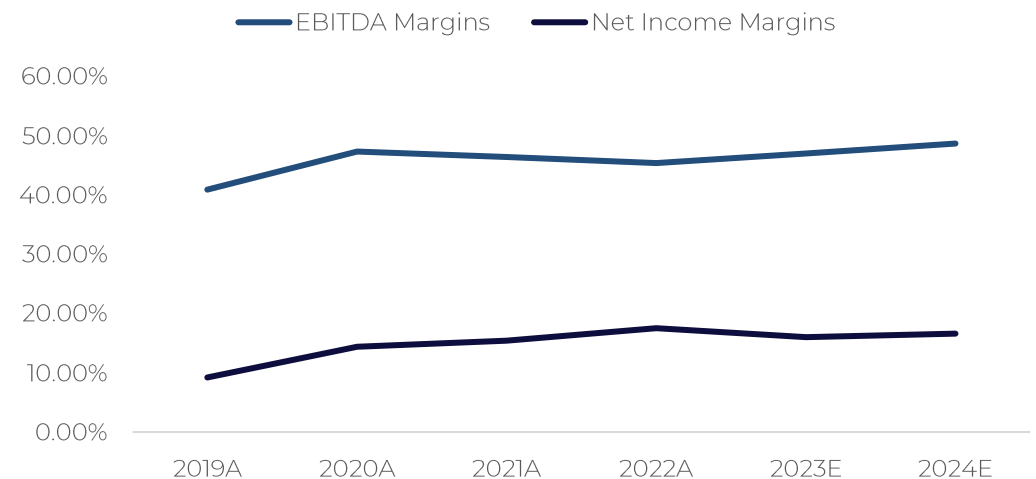
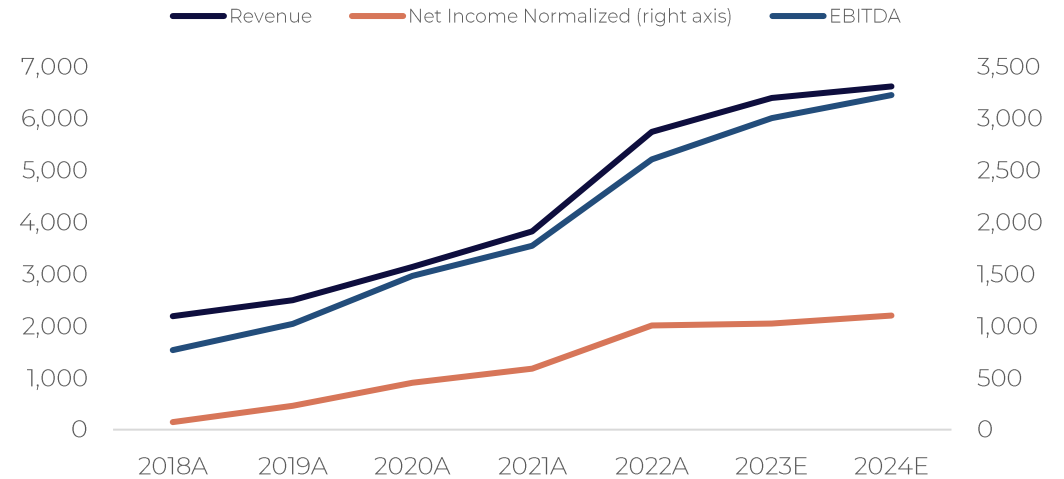
Return Ratios Compared To 2019

Return ratios have worsened across the board while margins have improved from 2019 levels.

		LTM	2019
Return Ratios	RoA	5.30%	6.30%
	RoC	6.60%	10.70%
	RoE	6.00%	9.80%
Margins	Gross Profit Margin	55.00%	50.50%
	EBITDA Margin	43.40%	41.30%
	Net Income Margin	11.70%	19.00%
	Levered Free Cash Flow Margin	6.70%	-7.80%
Asset Turnover	Asset Turnover	0.24	0.28
	Fixed Asset Turnover	0.44	0.38
	Receivables Turnover	519	271.55
	Working Capital Turnover	4.65	7.64
Solvency	Total Debt/Equity	9.20%	29.70%
	Total Debt/Capital	6.90%	23.30%
	EBITDA/Interest Expense	39.12	11.16
	(EBITDA - Capex)/Interest Expense	15.24	1.72

