

Impala Platinum

Materials

Company Update Report


Hold

Counter	Share price	Intrinsic value	Difference
IMP	R110.87	R102.39	8% downside

As at 1 May 2025

Executive summary

In this report, we look at the interim results for the period ended 31 December 2024 of Impala Bafokeng, released in February and the current global macroeconomic environment.

Financials:

- Revenue declined by 2.6% to R42.3 billion, affected by lower realised 6E dollar price and a stronger rand to dollar conversion. This was offset by higher sales volumes and an increase in revenue from Nickel sales during the period.
- The cost of sales increased by less than 1% during the period, showing the effect of restructuring initiatives during FY24.
- EBITDA declined by 23% to R6.5 billion.
- Headline earnings per share declined by 43.6% to 206 cents compared to 365 cents for 1H24.
- The realised price per 6E ounce declined by 7.6% to R23 831.
- Group unit cost worsened by 2.7% with the cost of production per 6E ounce increasing to R20 885.

Production:

- 6E refined production improved by 2.1% to 1 787 700 oz.
- 6E sales volumes increased by 4.5%.
- Tonnes milled declined by 4%, while 6E grade per tonne improved by 1%.

Full Year guidance:

- In the interim results, the FY25 guidance for volumes and costs remains unchanged while capital expenditure has been lowered from between R8 - R9 billion to R7 - R8 billion.

The current global uncertainty, stemming from the implementation of tariffs, will have a material effect on industries like the automotive sector. With price increases unlikely to be absorbed by companies, and thus fully transferred to consumers, demand will decline. This will have a material effect on raw product prices used in these industries, like PGM. We therefore believe the industry outlook is no longer cautiously optimistic in the short to medium term, but rather cautiously pessimistic.

Analyst thesis

- Among the top PGM producers, Implats stands out with the highest group exposure to these metals. The acquisition of RBPlats has strengthened its asset portfolio, extended the mine's lifespan, and reduced unit costs.
- Despite the challenging commodity price environment, Implats maintains a robust balance sheet, holding over R6 billion in net cash, ensuring its resilience with low levels of debt, allowing the company to remain afloat on lower, prolonged PGM prices. Prolonged lower PGM prices will be a test of cost management for management.



Qualitative summary

Factor review	Rating	Description
Growth		Expected 4Y sales CAGR of 20%. EPS is expected to grow from R5.75 in FY23 to R12 in FY27 (FY24 EPS -R19.29). EPS is expected to return to a positive number in FY25.
Valuation		Implats trades at the highest forward P:E of peers at 16x and therefore has a higher expected forward growth rate. Our intrinsic value implies a downside to the current price, with the share price trading at a premium.
Dividend yield		Implats did not pay a final dividend after FY24 results, as the dividend policy pays a percentage of adjusted free cash flow. However, the forward dividend yield for Impala Platinum Holdings Limited is 2%. No interim dividend was declared.
Issuance		Implats shares in issue have increased materially due to the Acquisition of Royal Bafokeng (now Impala Bafokeng). The shares in issue have also continued to increase since 2005.
Catalyst	<ul style="list-style-type: none"> • PGM price recovery from increased demand and restocking of above-ground inventory. • Higher adoption of hybrid vehicles than pure BEVs. • Declining interest rate environment. • Strong balance sheet to hold out on prolonged lower PGM prices. 	
Quality of earnings		Implats' earnings are driven by PGM prices and exchange rates, which remain volatile and outside of management's control, while management has some limited control over costs and production.
Moat		No moat.
Management and governance		Nico Muller has been CEO of Implats since 2017, and Meroonisha Kerber has been the CFO since 2018.
Balance sheet		Implats has a strong balance sheet with a net cash position in excess of R6 billion. Total debt is roughly R3.4 billion.
Risks	<ul style="list-style-type: none"> • Continued low market demand for PGMs further affects prices. • Declining demand due to tariffs on industries that are users of PGMs. • Higher interest rates negatively impacting the disposable income of consumers. • Any events that impact production negatively: strikes, natural disasters, electricity constraints, etc. 	
Regulation		Implats operates within a highly regulated industry, particularly in South Africa where the group has the majority of exposure.
ESG		Implat's ESG score compared to the industry is ranked as below average on FactSet.
Momentum price		Price momentum is positive.
Momentum earnings		IMP has positive earnings momentum.
Piotroski F-Score		Piotroski F-Score for Implats is 2.



Guidance

Table 1: Management FY25

Area	Unit	FY24A	FY25 guidance
Refined production	6E moz	3.38	3.45-3.65
Group production	6E moz	3.65	3.50-3.70
Group unit cost, stock adjusted	R/6E oz	20 922	21 000-22 000
Capex	Rbn	14	7-8
Exchange rate	R/USD	18.71	18.25

Source: Adapted from Implats Interim FY25 results booklet

PGM market review

The global markets have been hit by a trade war, specifically between the US and China. The ripple effect is yet to be seen, but consumer confidence has declined across the world, interest rates outlook in the US remains sticky, and China's economy has not yet recovered from the construction industry slump that hit the second-largest economy in 2024.

Although the DXY declined close to 10% YTD, the effect on the PGM sector has not been mirrored, with Platinum price up 9% and Palladium up 1.5%, indicating that demand has not yet returned. Current reports indicate destocking of above-ground inventory of platinum, but oversupply of palladium, a highly substituted metal in the automotive industry. As long as this is the case, it is unlikely that demand for platinum will return materially in the short term.

Currently, to lower price levels, PGM producers are likely to face continued pressure to implement effective cost control measures to ensure that mining remains sustainable over the long term and cash is reserved for profitable projects.

Sector outlook

The PGM sector is currently navigating a challenging trading environment characterised by demand uncertainties, including the flow of Russian metals to China and the transition from ICE vehicles to BEVs. We anticipate PGM mining companies to focus on cost reduction by shutting down unprofitable and low-margin operations to sustain long-term profitability.

While potential outlier events—such as a major stimulus package from China, additional sanctions on Russia, an end to the Russian-Ukraine conflict, or change in tariffs—could alter the trading landscape, these remain uncertain and there are no guarantees.

