Mine 2021

Great expectations, seizing tomorrow

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Executive summary

The Top 40 mining companies have come out of the storms of 2020 in excellent financial shape.

By any important measure, mining is one of the few industries that emerged from the worst of the COVID-19 pandemic economic crisis in excellent financial and operational shape. In fact, 2020 was a banner year for the mining sector. Compared to 2019, net profit was up 15%, cash on hand rose 40%, and market capitalisation increased by nearly two-thirds. And things are expected to get even better for the world's biggest mining companies. Our 2021 forecast indicates that the Top 40 will report record-high revenue and EBITDA levels (in this report's 18-year history) and the second-highest net profit.

With so much expected success, a crucial question arises: what will miners do with their near-record levels of free cash flow?

The Top 40 mining companies have never been in a stronger financial position to make a big, bold pivot towards the future. And the future is already visible today: the world is in the midst of an era-defining transition to a low-carbon, sustainable economy. Eight of the ten largest economies have set ambitious net-zero targets. Many global companies, including several of the Top 40 miners, have made similar commitments.

Making environmental, social and governance (ESG) issues the core of organisational strategy gives big miners a compelling path to build trust, grow and produce sustained outcomes. Companies that rate higher on ESG outperformed the broader market during the peak of the pandemic—and in the longer term, too. Investors are increasingly drawn to companies that actively embrace ESG policies.

Given the significance and value of ESG approaches, sustainability strategies are a running thread through our report this year. For instance, beyond their potential financial performance returns, ESG considerations are becoming fundamental to deal success. While miners will likely continue to shift away from thermal coal, they need to explore replacing that revenue stream with ESG-oriented businesses. Which acquisition targets will meet the growing demand for the resources that are driving the shift to a greener global economy? According to the International Energy Agency, the energy sector's need for critical minerals that are essential for clean energy technologies could increase by as much as six times by 2040.

Along with environmental expectations, ESG is also a framework for mining companies to be a more active and salutary participant in local and regional communities. The Top 40 make a significant contribution to society through taxes and rents. But they have some distance to go in being transparent about these payments. Mining companies should be proud to report the taxes they pay and the social benefits these outlays deliver—such as funding hospitals, infrastructure improvements and schools—and they should join with local governments in helping to create tax policies.

Although the Top 40 responded to the pandemic with agility and purpose, they cannot afford to let their guard down. Second, third and fourth waves of the virus, driven by new variants, continue to emerge, and many of the measures taken to control its spread are still in force. Workers are increasingly advocating for flexible and remote work arrangements as the new normal. Decisions made today about workplace policies, including the role of digitisation and automation, will shape the future of mining for years to come.

The challenges of COVID—and the new normal manifested by uncertainty about infection rates in different parts of the world—and environmental sustainability have created a volatile landscape that presents an opportunity for genuine, transformational change in the mining industry. Thanks to their excellent financial position, the Top 40 are better placed than most companies in other fields to pivot towards long-term value and growth. Now is the time for miners to make their move.

Executive summary

历经风暴，前40大矿业公司2020年财务状况卓越

无论怎样衡量，采矿业都是在新冠疫情大流行经济危机最不利的情况下，以卓越的财务和运营状态崛起的少数行业之一。实际上，2020年是采矿业的标志性一年。与2019年相比，净利润增长了15%，货币资金增长了40%，市值增长了近三分之二。对于全球最大的矿业公司来说，情况将会变得更好。我们对2021年的预测表明，前40大矿业公司的收入和EBITDA(息税折旧摊销前利润)水平都将在本报告覆盖的过去18年中达到最高纪录，而净利润也将达到第二高纪录。

有了如此预期的好成绩，一个关键的问题就出现了：矿业企业如何使用接近创纪录水平的自由现金流？

前40大矿业公司从未有过如此强大的财务状况来为未来做出大胆的决策。而目前未来已经清晰可见：世界正处于向低碳、可持续发展的经济过渡的时代当中。十个最大的经济体中有八个设定了雄心勃勃的净零排放目标。许多全球公司，包括前40大矿业公司中的几家，也做出了类似的承诺。

将环境、社会和治理（ESG）问题作为组织战略的核心，使大型矿业企业有一条令人信服的途径来建立信任，成长并产生持续的成果。在疫情大流行高峰期以及从长远来看，对ESG评分较高的公司的表现要优于大盘。积极接受ESG政策的公司吸引着越来越多的投资者。

鉴于ESG方法的重要性和价值，可持续发展战略成为我们今年报告中的一个主线。例如，除了潜在的财务业绩回报外，ESG的考虑也正在成为并购交易成功的基础。矿业企业可能会继续从动力煤迁移，但他们需要探索用ESG导向的业务取代该收入来源。哪些收购目标将满足对推动向绿色全球经济转型资源的不断增长的需求？据国际能源署（International Energy Agency）称，到2040年，能源部门对清洁能源技术必不可少的关键矿产的需求可能会增加六倍。

除了对环境的期望之外，ESG还是矿业公司成为本地和区域社区更加积极和有益的参与者的框架。前四十大矿业公司通过税收和租金为社会做出了重大贡献，但是，要使这些支出透明化还有一定差距。矿业公司应该自豪地报告所缴纳的税款和这些支出所带来的社会效益，例如为医院、学校及基础设施改善提供资金，并应与地方政府一道协助制定税收政策。

尽管前40大矿业公司以灵活和决心应对了疫情，但他们不能掉以轻心。新变种的病毒使得第二，第三和第四波疫情不断涌现，为控制疫情传播而采取的诸多措施仍在施行。工人越来越提倡灵活和远程的工作安排，这将成为新的常态。当前有关工作场所政策的决策，包括数字化和自动化的作用，将重塑采矿业的未来。

新冠疫情的挑战、全球不同地区感染率的不确定性所体现的新常态以及环境可持续性造成了动荡的格局，为采矿业带来了真正的变革性的机遇。凭借其出色的财务状况，前40大矿业公司比其他领域的大多数公司占据了更有利的地位，可以朝着实现长期价值和增长的方向发展。现在是矿业企业采取行动的时候了。

Resumen ejecutivo

Las 40 principales empresas mineras han salido de las tormentas de 2020 en excelente forma financiera.

Desde toda perspectiva relevante, minería es una de las pocas industrias que emergió de lo peor de la crisis económica producto de la Pandemia COVID-19 en excelente forma financiera y operativa. De hecho, 2020 fue un año emblemático para el sector minero. En comparación con el año 2019, la utilidad neta aumentó un 15%, el efectivo disponible aumentó un 40% y la capitalización de mercado aumentó casi dos tercios. Y se espera que la situación de las empresas mineras más grandes del mundo mejore aún más. Nuestro pronóstico para 2021 indica que los 40 mayores empresas mineras reportarán niveles récord de ingresos y EBITDA (en los 18 años de historia de este informe) y la segunda utilidad neta más alta.

Con tanta expectativa de éxito, surge una pregunta clave: ¿qué harán los mineros con sus niveles casi récord de flujo de efectivo libre?

Las 40 mayores empresas mineras jamás han estado en una posición financiera tan sólida para dar un giro amplio y audaz hacia el futuro. Y el futuro ya es visible hoy: el mundo se encuentra en medio de una era de transición a bajas emisiones de carbono hacia una economía sostenible. Ocho de las diez economías más grandes se han fijado ambiciosos objetivos hace cero emisiones netas. Muchas empresas globales, incluidas varias de las 40 mayores mineras, han asumido compromisos similares.

Hacer que las cuestiones ambientales, sociales y de gobierno (ESG) sean el núcleo de la estrategia organizacional les brinda a las grandes mineras un camino convincente para generar confianza, crecer y producir resultados sostenidos. Las empresas que puntúan más alto en ESG superaron al mercado en general durante el pico de la pandemia, y también a largo plazo. Los inversionistas se sienten cada vez más atraídos por empresas que adoptan activamente las políticas de ESG.

Dada la importancia y el valor de los enfoques de ESG, las estrategias de sostenibilidad son un hilo conductor de nuestro informe de este año. Por ejemplo, más allá de sus posibles resultados de desempeño financiero, las consideraciones ESG se están considerando fundamentales para el éxito en los negocios. Si bien es probable que las mineras continúen alejándose del carbón térmico, deben explorar la posibilidad de reemplazar ese flujo de ingresos con negocios orientados a ESG. ¿Qué objetivos de adquisición satisfarán la creciente demanda de los recursos que están impulsando el cambio hacia una economía global más verde? Según la Agencia Internacional de Energía, la necesidad del sector energético de minerales críticos que son esenciales para las tecnologías de energía limpia podría aumentar hasta seis veces para el año 2040.

Junto con las expectativas ambientales, ESG también es un marco para que las empresas mineras sean un participante más activo y benéfico en las comunidades locales y regionales. Los Top 40 hacen una contribución significativa a la sociedad a través de impuestos y arrendamientos. Pero tienen que acortar la brecha para ser transparentes sobre estos pagos. Las empresas mineras deben estar orgullosas de informar los impuestos que pagan y los beneficios sociales producto de estos desembolsos, como la financiación de hospitales, mejoras de infraestructura y escuelas, y deben unirse a los gobiernos locales para ayudar a crear políticas fiscales.

Aunque los Top 40 respondieron a la pandemia con agilidad y determinación, no pueden permitirse bajar la guardia. La segunda, tercera y cuarta oleadas del virus, impulsadas por nuevas variantes, continúan surgiendo y muchas de las medidas tomadas para controlar su propagación siguen vigentes. Los trabajadores abogan cada vez más por acuerdos de trabajo flexibles y remotos como nueva normalidad. Las decisiones que se tomen hoy sobre las políticas en el lugar de trabajo, incluido el papel de la digitalización y la automatización, darán forma al futuro de la minería en los próximos años.

Los desafíos de COVID, y la nueva normalidad manifestada por la incertidumbre sobre las tasas de infección en diferentes partes del mundo, y la sostenibilidad ambiental han creado un panorama volátil que presenta una oportunidad para un cambio genuino y transformador en la industria minera. Gracias a su excelente posición financiera, las Top 40 están mejor situadas que la mayoría de las empresas en otros campos para pivotar hacia el valor y el crecimiento a largo plazo. Ahora es el momento de que las mineras actúen.