Sources: Agnico IR, TIKR, Blue Line Capital

Revenue and Net Income Estimates



Agnico Eagle Mines Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Agnico Eagle Mines (AEM)	9.86	30.11	9%	48%	44%
Barrick Gold (GOLD)	7.93	23.34	7%	42%	30%
Kinross Gold (KGC)	5.9	19.42	15%	59%	65%
Harmony Gold (HMY)	5.23	13.41	24%	88%	58%
Gold Fields (GFI)	6.35	18.95	30%	107%	81%
Newmont Mining (NEM)	8.53	23.31	-3%	25%	-2%
B2 Gold (BTG)	4.47	14.03	8%	49%	36%
Median	6.35	19.42	9%	49%	44%
Mean	6.90	20.37	13%	60%	45%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in Ford.

First Majestic Silver



Playing A Return To Higher Margins
Amid Industrial Silver Demand

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First Majestic Silver Earnings Highlights & Stock Performance

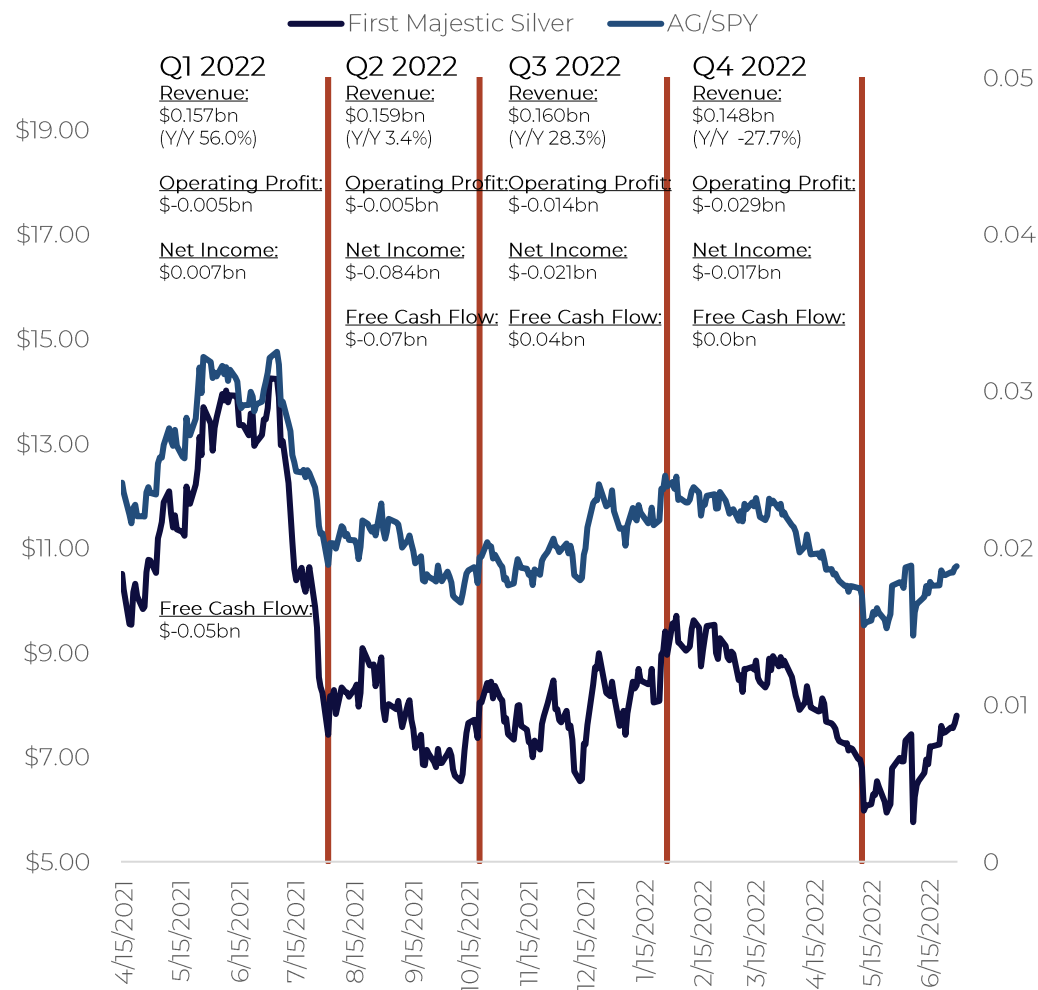
Management Commentary From Q4 2022 Earnings Call