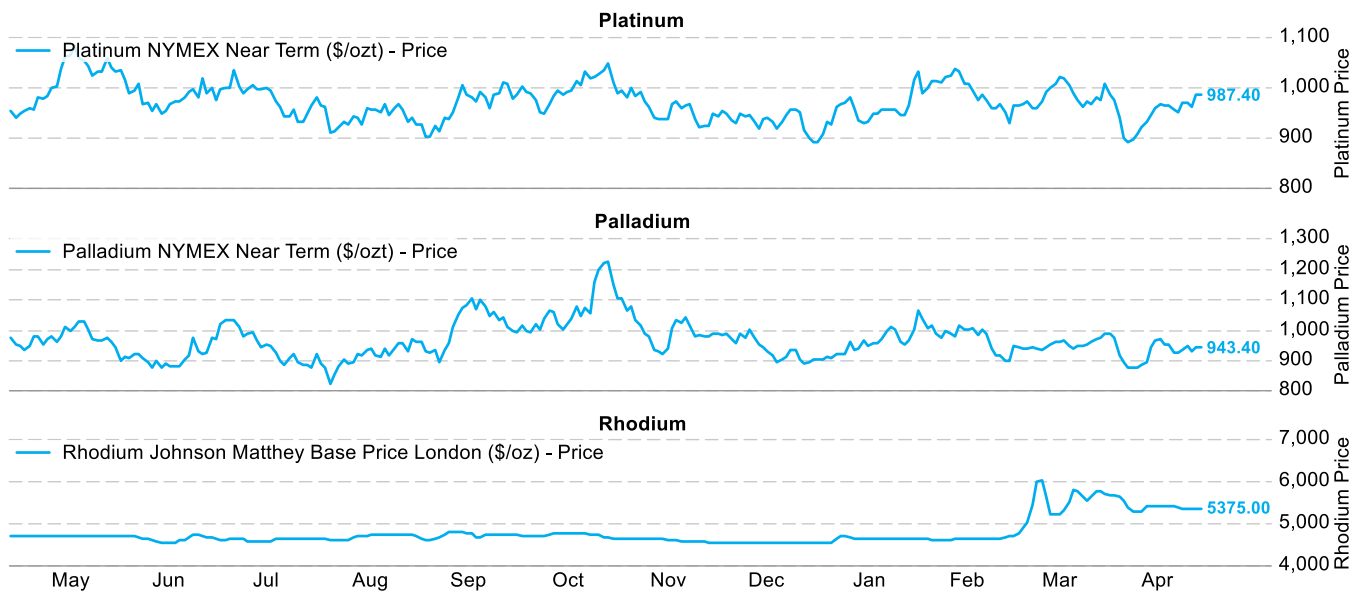
Given the prevailing low PGM prices, further impairments are likely in the next financial year. However, at current price levels, these mines can still generate positive cash flow if costs are well-managed, debt levels are controlled, and cash is allocated prudently towards capital expenditures on profitable projects.

Although still in its early stages, there is an increased backlash against global emission reduction targets and regulations as countries are switching to a more “just” transition stance in support of their economies. This creates an upside risk for PGM prices

Lower interest rates could alleviate consumer pressure and stimulate consumption. However, risks persist, including the ongoing tariff war and other geopolitical factors, making this sector particularly challenging.

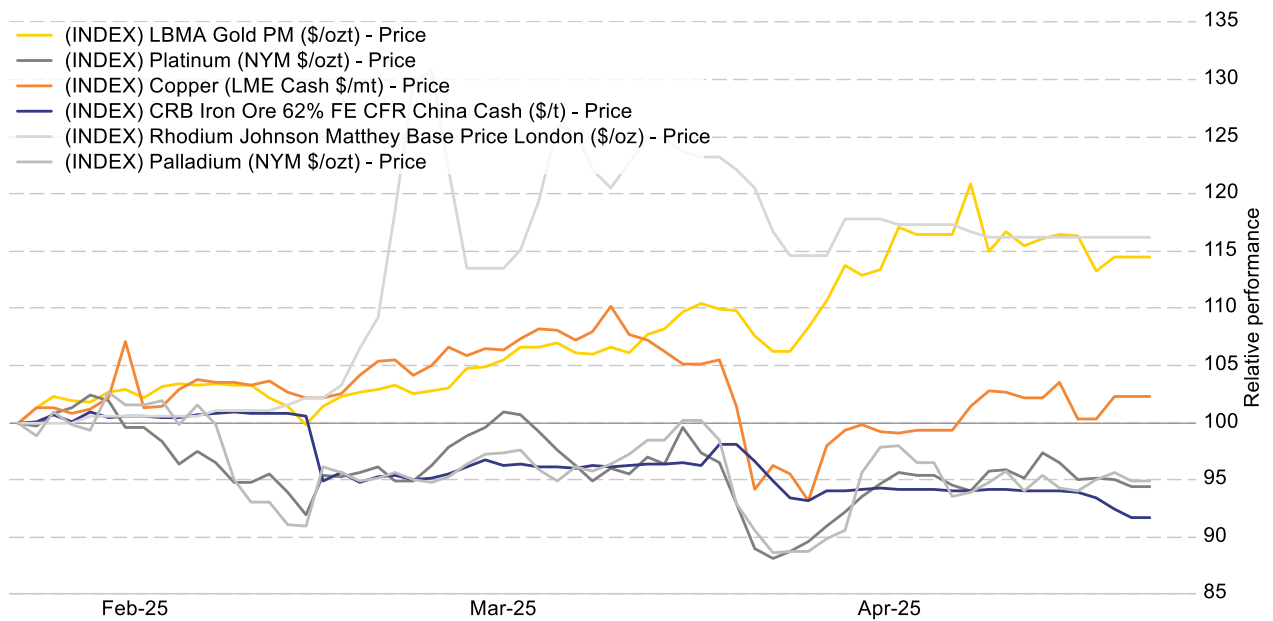


Graph 1: Platinum, Palladium and Rhodium prices: one year



Source: FactSet

Graph 2: Relative performance of major metals: three months



Source: FactSet



Valuation

We valued Implats through a discounted cash flow (DCF) analysis, incorporating a terminal value based on a long-term growth rate. Our forecast horizon has been extended to FY29, reflecting a more comprehensive outlook.