Financial returns are strong

Financial metrics

Market capitalisation up 64% to

US$1.46tn

Revenue (excluding trading) **up 4%** (US$20bn) to

US$545bn

Net profit up 15% to

US$70bn

Copper was the mineral of the moment, contributing

US$122bn to group revenue,

and the average price of copper is predicted to increase **by 40% in 2021**

Tax transparency

39% of mining and metals company CEOs are extremely concerned about tax policy uncertainty, more than double the number last year (18%)

Only 30% of the Top 40

embraced tax transparency reporting in 2020

Can ESG alter M&A patterns?

Fewer coal assets are being purchased: acquisitions fell from

5 in 2018 to 0 in 2019 and 2020,

evidencing the shift towards net zero

ESG is the best bet for growth

Companies with higher ESG ratings (from MSCI) had an

average total shareholder return of 34% over the past 3 years—

10% higher than the general market index

COVID-19 impact

With the future of the pandemic uncertain, miners must switch to longer-term strategic thinking and integrate recent initiatives, such as remote work and operations, to create and deliver a holistic transformation on an accelerated timeline.

ESG: The best opportunity for growth

Although many of the Top 40 understand the importance of ESG, some still see it as just another box to tick. But ESG represents one of the mining industry's most significant opportunities for long-term value creation, building trust and sustainable growth. Miners need to engage with their stakeholders and start to 'bake' ESG into the core of their strategies.

Globally, ESG has been a growing discussion point for the past three years. But since the pandemic began, the impetus to set the world on a more sustainable footing has taken on new urgency. Many indicators signal an inflection point. One of the most compelling: eight of the world's ten biggest economies (rising to nine if the US Congress passes the CLEAN Future Act) have committed to achieving net-zero emissions by mid-century. Customers, employees, communities, governments and suppliers now expect companies to create value that is sustainable.

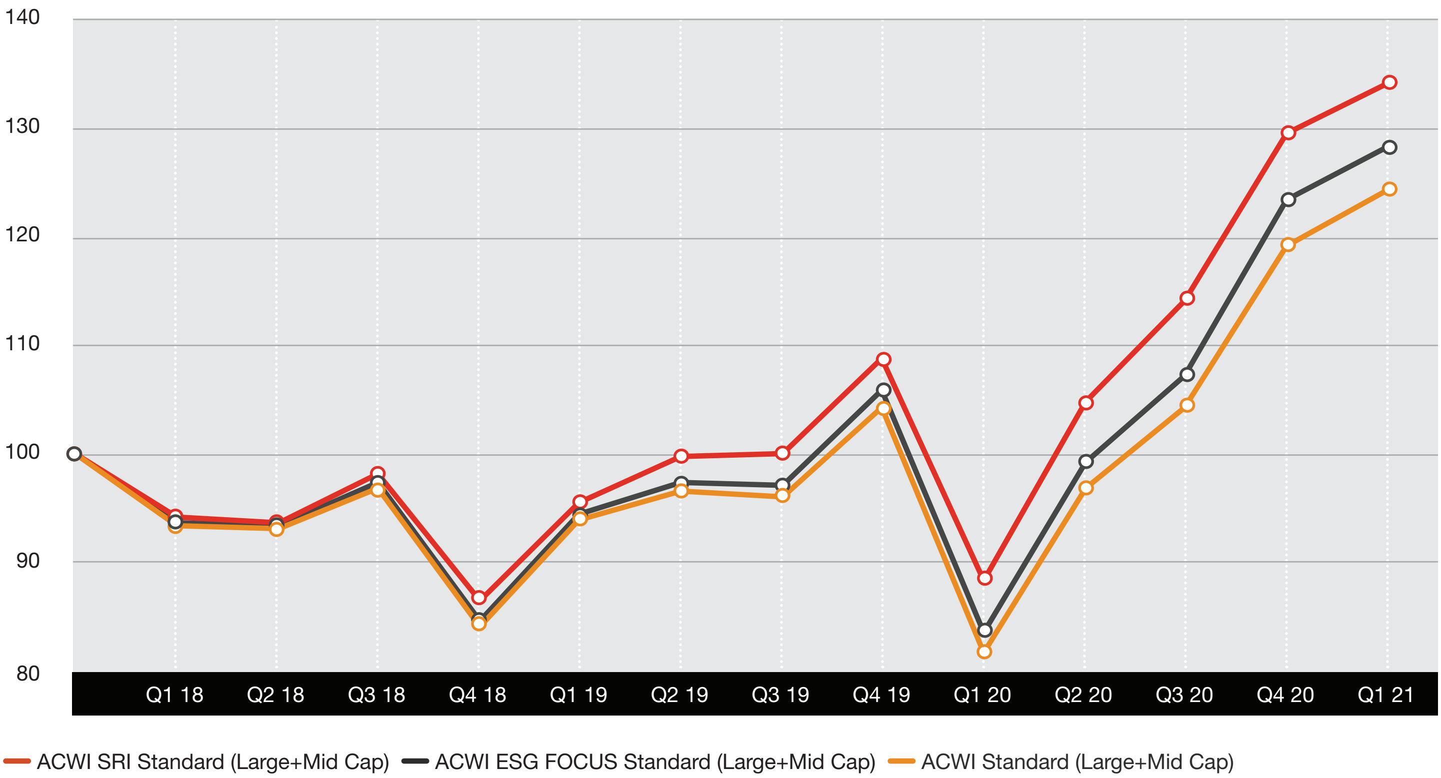
For the world's Top 40 miners, ESG means much more than a social licence to operate, more than just the right thing to do. This set of considerations presents an opportunity to play a leading role in the transition to a low-carbon global economy and, in doing so, carve out a path for their own long-term value creation. Three reasons stand out for why the Top 40 should have ESG at the top of their growth agenda: increased shareholder value, product and operations differentiation, and improved access to capital.

Increased shareholder value

Companies with higher ESG ratings outperformed the broader market during the peak of the COVID-19 crisis. These companies also demonstrated stronger performance in the longer term.

Companies with outstanding ESG ratings delivered 34% average total shareholder return over the past three years—ten percentage points higher than the general market index, according to an analysis published by investment research firm MSCI.

Exhibit 1: Relative performance of companies with ESG focus



Source: S&P Capital IQ, MSCI

Note: Morgan Stanley Capital Index (MSCI)'s All Country World Index (ACWI) ESG Leaders Index includes companies with high ESG ratings in developed and emerging markets. The ACWI SRI Index comprises mainly the same companies but excludes those with products that have a negative social or environmental impact.

Coal India has started diversification into renewable energy, investing US$763m into solar power projects as a step towards its net-zero commitment.

Polymetal International secured a sustainability-linked US$125m loan from Société Générale to finance eligible projects that will help the gold miner achieve its goals and actions against climate change.

Australia's Port of Newcastle, the world's busiest coal export port, recently locked in US$318m in a sustainability-linked loan, which delivers a reduced borrowing rate if the port fulfils its environmental and social commitments.

Product and operations differentiation

Increasingly, companies are looking to drive long-term strategic value by incorporating low-carbon inputs into their products and services. And many are willing to pay extra to do so. For example, this year the premium for low-carbon aluminium jumped from a relatively small US$10–$15 a metric tonne (mt) to highs of US$59 because of a surge in demand for the product in Europe.[1] In 2019, Alcoa and Rio Tinto sold the first batch of low-carbon aluminium produced by their Elysis joint venture to Apple. Elysis uses a revolutionary new process to make aluminium that generates oxygen and replaces all direct greenhouse gas emissions from the traditional smelting process.

To capitalise on this opportunity for growth, miners need to consider the full life cycle emissions of their production, including those scope 3 emissions outside of their direct control, and how they can proactively decarbonise their value chain. One significant market shift that is helping miners reduce their emissions footprint is the growing use of renewable energy by companies globally and across all industries. This trend is also driving demand for commodities that can be recycled with minimal carbon emissions. The uptake of renewable energy and commodity recycling is projected to increase over the coming decades, driven by the plummeting cost of generation, increasing carbon taxes, the push to move to a more sustainable circular economy, and the rising chorus of governments and organisations committing to net-zero emissions by 2050. There is a significant competitive advantage for miners that heed the market signals and respond early.

As their customer priorities and preferences shift, the Top 40 are taking significant steps to reduce their exposure to scope 2 carbon emissions—those generated by the production of the electricity that they use—and become more aligned with their customers' carbon reduction strategies. For example, Teck Resources provided the land and infrastructure for a solar power facility on its former mine site in British Columbia. In part, this is an element of Teck's strategy to develop post-mining land uses. But it is also an aspect of the company's efforts to take action on climate change with a goal for a substantial portion (81%) of its total electricity consumption eventually coming from renewable energy sources.

Improved access to capital

Companies that embed ESG into their strategy—and make detailed and transparent disclosures about sustainability and governance—are increasingly the front runners for accessing capital at generous rates. New sustainability-linked loan facilities are available that provide incentives for ESG performance, such as progress on green investments or sustainability initiatives, through a cheaper cost of capital. Take, for example, Newmont's recently announced US$3bn sustainability-linked revolving credit facility, which includes a pricing feature based on third-party sustainability measures. The better the company does on ESG, the lower the cost of capital.

1 "Low-carbon aluminum premium achieved at record Eur50/mt in Europe: producer," S&P Global Platts, 13 April 2021: https://www.spglobal.com/platts/en/market-insights/latest-news/metals/041321-low-carbon-aluminum-premium-achieved-at-record-eur50mt-in-europe-producer

ESG is also driving investment capital, with ESG-focused funds and indices regularly outdrawing more traditional ones. According to Bloomberg Intelligence, ESG-focused exchange-traded funds recorded net inflows of US$89bn in 2020, almost three times that of the prior year. However, one of the stumbling blocks that companies and investors face is the absence of a common definition of good ESG performance.

