2. PGM market outlook: our perspective

Richard Stewart
EVP Business Development

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Sibanye-Stillwater
PGM demand outlook
Platinum: the most functional precious metal

- Gross platinum demand remains industrial biased
  - Autocatalysts: 42% of platinum demand
  - Industrial applications: 29%, with demand largely driven by global growth
  - Platinum jewellery: 29% of total demand

There is more to PGMs* than autocatalysts

Sources include: Johnson Matthey, SFA Oxford, WPIC, company information
*PGMs: platinum group metals
Palladium is largely an auto story

- Palladium continues to have a much higher exposure to auto demand growth, given its primary use in gasoline autocatalysts
  - gross autocatalyst demand accounted for 84% of total palladium demand in 2017
  - other industrial demand components accounted for c.13% of total demand

Sources include: Johnson Matthey, SFA Oxford, WPIC, company information

Sustained growth in demand over the last decade
PGMs are a ‘basket’

Breakdown of demand by metal use (2017)

- Iridium: 100 Moz
- Ruthenium: 100 Moz
- Rhodium: 82% Autocatalysts, 15% Industrial
- Palladium: 83% Jewellery, 19% Investment
- Platinum: 44% Autocatalysts, 29% Industrial, 22% Jewellery
- Overall PGMs: 62% Autocatalysts, 28% Industrial, 10% Jewellery

Global prill split

Sources include: Johnson Matthey, SFA Oxford, WPIC, company information

PGMs should not be looked at in isolation
Automobiles and PGMs

- Vehicle growth is expected to increase at a global CAGR of 2.1% over the next 10 years
- By 2024, the light duty vehicle car park is expected to grow to 106 million vehicles from 92 million vehicles in 2017
- By 2024, the heavy duty vehicle car park is expected to grow to 6 million vehicles from 5.4 million in 2017

Sources include: Johnson Matthey, SFA Oxford, WPIC, company information

Autos are about more than battery electric vehicles (BEV) and diesel vehicles
The diesel debate

- Global warming versus human health
- Technology likely to close gap between diesel and gasoline CO₂ emissions and diesel and petrol NOx emissions
- Total cost of ownership of diesel still better
  - fleet light duty diesel (LDD) accounts for 72% of total diesel LDD purchases in the EU
- Average 0.4g CO₂/km increase of 2017 new vehicle fleet in Europe compared to 2016 (118.5 vs 118.1 in 2016) owes to reduced diesel share
- We forecast by 2024 global ICE diesel market share decrease to 10% (from 18%), gasoline to 56% (from 78%) and the balance electric vehicles

A mix of vehicle types is required to meet global demands

Sources include: Johnson Matthey, SFA, BASF, company forecasts
The outlook for BEVs is euphoric

- The outlook for battery electric vehicles (BEVs) is mixed and the spread of BEV penetration forecasts is extreme
  - outlier BEV penetration estimates range from 2% to 11% by 2025E
- Electric vehicle (EV) and BEV assumptions underpinning our PGM models are aggressive
  - 33% EV penetration rate expected globally by 2025E, with BEVs increasing global market share to 6%

Outlier broker BEV penetration range (% of global car park)

Sources include: Johnson Matthey, SFA, BASF, company forecasts

Light vehicles, new technologies

Our BEV forecasts are well within current market ranges

Tesla - Model 3 U.S. Deposits and Refunds

* Indexed to May 2017 deposits (+100)
What does this actually mean

- Hybrid vehicles are at worst neutral, and possibly positive for PGMs
- Gasoline vehicles – CAGR = 1.9% (+10.4m vehicles in 2024 compared to 2017)
- Diesel vehicles – CAGR = -0.8% (-0.95m vehicles in 2024 compared to 2017)
- BEV – CAGR = 33.9% (+4.3m vehicles in 2024 compared to 2017)

Sources include: Autofacts, Johnson Matthey, SFA, BASF, company forecasts

Gasoline and Diesel vehicles remain dominant in the autos mix
Fuel cells

- Electrification of vehicle power train to include a range of hybrids, batteries and fuel cells
- Batteries are a good supplier of power but a weak store of energy while hydrogen tanks are a weak source of power but a good store of energy
  - Nissan Leaf (BEV): 110kW and 151 miles*
  - Toyota Mirai (FEC): 114kW and 312 miles*
  - Tesla Model S (BEV): 311kW and 303 miles*
- Fuel cell vehicles to be included in electrification mix
- Initial penetration to come from depot-structured filling infrastructure

Fuel cell technology is an integral part of our powertrain strategy. The advantages are very clear to us: zero emissions, long ranges and short tanking times...
Christian Mohrdieck, Daimler's Fuel Cell Director

We believe fuel-cell vehicles remain the ultimate type of zero-emission vehicle.
Honda CEO Takahiro Hachigo (June 2017)

*Johnson Matthey
Fuel cells: China road map

- Chinese government roadmap the deployment of fuel cell vehicles:
  - 5,000 units (40% passenger cars) by 2020 and 100 hydrogen stations
  - 50,000 units by 2025 (80% passenger cars) and 300 hydrogen stations
  - 1 million units by 2030 and 1,000 hydrogen stations

