Sibanye-Stillwater trading statement shows decline amid market challenges

By Lindsey Schutters

18 Aug 2023

Sibanye-Stillwater presented a trading statement for H1 2023, that outlines an anticipated decline in earnings per share (EPS) and headline earnings per share (HEPS) compared to H1 2022. Factors contributing to the decline include a substantial drop in platinum group metal (PGM) prices and a decline in production coupled with higher unit costs from the US PGM operations due to an incident at the Stillwater West mine.

SA operations were the few positives in a tough H1 2023 for Sibanye-Stillwater. Source: x.com

Some of these negative impacts were offset through improved results from the South African gold operations, boosted by favorable currency exchange rates and prudent financial strategies.

Production of 4E PGM (PGM with four elements: platinum, palladium, rhodium, and gold) from the SA operations remained consistent and stable during the first half of 2023 compared to the same period in 2022. This indicates that there was no significant increase or decrease in the output of these metals.

MTN grows subscribers by 4% and gets Mastercard investment

14 Aug 2023

PGMs with two elements (platinum and palladium) from its US operations experienced a decline over the same period that is attributed to challenges in operations, which affected the ability to extract these metals. The amount of recycled precious metal content also experienced a notable decrease because of lower receipt rates.

SA to the rescue

Gold production in South Africa saw a significant recovery during the first half of 2023, a boost after a challenging period in the first half of 2022 when operations were suspended due to industrial action and a subsequent lockout. The recovery in production indicates the company's successful efforts to overcome previous obstacles.

There was also a 22% increase in the average rand gold price year-on-year, demonstrating the benefits of the Group's commodity and geographical diversification. These gains were coupled with an 18% depreciation of the rand/dollar exchange rate, which resulted in a net increase in foreign currency translation gains and supported the rand commodity prices received in SA - where most costs are rand based.

This was not enough to carry group operation, though, with earnings per share (EPS) expected to be between R2,49 and R2,75 compared with EPS for H1 2022 of R4,26, representing a decline of 35% to 42% period-on-period.

Headline earnings per share (HEPS) for H1 2023 expected to be between R1,98 and R2,18, down 48% to 53% from the R4,23 of H1 2022.

The decrease in EPS and HEPS is primarily due to:

• a decline PGM prices, resulting in a 22% decline in the average rand 4E PGM basket price year-on-year and a 28% decline in the average US dollar 2E PGM basket price.

• lower production and higher unit costs from the US PGM operations, due to the shaft infrastructure incident at the Stillwater West mine which was announced on 13 March 2023

Sibanye-Stillwater managed to partially mitigate the impact through strategic measures.

Noteworthy among these were the realisation of a net fair value gain on financial instruments, a marked departure from the net fair value loss in H1 2022. Additionally, a reduction in royalties and mining, as well as income taxes, further contributed to tempering the overall financial implications, showcasing the company's proactive approach to optimising its fiscal standing.

ABOUT LINDSEY SCHUTTERS

Lindsey is the editor for ICT, Construction&Engineering and Energy&Mining at Bizcommunity

- The hydrogen economy is alive and well in SA - 21 May 2024
- Eskom shows signs of improvement, but challenges remain - 20 May 2024
- Implats finalises R9bn BEE deal - 20 May 2024
- Microsoft's climate goals challenged by generative AI investment - 15 May 2024
- Eskom defies odds, delivers 47 days of uninterrupted power - 14 May 2024

View my profile and articles...