The European Union (EU) has already begun to develop an 'EU taxonomy for sustainable activities' to, among other goals, meet its climate and energy targets for 2030. Although this taxonomy does not specifically mention the mining industry, it clarifies the direction in which miners need to move to be considered sustainable, including introducing the concept of 'do no significant harm.' Miners must be prepared to answer the additional questions created by these shifts, in particular from investment firms in Europe, which will need to report the extent to which their products and portfolios align with the EU taxonomy.

Making the pivot to ESG

Mining companies have traditionally prioritised safety—some Top 40 companies have built their entire culture around it—and the positive results speak for themselves. The world's big miners must take a similar mindset to other aspects of ESG. According to MSCI ratings, only four of the Top 40 are considered leaders in managing the most significant ESG risks and opportunities. The rest need to lift their game. To capture the value that ESG offers, Top 40 miners must focus on two key areas: embedding ESG firmly into strategy and engaging stakeholders.

ESG is not something to do once and then forget. It needs to be baked into the core of organisational strategy and purpose. Miners must set targets regularly, report progress transparently and refine their approach continually. Miners need to demonstrate that they not only understand the risks and opportunities of ESG but are committed to addressing them in everything they do.

Stakeholders are the other key to strong ESG performance. Miners need to identify who their ESG stakeholders are and what their concerns are, and then proactively engage with them. Local communities are crucial, but so are regulators, investors, analysts, suppliers, customers and employees. Without understanding the non-financial drivers of all their stakeholders, miners will find it hard to access new mineral resources, affordable capital to develop these resources and workforces to operate their mines.

The Top 40 are on the cusp of a significant opportunity to grow long-term value through ESG. On the table are market differentiation, access to capital and improved shareholder value. If they can take the same 'must do' approach to the totality of ESG—as they have to health and safety—then the benefits are well within their grasp.

Tax: Telling your side of the story

Mining companies are concerned about tax policy uncertainty, but few are doing much about it. With increasing pressure to disclose, and significant upside to be gained from doing so, miners should embrace tax transparency as an integral part of their ESG strategy.

Mining CEOs' concerns about tax regulations have skyrocketed in the past 12 months. Almost 40% said they were 'extremely concerned' about tax policy uncertainty, up from 18% last year, according to PwC's *24th Annual Global CEO Survey.* This notable bounce was not unexpected, given that mining companies are thriving during the pandemic while governments face rising debt levels and lower tax receipts due to COVID-19 and, to a degree, the cost of meeting sustainability goals.

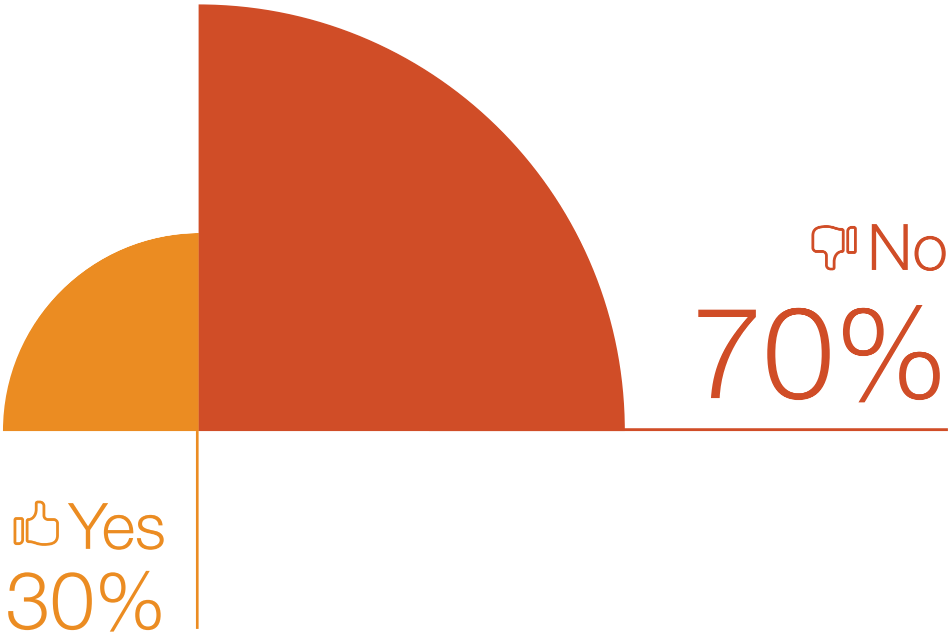
Exhibit 2: CEOs who are 'extremely concerned' about tax policy uncertainty

Source: PwC, *24th Annual Global CEO Survey,* March 2021; 23rd Annual Global CEO Survey, January 2020

Still, although they are worried about tax policies, CEOs prefer to avoid the topic if they can. In PwC's survey, more than half (56%)[2] said that tax policies should be a government rather than a company priority. Even among the world's largest miners, the story is the same. The majority of Top 40 companies did not produce tax transparency reports in 2020.

Tax transparency is not simply disclosing the size of tax outlays. It is equally about unveiling internal tax strategies and governance procedures to give stakeholders a full view of company participation in the local and even global tax systems. This type of transparency can accomplish three important goals: give mining companies a larger voice in developing tax policies, burnish their reputation and attract ESG-focused investors. By avoiding discussions about taxes, miners are letting others tell their story. And they are missing a significant opportunity to explain how their tax contributions help the communities in which they operate—particularly when, for many miners, taxes may be the largest ESG contribution they make.[3]

Exhibit 3: Share of Top 40 embracing tax transparency



Source: Annual reports/Tax transparency reports, PwC analysis

Reduce uncertainty by amplifying your voice

Emerging from the pandemic, governments worldwide will have a greater reliance on corporate tax revenue than ever before as they battle mounting debt. Miners have performed well despite the pandemic, and many have cash to invest. Can governments attract some of this capital through tax policy incentives? While there's a potential synergy between the mining investments and government incentives, miners are sensitive to tax policy changes. Their concern is valid, given the limited ability to shift capital out of countries that impose sudden and adverse tax rules.

But miners should not see themselves as passive participants when it comes to tax. Like all stakeholders, they have a role to play in developing the stable and effective tax systems they seek. But to have a voice at the table, miners need to produce detailed and candid tax transparency reports. These reports provide robust tax data from the miner's perspective, which is essential for an informed and reasonable debate about appropriate tax levels and regulations.[4]

2 PwC, *24th Annual Global CEO Survey,* March 2021; *23rd Annual Global Survey,* January 2020: Q. 16a. Outcome for Government priorities—Which of three outcomes do you think should be government priorities in the country/territory in which you are based? Answer: 'An effective tax system' was chosen by 56% of Metals and Mining CEOs.

3 Eelco van den Enden, "Why aren't we talking about tax as a cornerstone of a sustainable business?," PwC, 16 December 2020: https://www.pwc.com/gx/en/services/tax/publications/why-aren-t-we-talking-about-tax-as-a-cornerstone-of-sustainable-business.html

4 International Council on Mining and Metals, *ICMM Members' Tax Contribution Report: 2019 update,* December 2020: https://www.icmm.com/en-gb/research/social-performance/tax-2-2020

Connect with stakeholders and strengthen reputation

The pressure for companies to be more transparent about their tax arrangements—and to be seen to pay their fair share—has grown markedly since the financial crisis of 2008. Tax transparency is now backed by the United Nations, the OECD and the EU. Many mining company stakeholders are using tax information to assess company strategy and risk profile and to monitor the implementation of publicly announced tax strategies.

As well as being a crucial component of meeting stakeholder expectations, tax transparency has reputational upside. Miners rarely think of taxes as an ESG metric, yet taxes are among the most significant contributions they make to communities in which they operate. Income and mining taxes pay for schools, hospitals, roads, infrastructure, healthcare and much more. Miners should be proud to report their tax outlays and the ESG benefits that their taxes enable.

Attract ESG investors

A rapidly growing global pool of investment funds is targeting companies with strong ESG credentials. These companies—some of which are miners—outperform their peers in terms of higher returns and valuations and lower cost of capital. ESG investors use independent ratings when making investment decisions. In developing these ratings, ESG analysts often assess whether a company's tax affairs pose a risk or an opportunity for long-term value creation. Tax transparency is a key tool for miners to shape their company's ESG narrative around tax risk and to attract ESG-conscious investors.

The mining industry, which has been slow to embrace tax transparency, can no longer afford to remain silent. In order to impact tax policy, strengthen relationships with stakeholders and open the door to ESG investment, mining companies must do a better job of reporting on their tax policies, tax risk management and governance strategies related to taxes.

Questions to consider:

Who's telling your story?

The best way to take control of your tax story is to tell it yourself.

Are you setting the right tone at the top?

The importance of tax transparency should flow from the board and C-suite to all levels.

Is economic contribution part of your ESG strategy?

Tax is one of the most significant economic contributions that mining companies make. Make sure it's a key component of your organisational ESG strategy.

Are you educating stakeholders about your company's approach to tax?

Tax transparency is more than disclosing tax paid. Miners should also explain their tax policy, tax risk management and governance strategy to provide the clarity that stakeholders demand.[5]

5 Global Sustainability Standards Board, Global Reporting Initiative (GRI) Standards, *GRI 207: Tax 2019:* https://www.globalreporting.org/standards/media/2482/gri-207-tax-2019.pdf

Financial analysis: If not now, when?

The world's big miners have emerged stronger than ever after weathering the storms of 2020. And 2021 is shaping up to be even better. But what will they do with the profits? The Top 40 have never been in a better position to reshape the future of mining.

The Top 40 remained resilient during the pandemic. Strong balance sheets and prudent capital management helped deliver outstanding results well ahead of forecasts. Now, as the world emerges into an indeterminate COVID-normal phase—manifested by much lower levels of the virus but uncertainty about rates of infection in different parts of the world—miners will be faced with a renewed stakeholder focus with a decidedly different flavour: it's not just how you mine but what you mine, how it is processed and how it is used further down the supply chain. With their recent financial performance, the Top 40 are ideally placed to deliver the materials needed to satisfy the heightening emphasis on decarbonising the global economy.