- **Production:** First Majestic had a record 2022. We came in expecting to see a record and – and we'll be seeing another record in 2023 as a result of increased gold production, we're expecting from Jerritt Canyon throughout the year. Q3 was really the best quarter of 2022.
- **Mine commentary:** We're now producing all the ore at Santa Elena through Ermitano mine. Santa Elena mine has been shut down for 2024 where Santa Elena is where we're doing some drifting exploration works and potential other development, and we're planning on bringing that back online in 2024, if all goes well.
- **Production:** For the year itself, we did produce a record, Silver-wise, 10.5 million ounces. The goal is really where we saw the big growth, with record gold production of 248,000 ounces of gold. We're estimating somewhere around 33 million to 37 million ounces of production (silver-ounces equivalent). Slightly north of 10 million ounces of silver and around midpoint, around 300,000 ounces of gold. So that's what 2023 is going to look like.
- **Jerritt Canyon:** At Jerritt Canyon for 2023, our mine grade is about 5.4 grams per tonne planned and the mill due to dilution impacts is 4.7. That's the current plan for 2023. At Jerritt Canyon, we had to mine quite a bit of random material as we developed through SSX and Smith mine.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	-81.89	3.06	23.26	17.31	NA
TTM	-16.97	3.25	-12.68	24.92	1.42
*Levered FCF					

Sources: First Majestic Silver IR, TIKR, Blue Line Capital

Quarterly Data



First Majestic Silver Expectations & Returns

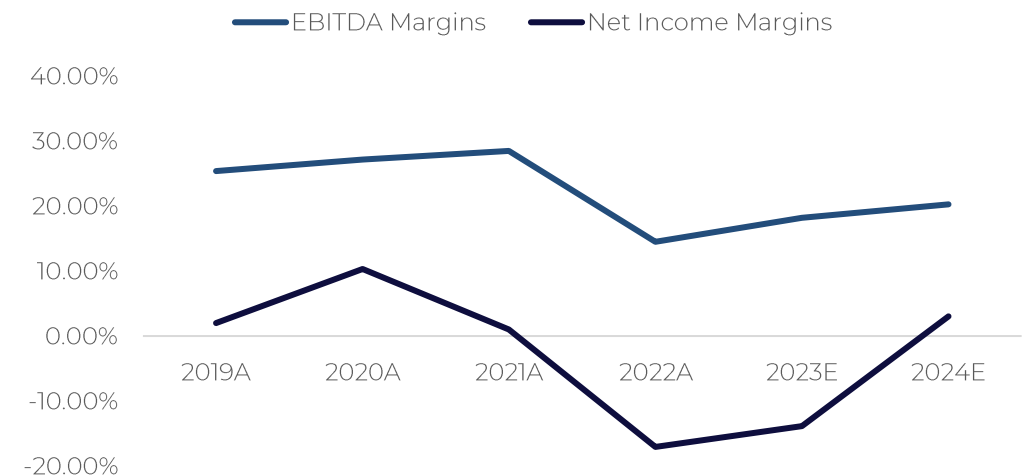
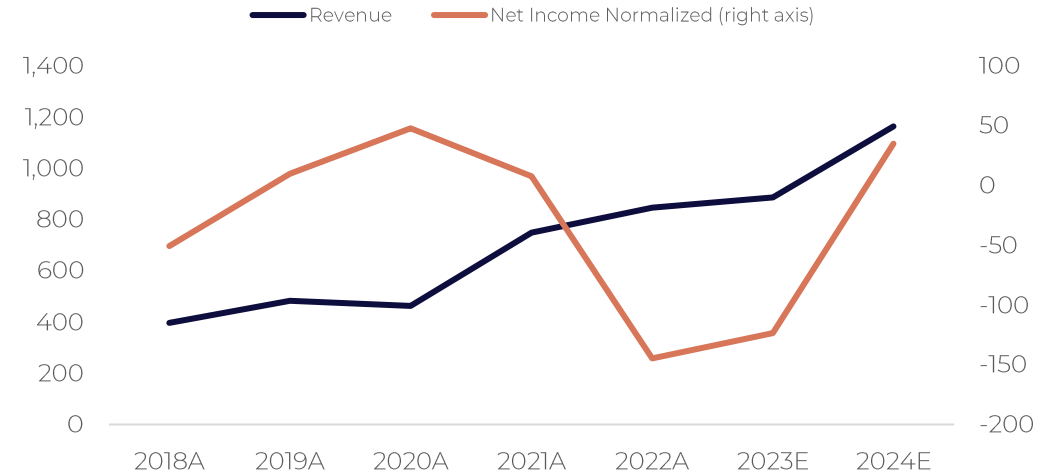
Return Ratios Compared To 2019

All return and margin ratios have worsened.