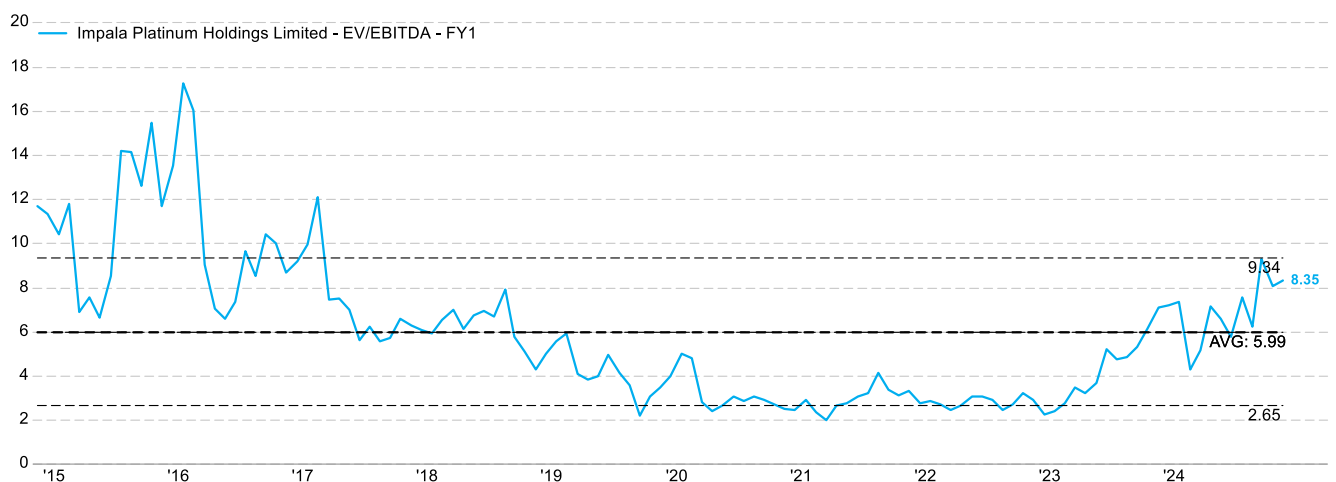
In our valuation, we assume a USD/ZAR exchange rate of R18.50 in the short term, followed by a gradual strengthening of the rand against the dollar. Additionally, we project modest increases in the prices of platinum, palladium, and rhodium from their current levels, supporting our long-term growth assumptions.

Table 2: Implats valuation

Long Term Growth Rate	3%
Intrinsic Value Calculation	
Sum PV FCF	R92 677
Plus: Cash & cash equivalents	R9 946
Less: Debt	R3 427
Less: NCI	R5 352
Equity Value	R93 844
NOSH (millions)	900
Intrinsic value per share	R104
Current price per share	R111
Upside / (downside) to intrinsic value	-8%
Recommendation	Hold