Income statement extract

	US$bn			% change	
	2021 outlook	2020	2019	2020 to 2021	2019 to 2020
Revenue (excl trading revenue)	700	545	525	29%	4%
Trading revenue	126	112	167	13%	-33%
Operating expenses	(583)	(482)	(524)	21%	-8%
EBITDA	**243**	**174**	**168**	**40%**	**3%**
Depreciation and amortisation	(52)	(50)	(50)	3%	0%
Impairment reversal/(expense)	(11)	(11)	(14)	3%	-22%
Net finance costs	(8)	(10)	(14)	-23%	-27%
Profit before tax	**172**	**103**	**89**	**68%**	**15%**
Income tax expense	(54)	(32)	(29)	67%	12%
Net profit	**118**	**70**	**61**	**68%**	**15%**
Profitability measures					
EBITDA margin	29%	26%	24%		
Net profit margin	14%	11%	9%		
Return on capital employed	17%	11%	11%		
Return on equity	20%	12%	11%		

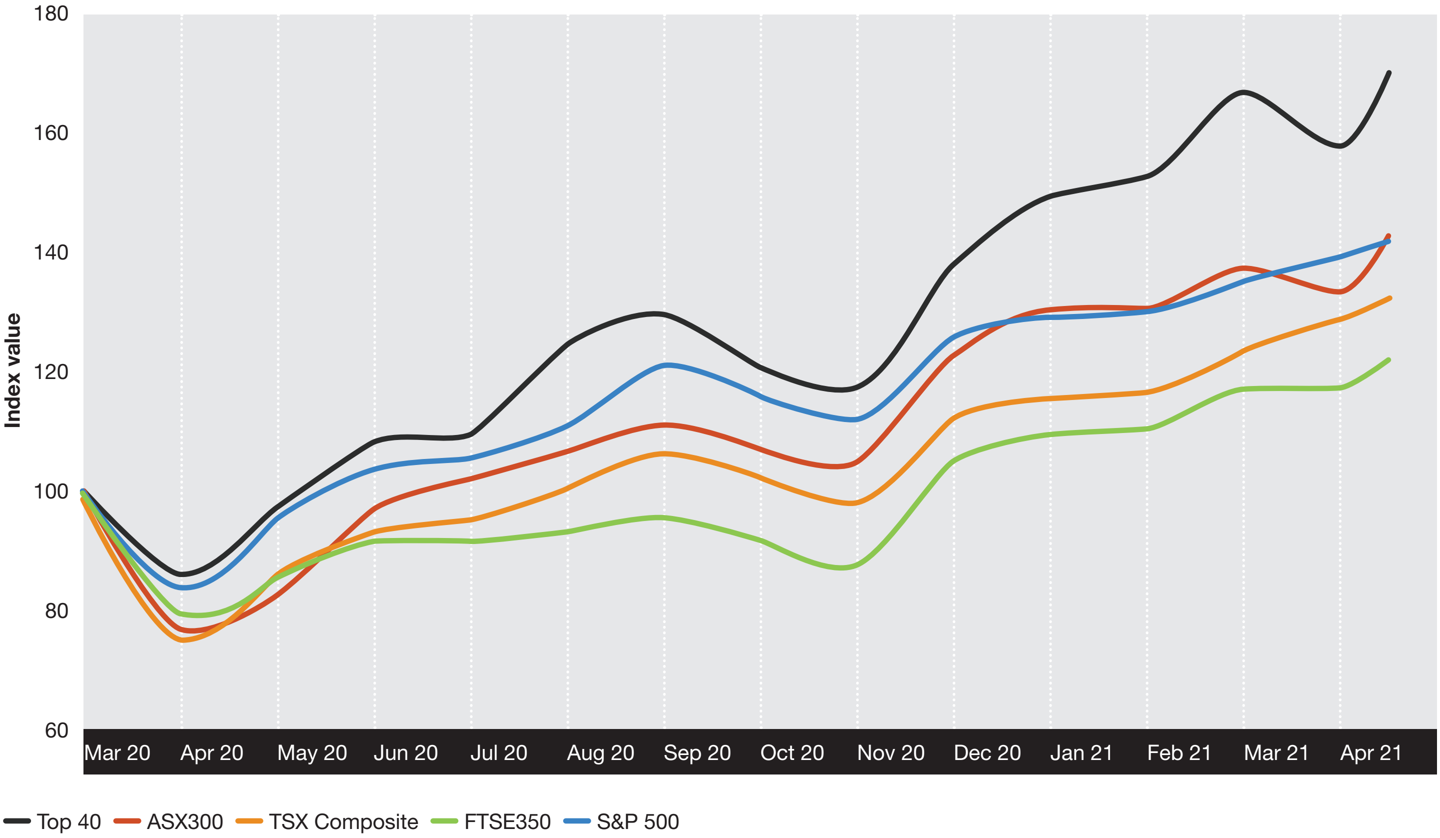
Source: Annual reports, PwC analysis

Note: Intersegment revenue has been excluded from the trading results.

Commodity prices drive record growth

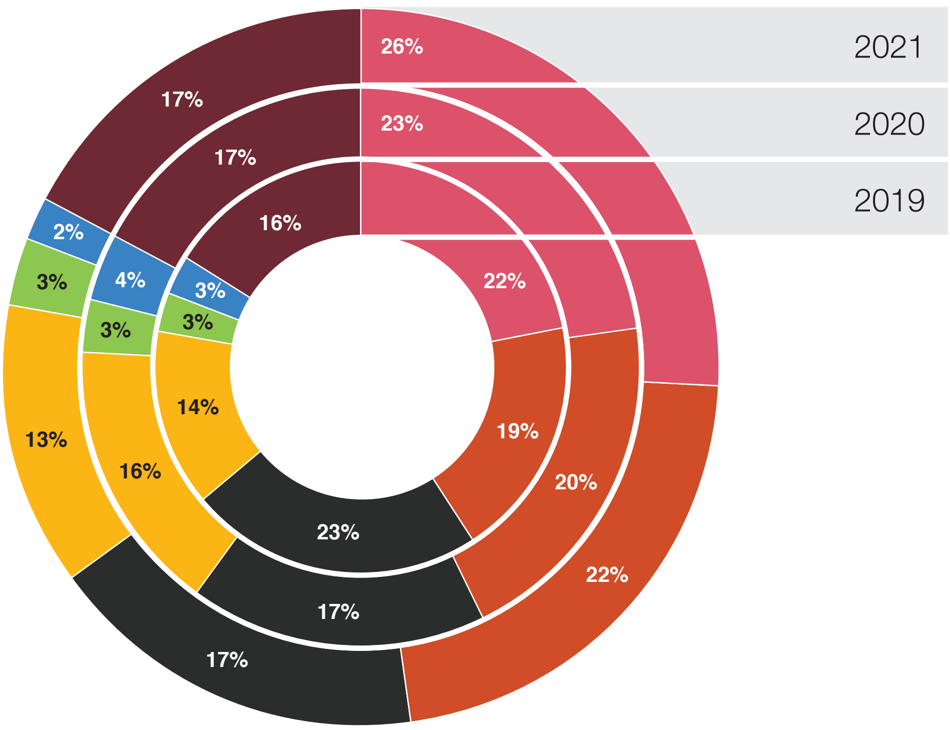
The capital markets recognised and rewarded the Top 40 for their 2020 performance. Since the start of the global lockdowns in March 2020, the Top 40 have significantly outperformed major market indices. In 2020, the group's total capitalisation rose 64% to US$1.46tn.

Exhibit 4: Top 40 vs market index performance



Source: S&P Capital IQ, PwC analysis

Exhibit 5: Top 40 revenue-based commodity mix

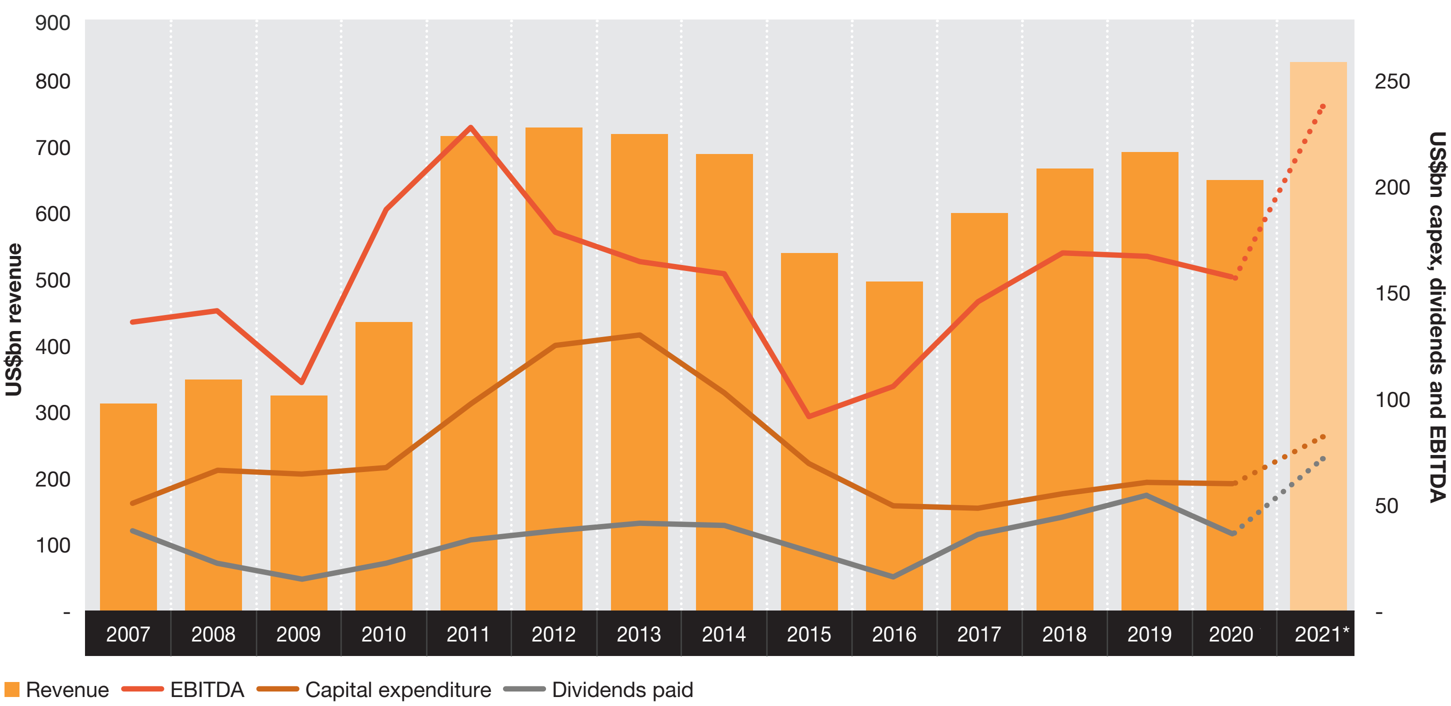


Source: Annual reports, PwC analysis

Note: Percentages may not total 100 due to rounding. 2019 calculated on revenue reported in PwC's *Mine 2020: Resilient and resourceful.*

Battery minerals represented less than 3% of the Top 40's total revenue in 2020.