- Japanese government’s targets for fuel cell vehicles:
  - 40,000 units by 2020
  - 200,000 units by 2025
  - 800,000 units by 2030

- At 10g/ton, 5 million fuel cell vehicles (<5% total market share) will consume the same amount of platinum as LDD vehicles in Europe in 2017

- Despite these plans, our modelled fuel cell penetration rates are conservative

Sources include: Autofacts, Johnson Matthey, SFA, BASF, company forecasts

Fuel cell vehicles are the true disrupter of zero emission power trains
Platinum jewellery – demand forecast

- Historically, jewellery has been a “shock absorber” to platinum demand
- However, since 2013 jewellery and investment buying have been more consistently cyclical

Platinum jewellery price elasticity

Platinum jewellery gross demand

Demand likely to be driven by the platinum price
Platinum demand to remain steady over the forecast period

Source: Johnson Matthey, SFA Oxford, WPIC, company estimates
Palladium – demand forecast

- Gasoline expected to maintain majority share of global auto market to 2025
- Legislative and technological trends reinforcing outlook for steady, continued demand for palladium
- Industrial sector demand expected to remain flat at best on the back of anticipated palladium price resilience
- Jewellery demand expected to contract further due to increased price pressure and limited market development

Gross palladium demand

Source: Johnson Matthey, SFA Oxford, WPIC, company estimates

Sustained palladium demand growth
Sibanye-Stillwater PGM supply outlook
Platinum – primary supply

- Capital underinvestment by South African PGM producers (c.70% of global primary platinum supply) since 2008 global financial crisis
  - insufficient to replace current production levels
- Without incentive-driven price growth, new supply coming on-stream seems unlikely or delayed
  - South African primary production expected to decline by 13% by 2025 (-1.5% CAGR)
- No new production expected from the western limb without a real basket price escalation exceeding 20-25%.
  - western limb represents more than 70% of South African supply

Sources: SBG Securities and Johnson Matthey, SFA Oxford, company estimates
Palladium – primary supply

- Supply expected to decline over forecast period on the back of a decline in South African production
- Russian and North American supply expected to remain stable

Source: Johnson Matthey, SFA Oxford, WPIC, company estimates

Palladium supply constant, driven primarily by regions where basket prices are not platinum dependent
A supply source driven by factors other than PGM prices
Despite ongoing diesel and EV concerns, platinum’s fundamentals remain robust:

- Limited primary and secondary supply growth anticipated globally.
- Significant producer capital underinvestment has resulted in long-term South Africa primary producer supply instability.
- Demand is well supported, even in weakening diesel markets.

Platinum likely to be marginally in surplus for the remainder of this decade, thereafter reverting to material deficit as primary production from South Africa contracts.

Source: Internal demand and supply model based on WPIC information, broker consensus and other sources.

Despite declining diesel market share and EV concerns, we remain fundamentally bullish.
Palladium – becoming the most precious PGM?

- Palladium set for sustained deficits
  - excess inventories already closing in on normalised levels
  - gasoline vehicles expected to maintain a majority market share to 2025 and to increase in absolute numbers including gasoline hybrids
  - primary supply to remain largely stable, to marginal decline
  - excess palladium inventories forecast by Sibanye-Stillwater to reduce to nil by 2021

Source: Internal demand and supply model based on WPIC information, broker consensus and other sources
We believe that it is inevitable that there will be substitution from palladium to platinum. In our view, significant substitution unlikely in the short term (< two – three years)
   - Requires sustained (c.400 $/oz) price gap...(OEM)
   - several years to develop, implement and licence...(OEM)
   - Fabricators suggest technically feasible but timeous…..

Recyclers claim to be seeing substitution already occurring in after market exhaust systems. Our assumptions are modelled on substitution trends observed in 1990s. Substitution reduces platinum’s sensitivity to diesel.

Supply pressures, technology and legislation will drive substitution rates

Source: Johnson Matthey, SFA Oxford, company estimates
Substitution means better overall balance

*Source: Internal demand and supply model based on WPIC information, broker consensus and other sources*
Excess inventories

- A review of cumulative stocks since 1974 confirms material palladium deficits
- Market is unsustainable as is and requires investment to drive supply
- Balancing the PGM basket is critical for a sustainable market

Source: Johnson Matthey, Sibanye-Stillwater (2018)
* Investment stock treated as a stock movement

Combined excess inventories are approaching the lowest levels in decades
Conclusion

- Platinum demand expected to be stable while primary supply is under threat
  - Supply driven deficits are expected in the next three years
  - Basket price increases of more than 25% required to incentivise South African supply growth
- Palladium demand will continue to increase underpinned by robust growth in gasoline market
  - Sustained and material market deficits continue to be forecast
- Substitution across the PGM’s appears inevitable, but unlikely to occur on a material scale in next three years
- Power trains will continue to evolve and comprise a mix of technologies over the long term, including fuel cells
- PGM markets need to be strategically managed as a “basket” and Sibanye-Stillwater is ideally positioned to deliver into changing demand cycles

Global platinum:palladium prill split

Source: Johnson Matthey, SFA Oxford, WPIC, company estimates

Strategic management of the PGM supply chain is required to meet forecast demand