Sources: PSG Wealth, FactSet

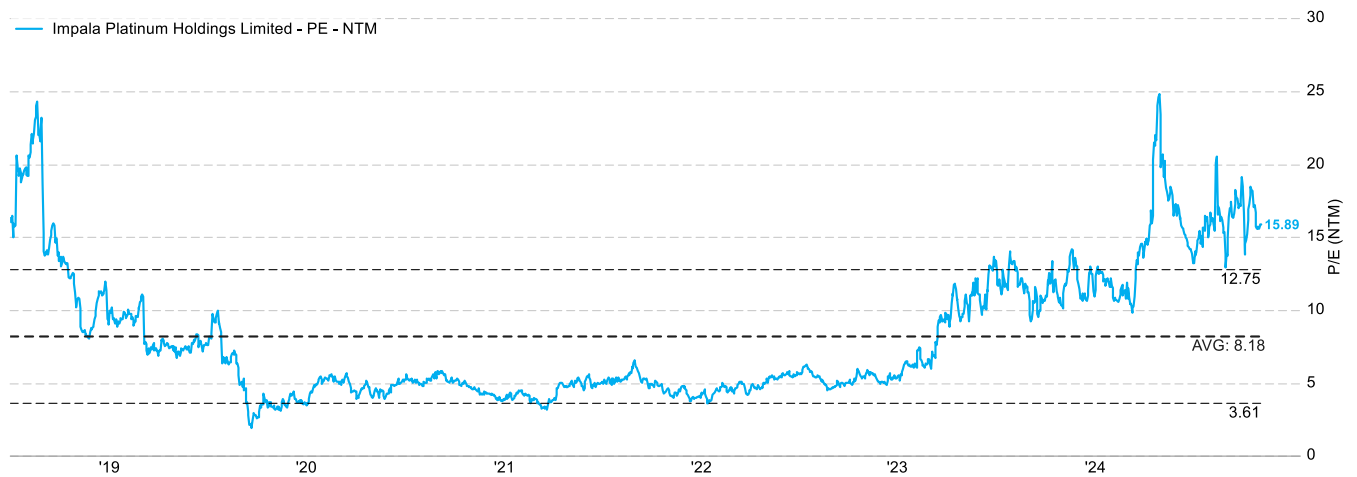
Graph 3: EV/EBITDA history



Source: FactSet

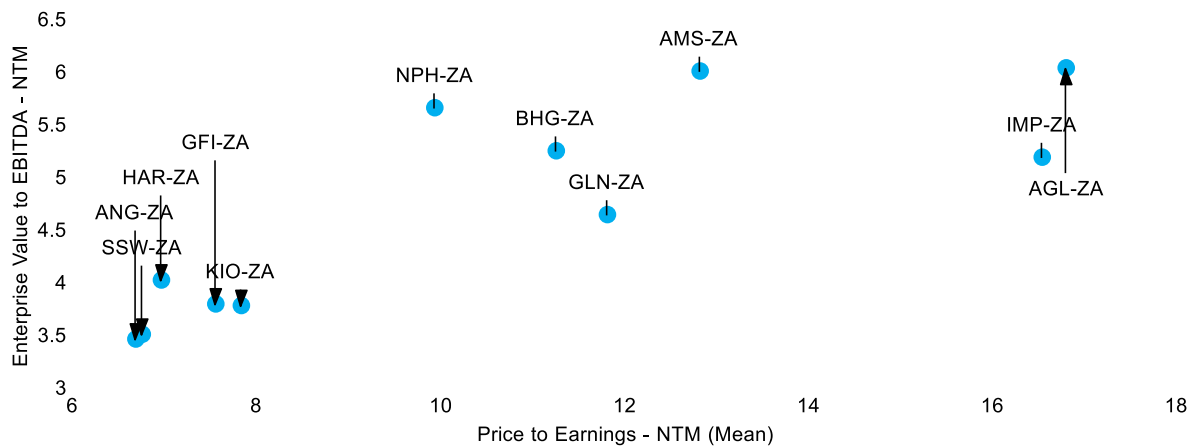


Graph 4: Forward P:E



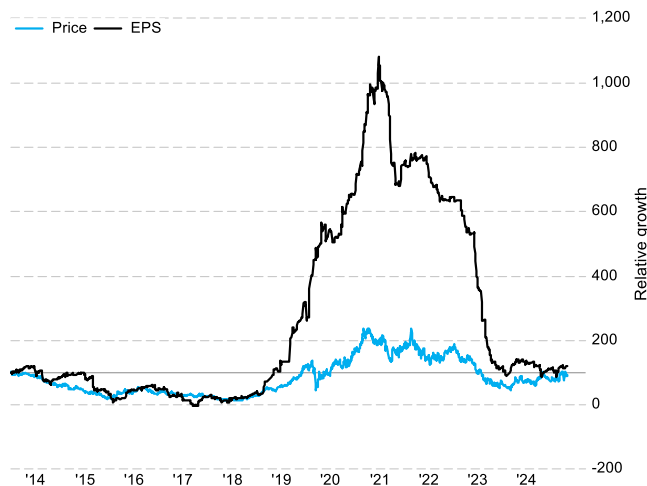
Source: FactSet

Graph 5: P:E and EV/EBITDA



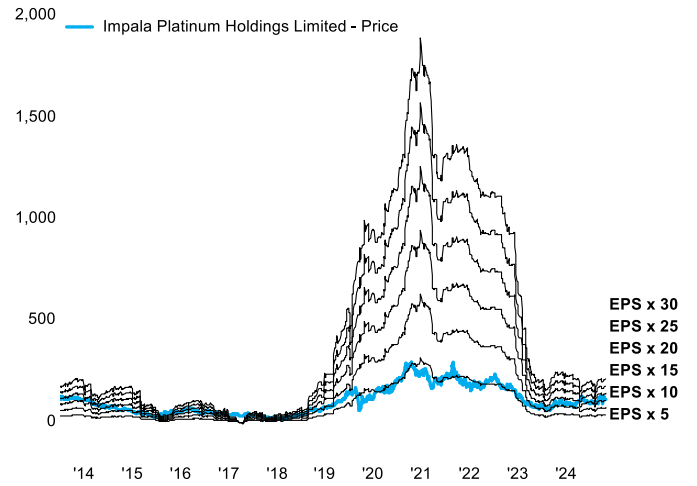
Source: FactSet

Graph 6: Components of P:E multiple



Source: FactSet

Graph 7: EPS times multiple



Source: FactSet



Table 3: Company data

52-week high	R132,19
52-week low	R70,35
Market value (bn)	R100,3
Price momentum	Positive
3m earnings revision	42,1%
Fiscal year-end	2025/06/30
Beta (3Y, daily)	1,89

Source: FactSet

Table 4: Valuation multiples

Multiple	Latest:	Last note:
	May-2025	Feb-2025
P/E	15,6x	15,3x
P/S	1,0x	0,9x
P/B	1,0x	0,9x
P/CF	6,0x	5,9x
EV/EBITDA	5,4x	5,0x
EV/EBIT	11,8x	11,4x
EV/SALES	1,0x	0,8x
Dividend yield	1,9%	2,2%
FCF yield	1,5%	5,5%

Source: FactSet

Table 5: Performance versus JSE ALSI

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Impala Platinum	26,3%	0,0%	8,0%	-6,8%	33,1%	-35,7%	-46,2%	-1,2%	68,0%
JSE Capped SWIX	8,6%	0,0%	6,0%	6,0%	20,2%	19,4%	22,0%	78,6%	35,2%

Source: FactSet

Table 6: Key competitors

Code	Price (ZAR)	Market cap (Rbn)	Sales FY0 (Rbn)	EBIT FY0 (Rbn)	Net income FY0 (Rbn)	EV/EBIT	P/E (NTM)	Price % (3mo)	Price % (1YR)
IMP-ZA	110,9	100	86,4	-19	-17	11,8x	15,6x	8,0%	33,1%
AMS-ZA	639,2	170	109,0	13	7	8,2x	14,3x	5,8%	8,4%
SSW-ZA	21,5	61	112,1	8	-7	5,3x	8,4x	19,4%	1,9%

Source: FactSet



Table 7: Key financials and ratios

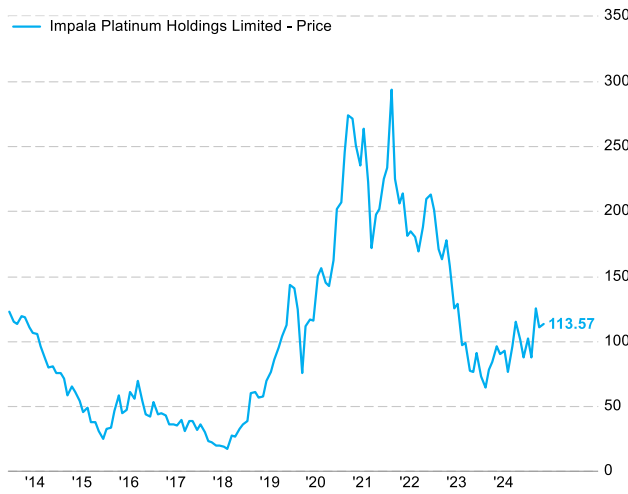
Income statement	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Revenue	69 851	129 575	118 332	106 594	86 398	88 246	101 943	109 472
Cost of sales	46 580	76 120	77 047	84 256	76 909	76 802	83 514	87 625
Gross income	23 179	23 271	53 455	41 285	22 338	9 489	11 444	18 429
EBIT	23 647	53 455	41 285	19 591	-19 490	5 100	8 940	14 358