Exhibit 6: Top 40 mining companies performance trend



*2021 outlook. **Source**: Annual reports, PwC analysis

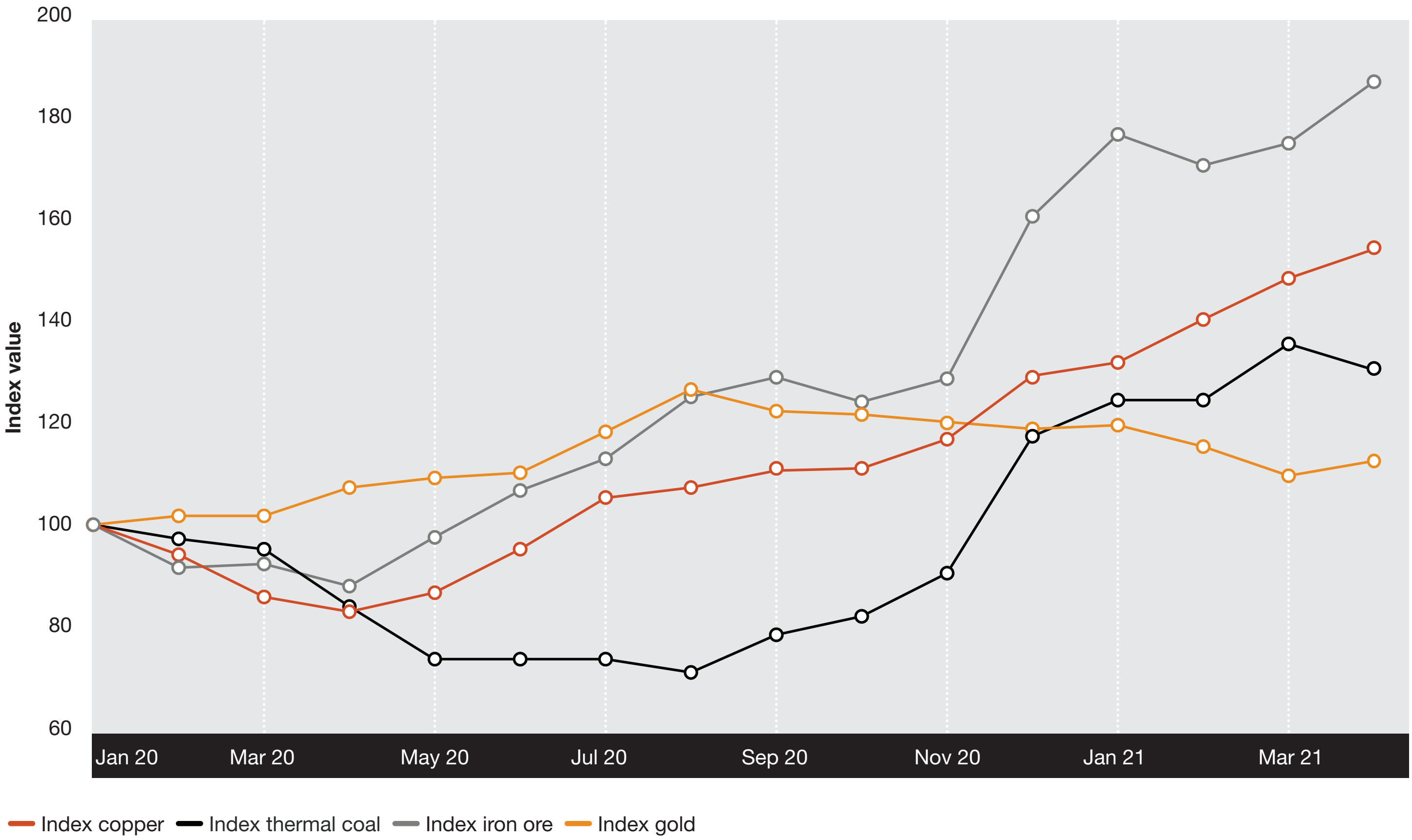
Top 40 revenue was US$545bn (excluding trading) for 2020, up 4% from 2019. Higher prices for gold and iron ore and modest production increases in gold and copper were the main drivers of revenue growth.

Copper was the standout performer, contributing US$122bn to group revenue. Its higher price points reflected increased demand, which resulted in part from a market shift towards commodities that are valuable in the global transition to a low-carbon future. As a key ingredient for the 'electrification' of economies, copper will likely be at a premium for some time. The price of copper reached an all-time high in May 2021. Based on consensus data, the average price of copper is predicted to increase by 40% in 2021.

Demand for iron ore, the second-largest contributor to Top 40 revenue at US$107bn, continues to expand on the back of national infrastructure initiatives aimed at helping economies recover from the impact of COVID-19. The monthly average iron ore price to April 2021 went above US$170. China and India—the two largest consumers of iron ore—are forecast, according to IMF and PwC analysis, to have GDP growth of above 8% in 2021, indicating that the outlook for the commodity remains positive.

BHP expects the world's Paris-aligned emissions reduction targets to more than double the demand for copper and quadruple the demand for nickel over the next 30 years.

Exhibit 7: Price index for key commodities



Source: World Bank, PwC analysis

In addition, 2021 is shaping up to be another strong year for gold, with prices holding firm and production forecasts outpacing 2020 levels. Beyond that, the role of gold in a low-carbon world has yet to be defined. Is its traditional role as a haven and store of value going to change?

Demand for thermal coal declined in 2020, with prices falling 22% on average and Top 40 production down 12%. While prices have recovered and are well above 2019 levels as economies have started to rebound from the depths reached during the pandemic, the longer-term trend of diversifying out of thermal coal shows no sign of abating among the Top 40.

And it's going to get better

If 2020 was a good year for the Top 40, 2021 is shaping up to be a great one. Based on production and commodity price forecasts, group revenue excluding trading is expected to rise to US$700bn (up 29%), EBITDA to US$243bn (up 40%) and net profit to US$118bn (up 68%).

Last year, the Top 40's balance sheets were considered rock solid. This year, they are looking even better. In the wake of unrelenting global uncertainty in 2020, the world's big miners were prudent, deferring capital expenditures and maintaining debt while returning dividends to shareholders. Cash on hand increased by 40%. Now, the Top 40 own one of the largest cash war chests since 2013. The critical question is: what should they do with it?

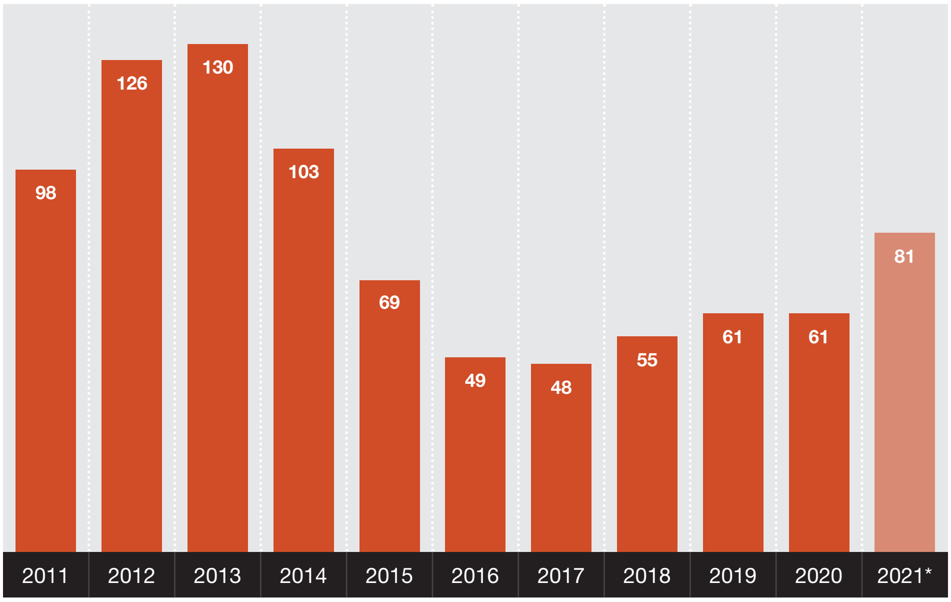
Mark Cutifani, CEO of Anglo American, on the company's exit from thermal coal: 'As the world transitions towards a low-carbon economy, we must continue to act responsibly—bringing our employees, shareholders, host communities, host governments and customers along with us.'

Shareholders set for windfall, but capital expenditures will be modest

If historical payout ratios hold true, the Top 40 stands poised to tear up the record books for dividends in 2021. Miners have more free cash flow than at virtually any other time in their history, and shareholders are expected to be rewarded for their loyalty. Already in 2021, BHP, Rio Tinto and Fortescue Metals distributed their highest ever dividends for the February reporting season—at a time when iron ore prices were below where they are now.

