Froneman considers restructuring and capital raise to slow PGM losses

By Nelson Banya and Felix Njini

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Sibanye-Stillwater reported a $2bn annual loss and scrapped its final dividend, hurt by a slump in platinum group metal (PGM) prices that is forcing South African mining companies to restructure and cut jobs. The hit on Sibanye's income comes as the company advances projects including a lithium mine in Finland and plans to develop another one in the US.

Clouds pass over the pit head at Sibanye Gold's Masimthembe shaft in Westonaria. Source: Reuters/Mike Hutchings

CEO Neal Froneman said Sibanye may consider a capital raise if the lower metal prices persist for longer, but he ruled out a rights issue.

"We are going to raise additional capital, but this perception that it's going to be a rights issue is completely wrong," he said during a results call.

The precious metals producer swung to the loss last year from a $1.2bn profit the previous year and record earnings in 2021, when prices for rhodium and palladium rallied.

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Write-offs in US

It reported impairments of $2.6bn at its US palladium mines, a nickel operation in France and a gold mine in South Africa due in part to the significant decline in metal prices and an uncertain outlook.

The loss comes after Sibanye embarked on a deal spree, buying battery metal assets in France, Finland, Australia and the US.

The fall in prices for PGMs, mostly used by automakers to curb toxic emissions, is forcing South African mining companies to restructure and cut jobs.

More restructuring on the cards

Froneman said in a statement that more restructuring might be required, especially at Sibanye's US PGM operations and the Sandouville nickel refinery in France.

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"We recognis however that if low commodity prices persist, earnings are going to remain under pressure and, with ongoing inflationary cost pressure, there may be further restructuring required," Froneman said.

Sibanye's peers Anglo American Platinum and Impala Platinum are also restructuring loss-making operations and cutting costs, a process which will cost thousands of jobs.