EBITDA	28 168	60 839	51 717	33 234	12 329	12 166	19 378	24 881
Tax expense	6 546	20 065	12 100	3 609	-3 275	1 199	3 827	5 090
Net income	16 055	47 032	32 049	4 905	-17 313	3 319	7 964	11 845
Balance sheet	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Current assets	38 941	56 672	60 180	67 762	50 587	42 869	37 006	45 393
Intangible assets	0	0	0	9 870	3 523	0	0	0
Total assets	95 855	126 475	156 087	169 386	132 955	124 054	116 706	116 411
Current liabilities	12 500	17 793	16 587	17 672	16 844	14 524	11 494	6 866
Short-term debt	2 751	241	250	335	1 429	230	27	55
Long-term debt	6 233	1 087	957	2 255	1 912	2 066	2 206	1 775
Total debt	8 984	1 328	1 207	2 590	3 341	-	-	-
Minority interest	2 669	2 847	4 594	11 188	5 226	5 186	5 140	5 055
Total shareholders' equity	61 877	87 829	114 697	114 847	91 399	98 538	103 215	110 536
Cash flow	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Capital expenditure	4 248	6 265	8 968	12 670	13 980	7 985	8 402	8 445
Free cash flow	14 034	38 157	28 797	14 210	-5 776	1 947	10 303	15 321
Net operating cash flow	18 282	44 422	37 765	26 880	8 204	5 302	14 198	15 763
Net investing cash flow	-13 323	-7 341	-19 388	-13 177	-12 314	-8 104	-8 485	-7 000
Net financing cash flow	-576	-26 070	-15 905	-14 323	-12 899	-2 711	-2 213	-2 347
Free cash flow per share	16,4	48,3	34,5	16,6	-6,4	11,6	-0,3	3,6
Free cash flow yield (%)	14,2%	20,5%	19,0%	13,3%	-7,1%	1,9%	10,3%	15,3%
Ratio analysis	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	2025E	2026E	2027E
Profitability								
ROA	19,7%	42,3%	22,7%	3,0%	-11,5%	3,2%	7,4%	11,1%
ROE	31,8%	62,8%	31,6%	4,3%	-16,8%	3,0%	7,0%	10,7%
Margins								
EBITDA margin	39,3%	44,0%	39,5%	27,8%	15,6%	14,9%	20,0%	-
EBIT margin	32,8%	39,6%	34,4%	20,3%	6,0%	7,1%	10,4%	-
Net profit margin	23,0%	36,3%	27,1%	4,6%	-20,0%	4,4%	8,4%	-
Gross profit margin	33,2%	41,0%	34,6%	20,6%	5,9%	10,6%	19,2%	-

