

Metals and Mining

Rising costs meet financial discipline

This report does not constitute a rating action.

What's changed?

Selective mergers and acquisitions and portfolio changes. Some companies are looking at strategic changes to optimize and future-proof portfolio assets.

Local and global politics. Companies in specific countries have faced material social and regulatory hurdles, and potential disruptions from geopolitical risks loom large. These can add to companies' hesitation to invest, as returns are less certain.

Balanced sector rating prospects. Strong or moderate prices, increasing costs, high investment levels, and modest leverage imply any rating changes would be company-specific while these conditions persist.

What to look out for?

Differing demand dynamics. Major metal consuming economies are diverging, with Europe looking stronger as the U.S. moderates and China's property sector remains subdued. We also consider the impact of downside scenarios to this base case view.

Prices hold up. Notwithstanding some economic clouds, sufficient demand for most metals, alongside rising production costs and some output challenges, mean we have not significantly revised our price assumptions.

Sustainability trade-offs. Steel and aluminum producers in Europe, the Middle East, and Africa face significant spending to remain competitive, even with policy support (see Related Research). Miners will not find it easy to provide sufficient minerals for the energy transition, with challenges including resource availability, economic access, and gaining approvals to develop greenfield or even expand brownfield projects.

What are the key risks around the baseline?

Lower prices and committed spending. Multi-year investments typically can't be rapidly scaled back if prices drop. Some companies may find their access to funding restricted in a weaker market environment.

Responses to public scrutiny. Ratings can evolve due to ownership considerations and government intervention, as well as companies' operating and strategic reactions.

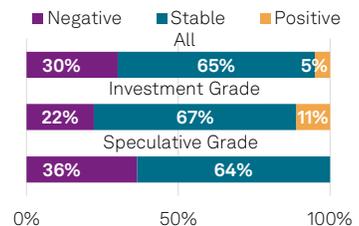
Looser financial policies including capital allocation. Companies in this volatile industry could release more capital to shareholders, potentially eroding rating buffers.

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Rating Trends

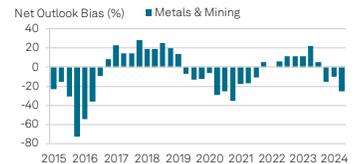
Outlook Distribution



Ratings Statistics (YTD)*

	IG	SG	All
Ratings	9	11	20
Downgrades	0	1	1
Upgrades	0	2	2

Ratings Outlook Net Bias



Sector Forecasts (Median)

2024	IG	SG
Revenue growth (Y/Y%)	-3.9	-1.2
EBITDA growth (Y/Y%)	9.7	-0.4
EBITDA margin (%)	22.8	13.1
Capex growth (Y/Y%)	-8.6	-0.1
Debt/EBITDA (x)	1.2	2.2
FFO/Debt (%)	59.7	36.0
FOCF/Debt (%)	25.3	5.0

All data as of end-June 2024.

* Year-to-date. Current ratings only.

Related Research

[Decarbonizing Metals Part Two: Financial Strength Mitigates Rising Credit Risk](#), June 3, 2024

[S&P Global Ratings Metal Price Assumptions: Prices Rise On Tight Supply And Higher Costs](#), May 2, 2024

[Industry Credit Outlook 2024: Metals & Mining](#), Jan. 9, 2024