

Implats shares slide amid concerns over PGM outlook

● *JSE-listed miner says strikes and load-shedding put pressure on local operations while global input costs surged*

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Implats Platinum's (Implats's) share price fell as much as 10% on Thursday, the most since June 2020, after the world's third-largest platinum group metals producer reported a 17% fall in full-year profit as commodity prices came off the boil while its input costs surged.

The share price slump saw R1bn wiped off the company's market value, before the stock staged a recovery late in the day.

"It's hard to know what people are thinking, but I would say their outlook for unit costs rising above inflation despite increased

production is negative," said Mandi Dungeva, analyst at Camissa Asset Management, commenting on the sharp sell-off in the stock.

Implats's results give impetus to the idea that a commodity cycle can turn on a ticky. In 2021, most JSE-listed mining companies reported record profits and dividends and boosted government finances via corporate tax and mining royalties.

But the global economic outlook has deteriorated since then, putting a strain on a range of commodity prices.

"Inflation is really starting to bite into the forward expecta-

tions for Implats and other miners – not just platinum related," said Casparus Treurnicht, portfolio manager at Gryphon Asset Management.

"Our observation is that demand destruction on a global basis is happening and we should see commodity prices continue to fall should inflation persist."

The platinum price was off nearly 2% to \$826/oz on Thursday evening, marking its lowest level since early July 2022. Rhodium hovered at \$4,000/oz, down from a peak of \$28,900 in March 2021.

Just like its peers, Implats is also grappling with rising costs

stemming from energy and consumables, among other areas.

Group unit costs are projected to rise to R18,200/oz, R19,200/oz in the 2023 financial year from R17,264/oz in the 2022 financial year.

Implats's headline earnings per share dropped 17% to R38.53 in the year-to-end June, reflecting the lower platinum group metal (PGM) price basket. The

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company's free cash flow, however, was still robust at R28.8bn during the review period.

"Implats's results, like those of other miners, showed the impact of both falling PGM prices and rising mining cost inflation," Secheho 'Isatsi, investment analyst at Anchor Capital, said.

The miner, which listed on the JSE in 1973, saw a 4% drop in the number of tonnes milled from its operations, to 22,36 million, with lower reported volumes at Impala Rustenburg and Impala Canada – offsetting improved performance at Marula and Zimplats.

The group, which operates

mines in SA, Zimbabwe and Canada, said intermittent strikes and load-shedding put pressure on its operations, while in Canada, supply-chain issues hampered operational productivity.

Revenue fell 8.7% to R118.3bn, in part because of the lower production volumes and extended furnace maintenance.

The group expects tight rhodium and palladium markets and continued surpluses in the platinum market for the rest of the 2022 calendar year.

By the JSE's close, the company's share price was down 6.2% to R169.20, giving Implats a market value of R143.86bn.