Source: FactSet



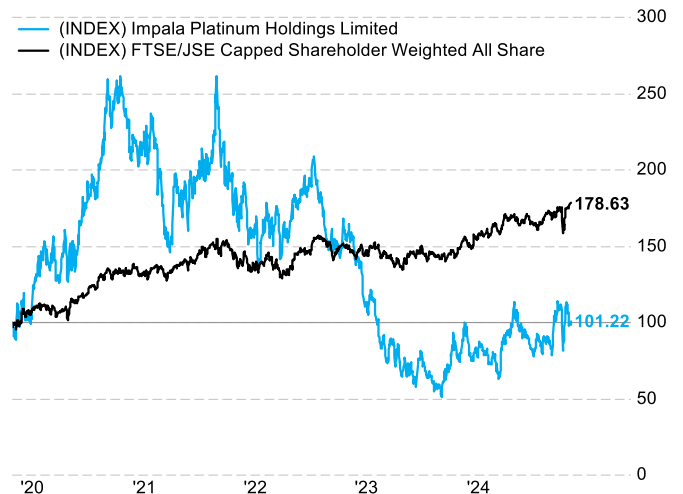
Price performance

Graph 8: Price



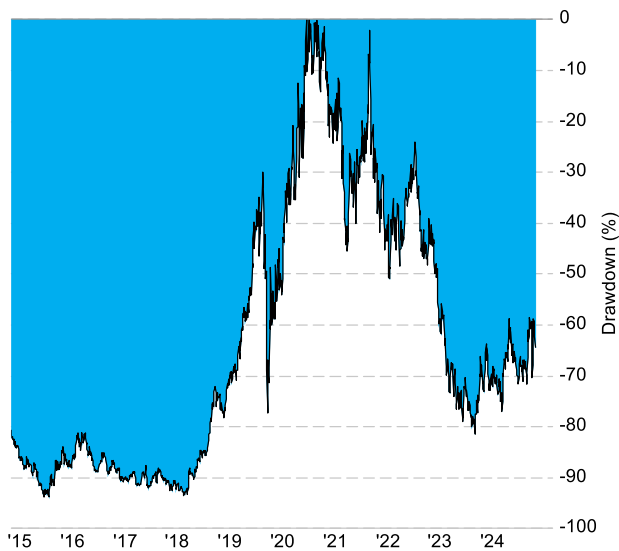
Source: FactSet

Graph 9: Performance versus benchmark



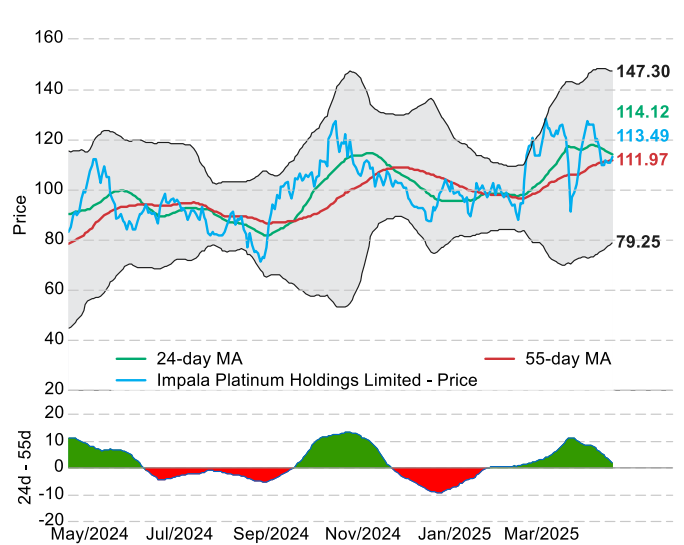
Source: FactSet

Graph 10: Drawdown



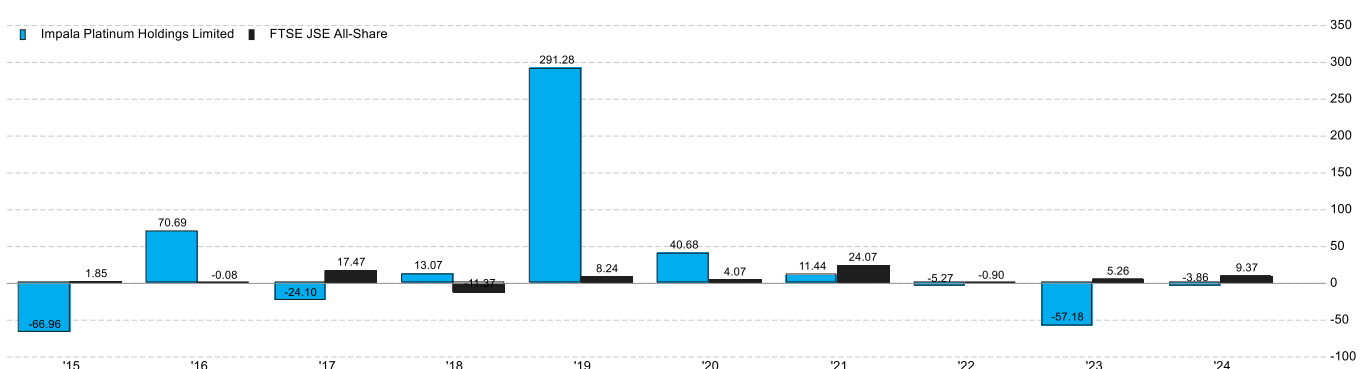
Source: FactSet

Graph 11: Price momentum



Source: FactSet

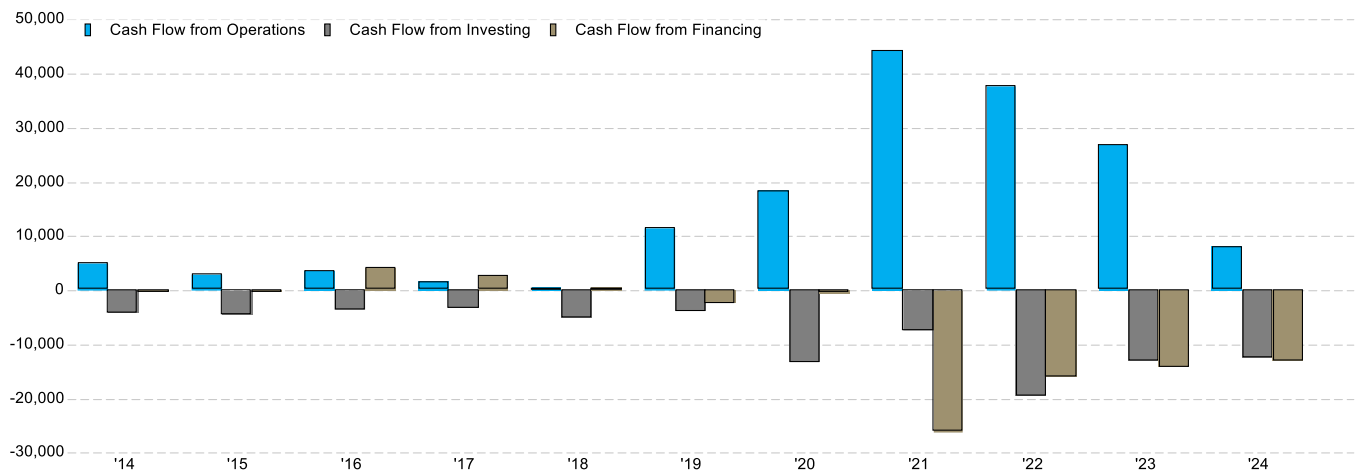
Graph 12: Calendar year returns