Capital expenditures (capex) are forecast to increase by 33% in 2021, driven by a mixture of expansionary projects aimed at adding capacity to existing assets and the revival of deferred projects from last year. China, the world's largest minerals market and home to the greatest number of Top 40 miners, will likely be the site of a lot of this increased mining demand and activity as its economy expands. However, in the longer term, China can expect to see the same market dynamics as in the Western world, particularly the move away from hydrocarbons and into renewables and the shift of capex towards green economy projects, as the country works towards its own target for carbon neutrality by 2060. Even with this capex increase, total Top 40 capex spending in 2021 will be well short of the US$100bn mark achieved when the group's market capitalisation was previously at its current heights, a decade ago.

Exhibit 8: Top 40 capital expenditure, US$bn



*2021 outlook.
Source: Annual reports, PwC analysis

Top 40 summarised cash flow

	US$bn			% change	
	2021 outlook	2020	2019	2020 to 2021	2019 to 2020
Net operating cash flows	182	142	130	28%	9%
Purchase of property, plant and equipment	(81)	(61)	(61)	33%	0%
Free cash flow	**102**	**81**	**69**		
Dividends paid	(71)	(37)	(55)	92%	-33%
Share buybacks	(9)	(1)	(7)	800%	-86%
Total shareholder returns	**(79)**	**(38)**	**(62)**		
Net repayments of debt	7	(5)	(4)	-240%	41%
Other	(5)	(2)	(8)	150%	-75%
Net cash flow	**24**	**36**	**(4)**		

Note: Sums and percentages may not total the numbers shown due to rounding.
Source: Annual reports, PwC analysis

Top 40 balance sheet extract

	US$bn		
	2020	2019	% change
Current assets			
Cash	123	88	40%
Inventories	87	83	4%
Accounts receivable	41	48	-14%
Other	55	62	-11%
Total current assets	**307**	**282**	**9%**
Non current assets			
Property, plant and equipment	653	649	1%
Goodwill and intangible assets	62	57	9%
Investments and loans granted	74	80	-8%
Other	67	71	-5%
Total non current assets	**856**	**857**	**0%**
Total Assets	**1,163**	**1,139**	**2%**
Current Liabilities			
Accounts Payable	86	98	-11%
Borrowings	44	45	-4%
Short-term lease liabilities	2	3	-21%
Other	60	54	12%
Total current liabilities	**192**	**199**	**-3%**
Non current liabilities			
Borrowings	209	202	4%
Long-term lease liabilities	13	11	21%
Environmental provisions	65	60	9%
Other	109	104	5%
Total non current liabilities	**396**	**377**	**5%**
Total liabilities	**588**	**576**	**2%**
Net assets	**575**	**563**	**2%**
Total shareholders equity	**575**	**563**	**2%**

Note: Sums and percentages may not total the numbers shown due to rounding.
Source: Annual reports, PwC analysis

A chance to reshape the future of mining

Given their recent performance, the Top 40 miners are in an enviable position. Just as the world pivots towards a low-carbon, sustainable economy, the big miners find themselves in the best financial shape in a decade. What will they do? How do they balance doubling down on their existing asset base by relying on the abundance of cheap debt and free cash flow, while simultaneously taking a strategic step to shift towards the decarbonisation and ESG agenda, adding assets that will put them ahead of the next mining boom?

At the moment, few of the Top 40 are forecasting significant changes in the production of battery commodities—cobalt, lithium, graphite, nickel and manganese—despite a growing global appetite for them. Perhaps it's time for the Top 40 to deploy their burgeoning capital reserves in long-term growth areas tied to the move towards the green economy.

Either way, miners have never been in a stronger position to take a bold step. And if they don't do it now, when will they?

Can ESG unlock new deal value?

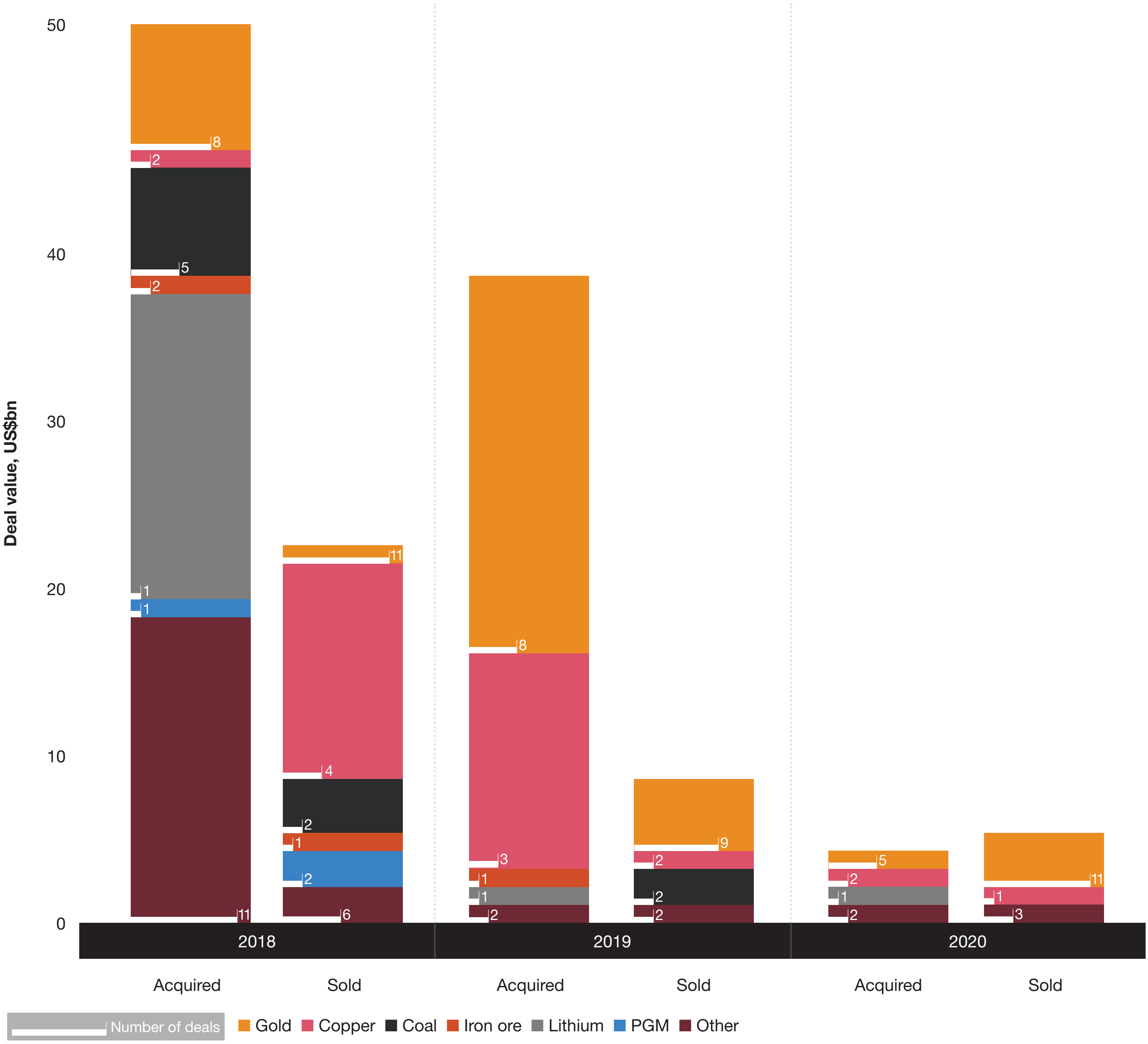
The Top 40 continue to divest themselves from thermal coal in a bid to protect shareholder value. But few are looking at the upside of ESG-led deals. ESG offers miners a chance to grow by targeting and acquiring advantaged assets that will continue to expand in value as a low-carbon future unwinds.

A risk-averse approach to ESG has dominated merger and acquisition (M&A) activity over the past few years. The Top 40's signature ESG move has been to eliminate their thermal coal portfolios. Rio Tinto kicked things off in 2018 when it divested its coal assets. BHP and Vale have also divested or announced divestments of their thermal coal operations. In 2020, Anglo American announced its plan to spin off its South African thermal coal assets into a new holding company. Japanese giant Mitsui, which is not a part of the Top 40, exited from the Moatize and Nacala coal projects in January 2021.

These deals were primarily defensive, designed to protect against losses and safeguard shareholder value as coal goes out of favour. In contrast, deals meant to uncover new value through ESG strategies—to add to growth—have been disturbingly rare. For example, there has been very little Top 40 deal activity in battery minerals and rare earths, despite the rising demand for these commodities. While the world's big miners have been slowly increasing their exposure to battery minerals, it has been through organic investment rather than M&A activity. This is partly due to difficulties in finding battery mineral deposits that fit into a tier-one, low-cost, long-life definition. It also reflects the industry's prevailing coolness towards new deals: 72% of mining CEOs plan to pursue organic growth opportunities, and only 35% expect to pursue new M&A, according to this year's *Annual Global CEO Survey.*

Despite the lack of ESG-driven deals, there have been elements of ESG thinking in M&A. Take, for example, the gold consolidation trend seen over the past three years. While the major driver was to realise synergies to create value for shareholders, these deals can also be viewed through an ESG lens. Consolidated gold miners have targeted most of their expansion efforts in countries with relatively stable societal and governmental attitudes towards mining, which may not have the highest monetary payback but could lead to a more sustainable and equitable return in the future.

Exhibit 9: Top 40 deals by value and commodity



Note: Deal values have been rounded up to the nearest US$1bn

Source: S&P Capital IQ, PwC analysis

ESG as the value driver

Rather than viewing ESG through a defensive lens, miners should see it as a driver of long-term value. Taking an ESG-led approach to M&A can help the Top 40 identify a new class of advantaged assets. These assets meet traditional benchmarks, such as standards for minimum grade and size of deposit, and score high on ESG criteria, such as a low carbon footprint, stable government and supportive local communities.

