

Royal Bafokeng Platinum's earnings shrink 37.8%

5 March 2013

Source: www.bdlive.co.za

Royal Bafokeng Platinum reported a 37.8% decline in diluted headline earnings per share, from 166c to 104c, for the year ended December 2012.

The group said net revenue fell by 3.7% as volumes produced dropped 4.4% and the rand basket price rose very slightly, up 0.7% to R16,404 a platinum ounce in 2012 compared with R16,282 a platinum ounce in 2011.

Revenue from production at the BRPM concentrator fell 4.4%, from R2.847bn in 2011 to R2.721bn in 2012, due to a 5.1% drop in ounces produced.

The gross profit margin narrowed by 37.4% to 11.9% from 19%. This was due to the 3.7% fall in net revenue and a 10.4% rise in cash operating cost per tonne milled.

Depreciation charges, including depreciation on head office assets, were down 41.1% at R273.3m in 2012 from R462.1m before.

Earnings before interest, tax, depreciation and amortisation (ebitda) as a percentage of revenue fell to 22.1% from 34.8%.

Royal Bafokeng said it had deferred R462m in capital expenditure "in response to the global market conditions that prevailed in 2012, particularly in the first half of the year" but had not reduced production.

"This included exploration drilling at BRPM and Styldrift II (R71.7m), construction of the chairlift at South shaft (R90.7m), and the BRPM concentrator upgrade (R300m)," it said.

"While we have deferred some of our capital expenditure projects, unlike most other platinum mines, we have not reduced our production. Instead, our focus is on optimising BRPM's performance and increasing its production as the revenue and cash flow we derive from BRPM is enabling the development of Styldrift," the group said.

Among the wide array of challenges facing the industry, Royal Bafokeng said cost was a major concern as mines deepened and grades declined.

"Our major focus for 2013 will continue to be on cost management. In light of the above-inflation cost pressures we expect in 2013, it is essential we improve efficiencies and control our workforce numbers."

It was confident it could maintain production at BRPM at about 2.4-million tonnes.

Styldrift I remained on schedule to start production in 2015 and to ramp up to full production in 2018, though this "will result in increased demand on our surplus cash resources ... and, as was initially anticipated, we expect to start tapping into our debt facilities for this purpose during the course of 2013".

The group said the platinum and palladium market deficits should continue to widen, owing to constrained output from South Africa as a result of mine cost pressures, a lack of capital investment and unresolved labour issues.

"While there should be a slight increase in platinum requirements ahead of the implementation of Euro VI emissions legislation in 2014, we expect platinum demand for autocatalysts to remain at current levels in 2013, as economic growth in Europe continues to deteriorate. Demand from Japan is likely to recede after the post-earthquake pickup in 2012."

“Consumer demand for platinum jewellery in China continues to grow and should be boosted by aggressive nationwide jewellery store expansion plans.”

“Platinum prices are expected to rise on supply shortages, which could, however, motivate increased recycling and limit net new metal demand growth.”

“Palladium demand growth is anticipated to continue at more than 3% in 2013, as the metal benefits from the continuing increase in vehicle production, particularly in China, and tightening tailpipe emissions legislation.”