		LTM	2019
Return Ratios	RoA	-1.50%	0.00%
	RoC	-2.90%	0.10%
	RoE	-8.10%	-6.40%
Margins	Gross Profit Margin	22.50%	35.00%
	EBITDA Margin	13.40%	25.30%
	Net Income Margin	-18.30%	-11.10%
	Levered Free Cash Flow Margin	-25.60%	5.80%
Asset Turnover	Asset Turnover	0.3	0.36
	Fixed Asset Turnover	0.41	0.52
	Inventory Turnover	7.71	7.51
	Working Capital Turnover	3.08	2.13
Solvency	Total Debt/Equity	17.60%	26.80%
	Total Debt/Capital	13.90%	19.70%
	EBITDA/Interest Expense	7.1	7.81
	(EBITDA-Capex)/Interest Expense	-9.72	-2.05

Sources: First Majestic Silver IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



First Majestic Silver Valuation Vs. Peers

	NTM P/S	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
First Majestic Silver (AG)	6.64	5.63	-6%	5%	-1%
Endeavour Silver (EXK)	10.44	7.6	-2%	7%	-2%
MAG Silver (MAG)	28.17	46.31	41%	-9%	-25%
Wheaton Precious Metals (WPM)	12.27	9.35	-5%	2%	-13%
Newmont Mining (NEM)	5.68	3.91	NA	NA	NA
Barrick Gold (GOLD)	21.39	40.46	19%	57%	45%
Agnico Eagle Mines (AEM)	16.97	23.34	10%	21%	29%
Median	12.27	9.35	4%	6%	-1%
Mean	14.51	19.51	10%	14%	5%

Sources: TIKR, Google Finance, Blue Line Capital

4/17/2023

Blue Line Capital no position in First Majestic Silver.

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Southern Copper



20 Years From Project Origination
To Mine Production

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Southern Copper Highlights & Stock Performance

Management Commentary From Q4 2022 Earnings Call

- **Production Disruptions In 2022:** Let me say that 2022 was a very challenging year for us. We faced some difficulties in the economies where we operate, which have tested our strength and ability to operate at competitive terms. On top of lower metal prices and inflation, we had to deal with the 54 days to a hundred stoppage in the first half of 2022.
- **Peru Disruptions:** The Peruvian Congress invoked its power under the constitution and removed President Pedro Castillo from office. Mrs. Dina Boluarte, the VP, immediately assumed the presidency – these fast-moving events led to considerable upheaval, particularly in the south of Peru.
- **Copper Supply - Demand:** The most relevant market intelligence houses for the copper market are expecting a small surplus for 2023. This assumes a growth in demand of about 2% - 3%/year. Uncertainty regarding future production growth in Chile and Peru, which together represent about 40% of the global supply.
- **Copper Inventories:** Low copper inventories, which stood at 241,000 tons as of December 2022. These low inventories represent about 3.5 days of consumption, an extremely low level by copper inventories, I mean here, the addition of the LME, the COMEX, the Shanghai, and the bonded warehouses in China.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	22.46	5.96	24.06	11.39	NA
TTM	23.6	6.2	43.48	12.83	7.7
*Levered FCF					