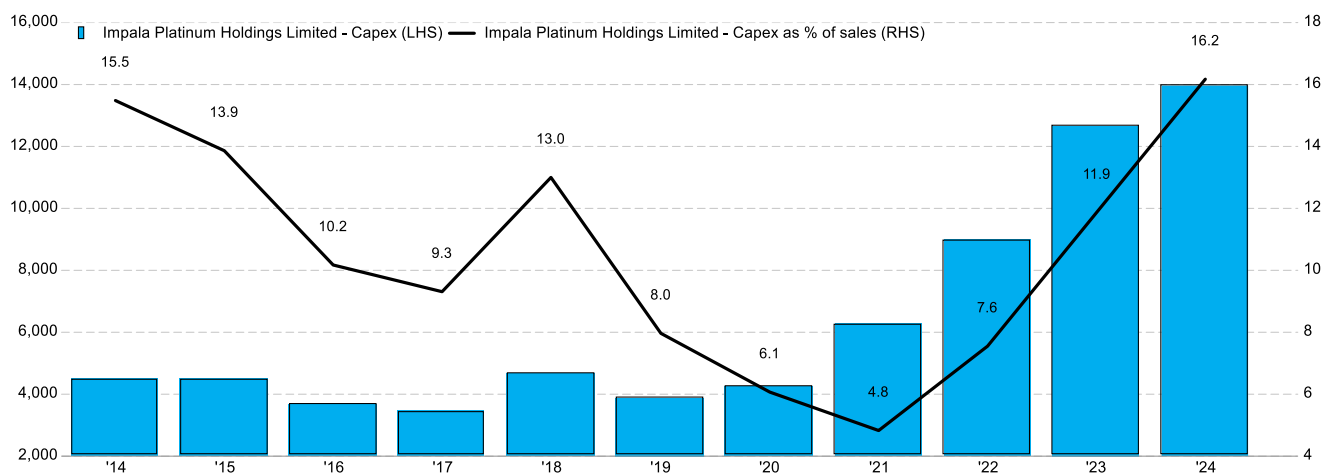
Use of cash

Graph 13: Cash flows



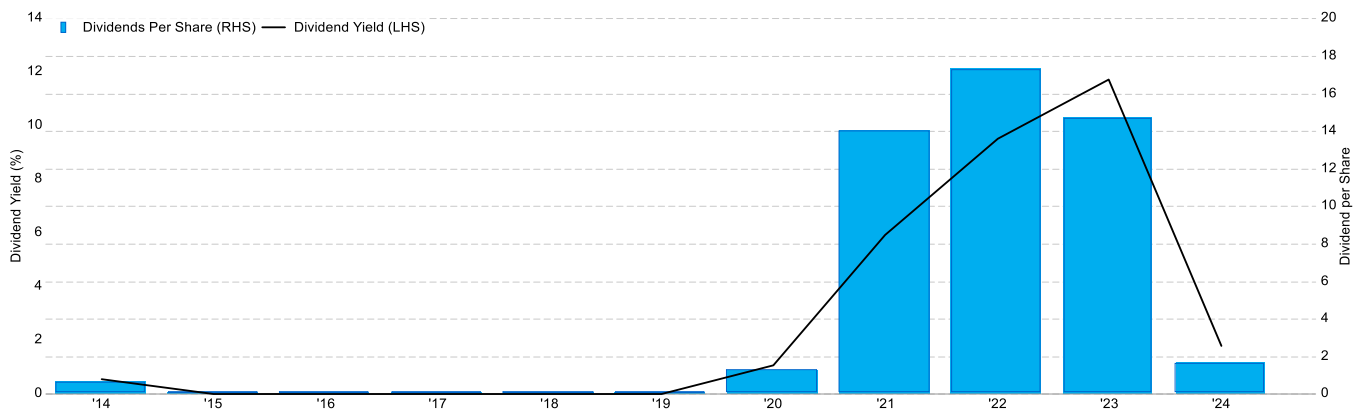
Source: FactSet

Graph 14: Capex



Source: FactSet

Graph 15: Dividends

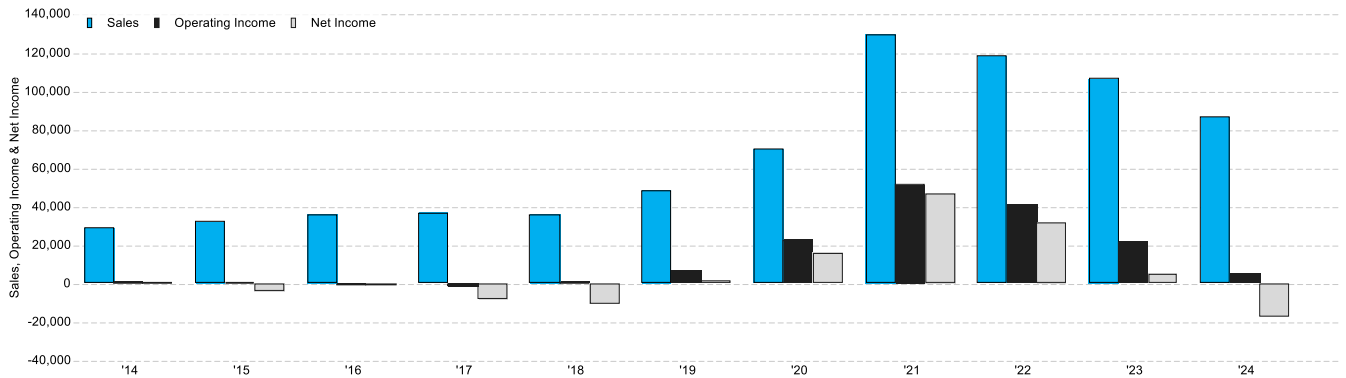


Source: FactSet



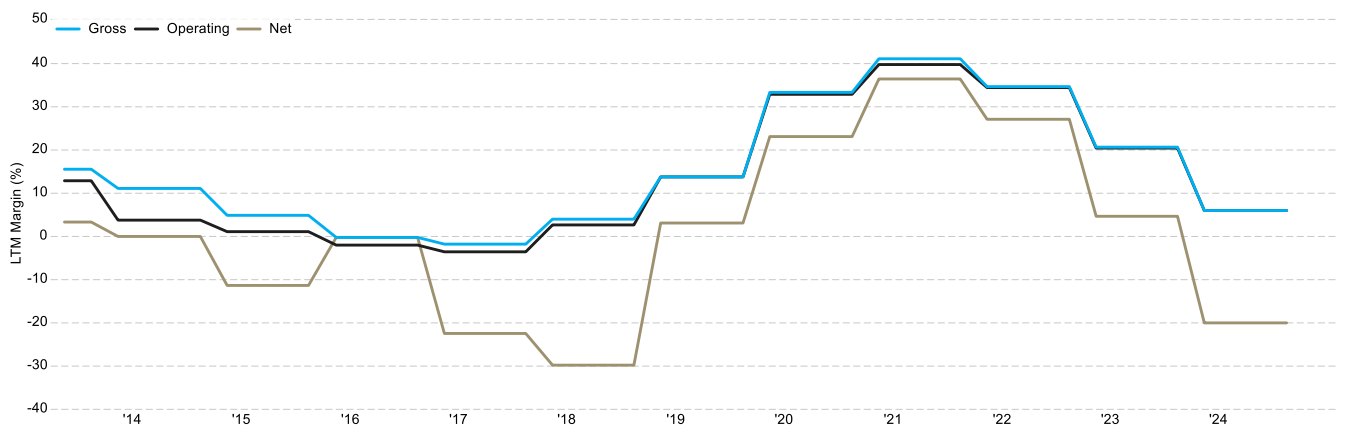
Income statement

Graph 16: Sales, operating income and net income



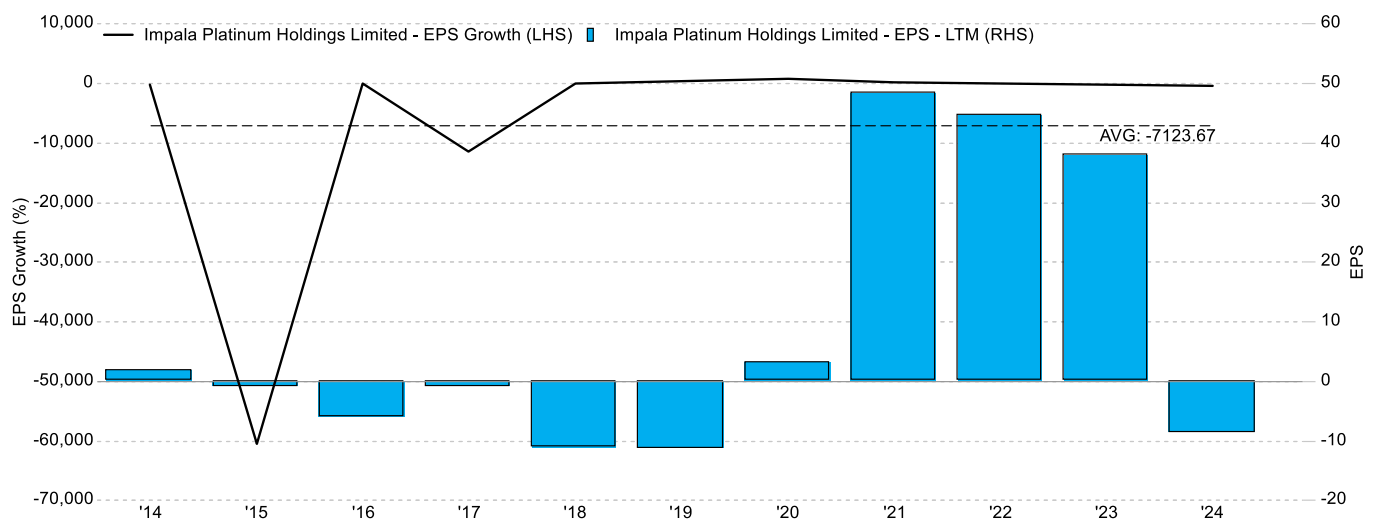
Source: FactSet