The value profile of these advantaged assets is shifting. For example, maturing commodities markets, driven by changing consumer behaviour, are primed to accept the price differentiation for low-carbon products. As a result, assets located close to smelters or end users, with reduced transportation costs and a lower carbon footprint, will have an enhanced value proposition. Boliden, a Swedish metals company that is not a part of the Top 40, already receives a small premium for the sale of low-carbon copper from primary production and secondary materials.[6]

Energy-hungry assets located far from electricity grids may also see their values rise through investments in renewable energy and storage. The plummeting cost of renewables, combined with the preference for low-carbon production, could completely change an asset's value profile.

Battery minerals represent another ESG-driven opportunity, particularly given the medium-term global shortage in these commodities. But the Top 40 will need to be nimble to capitalise on that opportunity. There are deposits with attractive grades that can deliver attractive medium-term returns, even though they may not have the long life that the big miners usually look for. Companies that can quickly bring these smaller-scale assets into production can realise value.

Miners need to challenge themselves in refining their deal evaluation criteria. ESG factors are rapidly becoming fundamental considerations. Bold deal decisions made today could generate handsome returns as demand grows for the resources that are driving the shift to a low-carbon, more sustainable global economy. In fact, it's difficult to see how the Top 40 can help the world meet its ambitious net-zero targets, not to mention their own net-zero targets, without a significant uptick in ESG-related deal activity.

6 Reuters, "Boliden launches low-carbon copper products," 19 March 2021: https://www.reuters.com/article/us-copper-boliden-carbon-idUSKBN2BB1C2

Shaping up for ‘COVID normal’

The hurdles presented by the pandemic have acted as a catalyst for much-needed change in the mining industry. The challenge for the Top 40 is to take their new ways of working and create a strategy for success in a COVID-normal world. It’s time to shift gears from short-term adaptation to long-term transformation.

In 2020, the Top 40 responded to COVID-19 with typical resilience and adaptability. Companies pivoted quickly to keep their people and communities safe, reduce supply chain risk, deploy digital technologies and allow for remote working. Production dropped in some parts of the world, but on the whole, the sector delivered strong growth.

This time last year, no one knew how long the pandemic would last. Now, it’s clear that COVID-19 will be with us for some time, with varying rates of infection and different degrees of pre-pandemic life from one country or even community to the next. While the short-term response to the crisis worked, it’s time for a shift in thinking: how do miners succeed in a COVID-normal world? The decisions the Top 40 make will determine the shape of the industry—and their place in it—for years to come. Three factors should be uppermost to consider: rethinking supply chains, focusing on employee retention and community safety, and embracing automation.

Rethink supply chains

The pandemic exposed several vulnerabilities in the mining industry, including the risk inherent in long supply chains. The predominant decision last year to bring suppliers closer to mine operations helped to secure reliable access to goods and services. But for many, it also raised issues about cost management. Miners now need to consider the full implications of maintaining this strategy over the long term.

Some of the Top 40 are looking at other ways to build supply chain resilience. For example, BHP is using advanced analytics to create visibility across multiple tiers of its supply chains in real time. The company can see and respond quickly to disruptions across suppliers, extending to tier-two suppliers and beyond. BHP also shares its data with key suppliers, making the entire supply chain even more robust.[7]

Focus on employee retention and communities

With safety at the heart of every mining company, the Top 40 reacted swiftly to protect their people against COVID-19. Rigorous testing, social distancing and quarantining, and longer rosters have become the new norm. While necessary and effective, these measures also add a new element of risk—staff retention.

Working onsite under COVID-normal conditions places additional burdens on employees. There's time spent in isolation before rosters start, time waiting for test results or time until the next rostered off period. But people's priorities have shifted since the pandemic, and spending time with family and loved ones has taken on new significance. This, plus the fact that cross-border movements remain restricted, could deter people from working in mining.

One solution is to embrace a hybrid model of working. For example, Brazilian iron ore giant Vale announced it would permanently allow workers to switch between remote work and face-to-face meetings, including visits to mining operations. Given the growing call for flexible working, Top 40 miners need to consider how their current plans for the future of work will affect their ability to retain and attract top talent over the medium to long term.

Succeeding in a COVID-normal world also means considering the safety and well-being of communities near mines. An infection at a site could easily

7 International Mining, "BHP highlights importance of resilient & innovative supply chain partnerships in the COVID-19 era," 24 November 2020: https://im-mining.com/2020/11/24/bhp-highlights-importance-resilient-innovative-supply-chain-partnerships-COVID-19-era/

make its way into the community and result in suspended operations. Since the pandemic, the Top 40 have risen to help communities in many ways, such as employing local people, buying local products and engaging local services. But with new variants raging through key mining areas such as those in Africa, South America and Asia, the need for support is unlikely to ease soon.

Embracing automation as the new normal

COVID-19 has moved up the timeline for the Top 40's modernisation programs, including digitisation and automation. To protect worker health and safety, companies have fast-tracked technologies to reduce the number of people onsite and increase the ability to operate mines remotely. Having fewer people on the ground means a lower chance of infection and injuries. In addition to improving safety, automation is more efficient. According to the World Economic Forum, 67% of repetitive and manual tasks, such as information and data processing, and about 60% of tasks involving physical labour will be automated by 2025.[8] Some of the Top 40 are already well on their way. BHP recently announced a US$800m program to add 500 autonomous trucks in iron ore and coal mines in Australia and is considering using driverless trucks at copper mines in Chile.[9]

If automation and digitisation weren't top priorities for miners pre-COVID, they need to be top priorities now. The challenge for the Top 40 is to integrate recent initiatives, such as remote work and operations, to create and deliver a holistic transformation strategy in an accelerated timeline. For example, the industry is expected to speed up its investment in the internet of things (IOT) over the next three years, improving health and safety and staff productivity.[10] But the IOT is only one part of a wider group of interrelated technologies that need to be considered in total to be efficiently implemented. Miners must have the right planning, governance and cybersecurity frameworks to ensure that the digital transformation of their operations is a success.

8 World Economic Forum, *The Future of Jobs Report 2020,* October 2020: http://www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf

9 Olivia Rockeman, James Attwood and Joe Deaux, "Robots Seen as Job Killers Now Protect Workers From Covid," *Bloomberg,* 14 December 2020: https://www.bloomberg.com/news/articles/2020-12-14/butler-on-wheels-robot-cutting-salad-how-covid-sped-automation

10 NS Energy, "Mining industry expected to speed up IoT investment over next three years," 21 January 2021: https://www.nsenergybusiness.com/news/mining-industry-iot-investment/

Key takeaways

The Top 40 mining companies have never been in a stronger financial position to make an aggressive pivot towards the future. They have weathered the COVID-19 pandemic well, emerging with strong balance sheets and increased profits. With commodity prices expected to remain strong, mining companies should begin to embrace more definitive ESG strategies to maintain and increase the value of their businesses, expand their opportunities, and cement their reputations as significant and valuable global players. These efforts to adopt beneficial, low-carbon and more transparent strategies will open new avenues for investments and capital.

Move ESG to the top of the growth agenda

- Companies with higher ESG ratings demonstrate stronger long-term performance in shareholder and market value.
- Products and services made with low-carbon inputs are increasingly in demand and beginning to attract premiums.
- Relationships are key: identify your ESG stakeholders, listen to their concerns and proactively engage.
- Strong ESG performance can open the door to new capital and lower-interest facilities.

Seize the ESG deal opportunity

- Significant M&A opportunities lie on the 'growth side' of ESG, in gaining access to materials necessary for customers to meet bold net-zero targets. The International Energy Agency predicts a possible sixfold increase in demand for critical 'clean energy' minerals by 2040.
- The shift away from thermal coal will continue, but it is mostly a defensive strategy. Miners should challenge their current deal evaluation criteria to align M&A activities with their ESG priorities.

Take control of your tax story

- If you don't tell your own tax story, someone else will. Tax transparency gives miners the chance to highlight their significant financial contributions to their communities and the resulting improvements in education, infrastructure and quality of life.
- Tax transparency is a key ESG metric, but it involves more than merely reporting the amount of taxes a company pays. It includes being open about your tax policy, tax risk management and governance strategy.

Embrace the new normal

- Miners have responded to the pandemic successfully. Now it's time to think about how to handle the altered landscape in a COVID-normal world.
- Embrace hybrid models of working to meet the growing demand for flexible work.
- Build supply chain resilience through real-time visibility.
- Fast track automation and digitisation to protect worker health and safety and improve efficiency.