Sources: Southern Copper IR, TIKR, Blue Line Capital

Quarterly Data



Southern Copper Expectations & Returns

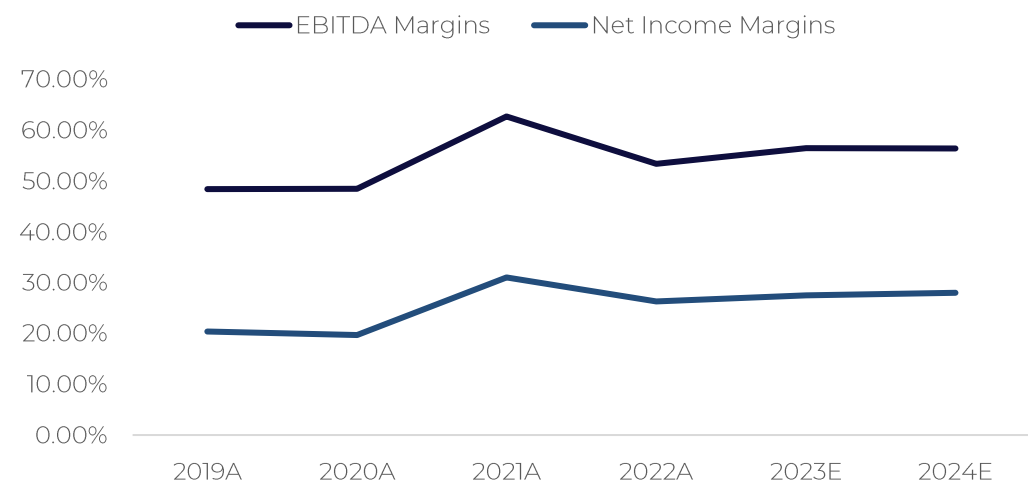
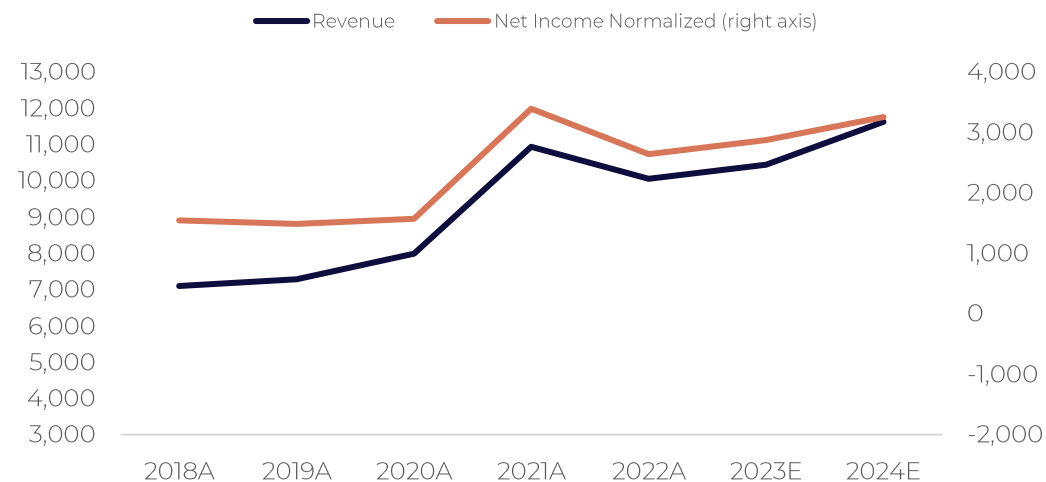
Return Ratios Compared To 2019

Southern Copper's returns have improved, margins increased, and solvency ratios gotten better since 2019.

		LTM	2019
Return Ratios	RoA	15.60%	11.20%
	RoC	28.80%	18.30%
	RoE	32.40%	22.20%
Margins	Gross Profit Margin	54.90%	52.10%
	EBITDA Margin	52.10%	48.30%
	Net Income Margin	26.30%	20.40%
	Levered Free Cash Flow Margin	14.30%	20.80%
Asset Turnover	Asset Turnover	0.58	0.44
	Fixed Asset Turnover	0.96	0.74
	Receivables Turnover	7.09	8.24
	Working Capital Turnover	2.54	2.69
Solvency	Total Debt/Equity	87.20%	116.50%
	Total Debt/Capital	46.10%	53.20%
	EBITDA/Interest Expense	15.72	10.66
	(EBITDA-Capex)/Interest Expense	12.94	8.58

Sources: Southern Copper IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Southern Copper Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Southern Copper (SCCO)	11.39	22.46	7%	71%	66%
Freeport McMoRan (FCX)	7.8	21.8	-3%	55%	50%
Teck Resources (TECK)	5	8.89	9%	40%	64%
BHP Billiton (BHP)	5.62	12.46	-7%	30%	23%
Vale (VALE)	3.87	5.53	-11%	23%	29%
Rio Tinto (RIO)	4.94	8.46	-8%	30%	22%
Alcoa (AA)	6.6	18.97	-25%	7%	-9%
Median	5.62	12.46	-7%	30%	29%
Mean	6.46	14.08	-6%	37%	35%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in Southern Copper.

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