Graph 17: Gross, operating and net margins



Source: FactSet

Graph 18: EPS and EPS growth

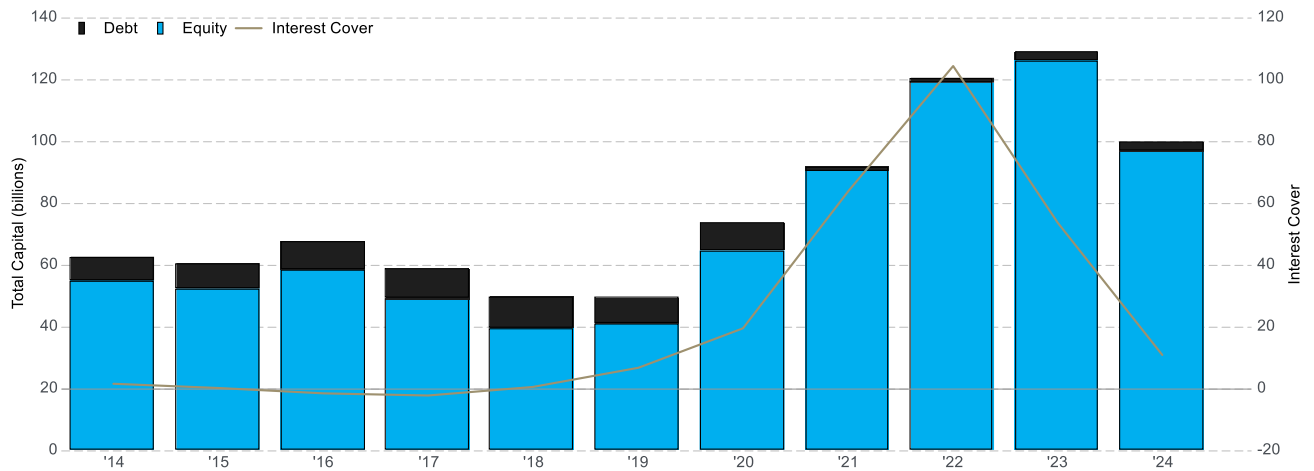


Source: FactSet



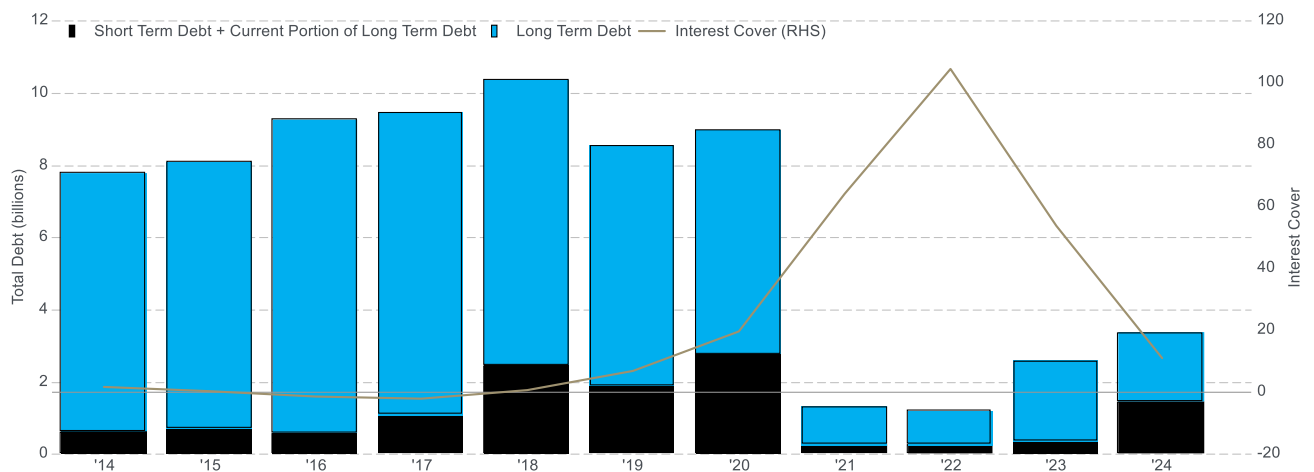
Balance sheet and liquidity

Graph 19: Capital structure and interest cover



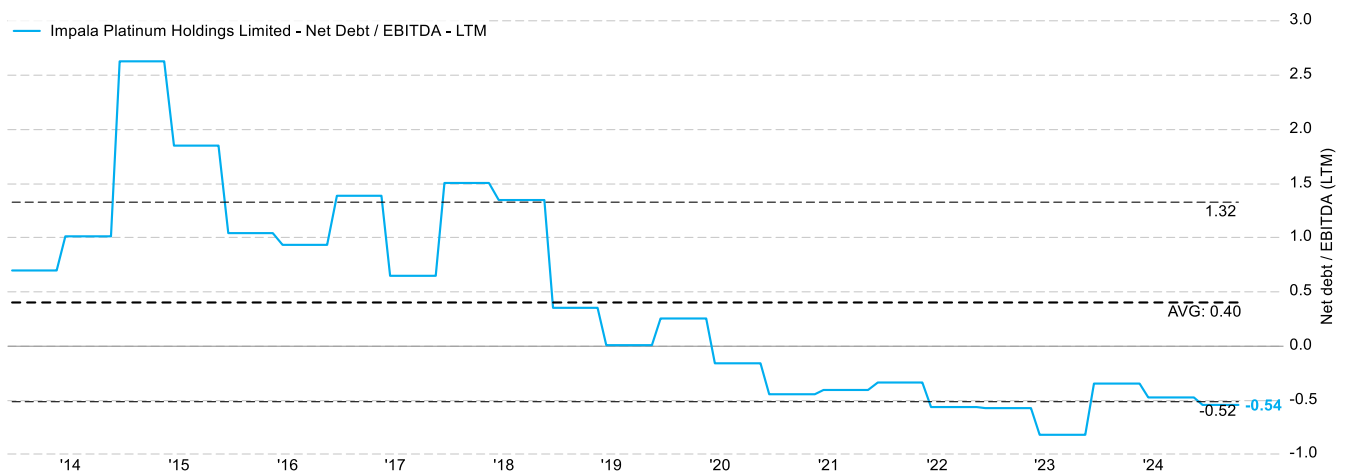
Source: FactSet

Graph 20: Debt



Source: FactSet

Graph 21: Net debt / EBITDA



Source: FactSet



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