Top 40 global mining companies

2021 rank	2020 rank	Change from 2020 rank	Company	Country	Year end	Commodity focus
1	1	-	BHP Group Limited	Australia/UK	30 Jun	Diversified
2	2	-	Rio Tinto Limited	Australia/UK	31 Dec	Diversified
3	3	-	Vale S.A.	Brazil	31 Dec	Diversified
4	10	▲ 6	Fortescue Metals Group Limited	Australia	30 Jun	Iron ore
5	4	▼ 1	China Shenhua Energy Company Limited	China	31 Dec	Coal
6	5	▼ 1	MMC Norilsk Nickel	Russia	31 Dec	Nickel
7	7	-	Newmont Corporation	US	31 Dec	Gold
8	6	▼ 2	Glencore Plc	Switzerland	31 Dec	Diversified
9	8	▼ 1	Anglo American plc	UK/South Africa	31 Dec	Diversified
10	9	▼ 1	Barrick Gold Corporation	Canada	31 Dec	Gold
11	12	▲ 1	Freeport-McMoRan Inc.	US	31 Dec	Copper
12	15	▲ 3	Zijin Mining Group Company Limited	China	31 Dec	Diversified
13	11	▼ 2	Grupo México, S.A.B. de C.V.	Mexico	31 Dec	Copper
14	16	▲ 2	Public Joint Stock Company (Polyus)	Russia	31 Dec	Gold
15	20	▲ 5	China Molybdenum Co., Ltd.	China	31 Dec	Diversified
16	23	▲ 7	Antofagasta plc	UK	31 Dec	Copper
17	17	-	Agnico Eagle Mines Limited	Canada	31 Dec	Gold
18	14	▼ 4	Newcrest Mining Limited	Australia	30 Jun	Gold
19	19	-	Shandong Gold Mining Co., Ltd.	China	31 Dec	Gold
20	21	▲ 1	Shaanxi Coal Industry Company Limited	China	31 Dec	Coal
21	22	▲ 1	Hindustan Zinc Limited	India	31 Mar	Zinc
22	18	▼ 4	Saudi Arabian Mining Company (Ma'aden)	Saudi Arabia	31 Dec	Diversified
23	34	▲ 11	First Quantum Minerals Ltd.	Canada	31 Dec	Copper
24	36	▲ 12	Sibanye Stillwater Limited	South Africa	31 Dec	Platinum Group Metals & Gold
25	13	▼ 12	Coal India Limited	India	31 Mar	Coal
26	38	▲ 12	Fresnillo Plc	Mexico	31 Dec	Diversified
27	27	-	Kirkland Lake Gold Ltd.	Canada	31 Dec	Gold
28	33	▲ 5	Polymetal International plc	Russia/UK	31 Dec	Gold
29	31	▲ 2	Impala Platinum Holdings Limited	South Africa	30 Jun	Platinum Group Metals
30	New	-	KGHM Polska Miedz S.A.	Poland	31 Dec	Copper
31	26	▼ 5	AngloGold Ashanti Limited	South Africa	31 Dec	Gold
32	25	▼ 7	Teck Resources Limited	Canada	31 Dec	Diversified
33	24	▼ 9	ALROSA	Russia	31 Dec	Diamond
34	40	▲ 6	Kinross Gold Corporation	Canada	31 Dec	Gold
35	28	▼ 7	South32 Limited	Australia	30 Jun	Diversified
36	35	▼ 1	Jiangxi Copper Company Limited	China	31 Dec	Copper
37	37	-	Tianqi Lithium Corporation	China	31 Dec	Lithium
38	32	▼ 6	The Mosaic Company	US	31 Dec	Potash
39	New	-	Gold Fields Limited	South Africa	31 Dec	Gold
40	30	▼ 10	China Coal Energy Company Limited	China	31 Dec	Coal

Source: S&P Capital, PwC's *Mine 2020: Resilient and resourceful*

Constructing the report

Our analysis includes major companies from all parts of the world whose primary business is assessed to be mining. The results aggregated in this report have been sourced from the latest publicly available information, primarily annual reports, and financial reports available to shareholders. Our report also expresses PwC's point of view on topics affecting the industry, developed through interactions with our clients and other industry leaders and analysis.

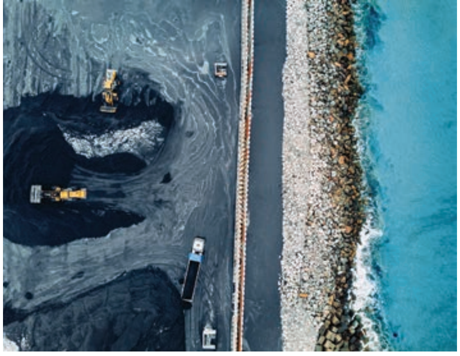
Companies have different fiscal year ends and report under different accounting regimes, including International Financial Reporting Standards (IFRS), United States Generally Accepted Accounting Principles (US GAAP) and others. Information has been aggregated for the individual companies, and no adjustments have been made based on different reporting requirements. As far as possible, we have aligned company financial results to be as at, and for, the year ended 31 December 2020. For companies that do not have December year ends, we added and deducted reviewed results to reflect the comparable 12-month period.

All figures in this publication are reported in US dollars ($), except where specifically stated. The balance sheets of companies that report in currencies other than the US dollar have been translated as the closing US dollar exchange rate, and the cash flow and financial performance were translated using average foreign exchange rates for the respective years.

Some diversified miners undertake part of their activities outside the mining industry, such as the oil and gas businesses of BHP and Freeport-McMoRan, parts of the Rio Tinto aluminium business and Glencore's marketing and trading revenues and costs. We have not excluded these activities from the aggregated financial information, except where noted. Where their primary business is outside the mining industry, companies have been excluded from the Top 40 listing.

All metal streamers are excluded. Entities that are controlled by others in the Top 40 and consolidated within their results have been excluded, even where minority stakes are listed.

As part of the annual exercise to identify our top 40 miners, we conduct a reassessment of exclusions and inclusions in prior years. For the Mine 2021 publication, Sumitomo was excluded because we concluded that it did not meet the definition of having mining as its primary business.



2021 outlook methodology

Income statement
We have forecasted revenues from the sale of commodities based on the critical inputs of commodity price and production volumes. Foreign exchange has been considered in various aspects of expenses. However, there is a wide variety of functional and operating currencies used by the Top 40, and therefore estimates are subject to judgement being applied.

For commodity price, we have used the latest consensus economic data available for each of the major commodities mined by the Top 40, coupled with the latest available production estimates for FY21 from annual reporting or, where available, more recent public information releases made before this publication was finalised.

The key driver of the increase in revenue into FY21 is commodity prices, particularly copper, iron ore and thermal coal, which contribute over US$122bn of the overall increase.

Impairment is expected to remain consistent with the prior year given that the majority of our Top 40's goodwill relates to recent gold acquisitions, which are not considered to be at risk of impairment.

Finance costs are expected to decrease marginally, which reflects debt remaining flat in 2021, offset by a reduction in the benchmark interest rate.

Taxes are forecast with reference to the average effective tax rate over the past eight years, with the exception of notable anomalies.

Cash flow statement
Cash flow from operations was forecast with reference to movement in EBITDA. The drivers of working capital balances are expected to move in line with their historical tendencies, and no material movement in working capital adjustment is expected.

Investing cash flows include capital expenditures, which are expected to increase approximately 33%.

Dividends paid are expected to increase with reference to historical dividend payout ratios. Net debt repayments are expected to remain stable.

Share buybacks are based on history and announcements made at the date of the report.

Ten-year trend, US$bn

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Aggregate market capitalisation	1,467	898	757	926	714	494	791	958	1,234	1,202
Aggregated income statement										
Revenue	656	692	683	600	496	539	690	719	731	716
Operating expenses	(482)	(524)	(518)	(454)	(390)	(448)	(531)	(554)	(553)	(487)
EBITDA	174	168	165	146	106	91	159	165	178	229
Impairment charges	(11)	(14)	(12)	(4)	(19)	(53)	(27)	(57)	(45)	(16)
Amortisation, depreciation and impairment	(50)	(50)	(47)	(41)	(44)	(42)	(48)	(42)	(34)	(26)
Net finance cost	(10)	(14)	(13)	(11)	(9)	(19)	(15)	(16)	(6)	(6)
Profit before tax	103	89	93	90	34	(23)	69	50	93	181
Income tax expense	(32)	(29)	(27)	(29)	(15)	(4)	(24)	(30)	(25)	(48)
Net profit/(loss)	70	61	66	61	19	(27)	45	20	68	133
EBITDA margin	26%	24%	24%	24%	21%	17%	23%	23%	24%	32%
Aggregated cash flow statement										
Operating activities	142	130	134	119	89	92	127	124	137	174
Investing activities	(56)	(69)	(63)	(46)	(40)	(69)	(93)	(125)	(169)	(142)
Financing activities	(51)	(66)	(70)	(63)	(44)	(31)	(31)	(3)	21	(28)
Dividends paid	(37)	(55)	(43)	(36)	(16)	(28)	(40)	(41)	(38)	(33)
Share buybacks	(1)	(7)	(15)	(7)	(4)	(7)	(6)	(4)	(5)	(26)
Free cash flow	81	69	77	71	40	23	24	(6)	11	76
Aggregated balance sheet										
Cash	123	88	101	102	86	82	83	168	104	113
Property, plant and equipment	653	649	610	663	616	579	745	712	701	601
Total assets	**1,163**	**1,139**	**1,080**	**1,129**	**1,063**	**1,047**	**1,231**	**1,256**	**1,245**	**1,139**
Total liabilities	**588**	**576**	**540**	**573**	**563**	**569**	**630**	**624**	**563**	**482**
Total equity	**575**	**563**	**540**	**556**	**500**	**478**	**601**	**632**	**682**	**657**

Note: The information included above includes the aggregated results of the Top 40 mining companies as reported in each respective edition of PwC's *Mine*.

Source: Annual reports, PwC analysis

Glossary

Terms	Definition
Battery minerals	The raw materials used in the production of batteries, including lithium, nickel, cobalt, manganese and graphite.
Capital employed	Property, plant and equipment plus current assets less current liabilities
Capital expenditures (capex)	Purchases of property, plant and equipment plus exploration expenditure
CEO	Chief executive officer
Current ratio	Current assets divided by current liabilities
Dividend payout ratio	Dividend per share divided by earnings per share
Dividend yield	Dividend per share (including buybacks) divided by the closing share price at the respective financial year end
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairments
EBITDA margin	EBITDA divided by revenue
Free cash flow	Operating cash flows less purchases of property, plant and equipment
Gearing ratio	Net borrowings/equity
IMF	International Monetary Fund
M&A	Mergers and acquisitions
Market capitalisation	The market value of the equity of a company, calculated as the share price multiplied by the number of shares outstanding
Net assets	Total assets less total liabilities
Net borrowings	Total borrowings less cash
Net profit margin	Net profit/revenue
PBT	Profit before tax
PGM	Platinum Group Metals: iridium, osmium, palladium, platinum, rhodium, ruthenium
Quick ratio	(Current assets less inventory) divided by current liabilities
Return on capital employed (ROCE)	Net profit excluding impairment divided by capital employed
Return on equity (ROE)	Net profit divided by equity
Top 40	The world's 40 largest listed mining companies by market capitalisation as at 31 December 2020
Total borrowings	Long-term borrowings plus short-term borrowings plus lease liabilities
Total borrowings to equity	Total borrowings divided by equity
Working capital	Inventory plus trade receivables less trade payables

Mine 2021 writing team

For a deeper discussion, please contact one of our regional leaders in the PwC network or your local PwC partner:

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