Glencore HY 2025 Results

Share Price	R67.86
Fair Value Range	R86.17 – R99.19
Date	07 August 2025

RESULTS SUMMARY

2025 is proving to be a year of two halves for Glencore. The first-half results reflect a challenging operating environment, with group adjusted EBITDA down 14% year-on-year to US$5.4bn. Industrial earnings were hit hardest, falling 17% to US$3.8bn due to weaker coal prices and lower copper production. Marketing also faced macroeconomic and energy market headwinds but delivered a resilient performance, with adjusted EBIT of US$1.4bn, down 8%.

Despite these challenges, management is taking decisive steps to position the business for a stronger second half and long-term growth. A comprehensive industrial portfolio review has already identified US$1bn in recurring cost savings, with more than expected by year-end. Copper production, weighed down by temporary operational issues in the first half, is expected to rebound strongly in the second half, boosting earnings. The sale of Viterra (within the marketing business) was completed in early July, delivering US$900m in cash and Bunge shares worth US$2.6bn. This has enabled a new US$1bn share buyback, supporting shareholder returns.

Looking ahead, management remain optimistic about Glencore's positioning amid growing resource constraints. Long-term Marketing EBIT guidance has been raised by 16% at the midpoint to US$2.3bn – US$3.5bn, reflecting confidence in the company's diversified trading platform. With annualised spot free cash flow generation currently tracking at approximately US$4bn and a target to meaningfully reduce net debt by year-end, Glencore sees strong potential for deleveraging and further capital returns. The company is well placed to capitalise on secular trends in electrification, decarbonisation and resource security, reinforcing its strategic relevance across commodity markets.

OUR LONG-TERM INVESTMENT VIEW

- Switzerland headquartered Glencore is one of the largest diversified miners and marketers of industrial, and agricultural commodities in the world. In contrast to most diversified miners, Glencore is uniquely positioned across up, mid, and downstream commodity activities including recycling. We believe this positioning of a differentiated earnings mix that excludes iron ore but favours green transition metals like copper, zinc, and nickel, with less cyclical commodity trading is complementary.
- As the world grapples with the structural undersupply of key commodities required for the energy transition (especially copper and cobalt), Glencore's extensive resource base, project pipeline, and global marketing reach uniquely position it to bridge supply gaps and capture long-term value.
- Glencore's copper production is expected to grow meaningfully through 2028, supported by a deep pipeline of organic projects (e.g., MARA, El Pachón), while strategic stakes like its holding in Bunge offer future monetisation and reinvestment opportunities aligned with shareholder value creation.

UNPACKING THE HY 2025 RESULTS

High-level numbers

- Glencore reported H1 2025 **revenue** of US$117.4bn, broadly flat compared to H1 2024. This stable topline reflects a balanced performance across its diversified commodity portfolio, with increased revenues from metals offsetting lower contributions from energy products due to weaker coal and oil prices. Despite macroeconomic headwinds and price volatility, the company's integrated business
- **Energy & Steelmaking Coal (31% of adjusted EBITDA):** The Energy & Steelmaking Coal industrial segment reported adjusted EBITDA of US$1.74bn, down from US$2.1bn in H1 2024, despite the first full-period contribution from the newly acquired EVR assets. The drop was largely due to significantly weaker benchmark coal prices, with thermal coal (Newcastle) averaging US$103/t (down 21%) and steelmaking coal

model helped sustain revenues at consistent levels.

- Group **adjusted EBITDA** fell 14% year-on-year to US$5.bn, mainly due to lower coal prices and temporary copper production constraints. Industrial adjusted EBITDA declined 17% to US$3.8bn, while Marketing remained resilient with an 8% decline to US$1.4bn. Management expect a material uplift in the second half of the year, particularly in copper, as production recovers and cost savings initiatives begin to flow through.
- **Net debt** increased by US$3.3bn over the period to US$14.5bn, reflecting funding for capex, shareholder returns, and working capital investment. However, Glencore maintains strong liquidity of Us$12.6bn and a manageable net debt to adjusted EBITDA ratio of 1.08x, which reduces to 1.0x after accounting for Viterra sale proceeds that flowed on 2 July. Management expect meaningful deleveraging in the second half of the year.
- **Funds from operations** were US$3.1bn in the first six months of 2025, down 22% from the prior period. The decline primarily reflects lower industrial earnings and a shift in bond-related interest payments to the first half. Despite the temporary dip, management expect stronger cash generation through the remainder of the year, supported by higher copper volumes, working capital unwind, and partial delivery of cost savings.
- Total announced **shareholder returns** for 2025 amount to US$3.2bn, including a US$0.10 per share base dividend and a new US$1bn share buyback. The buyback is underpinned by the US$2.6bn market value of Glencore's Bunge shareholding post-Viterra sale. While no additional top-up is anticipated in the second half, management reiterated its commitment to returning surplus capital as conditions allow.

Operational Performance

- **Metals & Minerals (44% of adjusted EBITDA):** The Metals & Minerals industrial segment delivered adjusted EBITDA of US$2.4bn, down from US$2.9bn in H1 2024. The decline was driven by lower copper production volumes, particularly at Collahuasi, Antamina, Antapaccay, and KCC, impacted by mine sequencing, lower ore grades, water constraints and cobalt stockpiling. These disruptions are expected to reverse materially in the second half. On pricing, the average LME copper price rose 4% year-on-year to US$9,432/t, but the benefit was offset by lower volumes. Zinc operations, notably Kazzinc, were buoyed by stronger gold prices (+39%), partially offsetting declines elsewhere. Margins in the metals mining (HCC) averaging US$185/t (down 33%). These lower prices reduced earnings across legacy coal operations, despite volumes tracking in line with expectations. Glencore also recorded a US$859m impairment on its Cerrejón operation, following a voluntary production curtailment in response to market oversupply. Mining margins in energy and steelmaking coal declined to 26% (from 31%), reflecting both price pressure and higher unit costs.
- **Marketing (25% of adjusted EBITDA):** The Marketing division delivered a resilient performance in a volatile macroeconomic environment, with Adjusted EBIT of US$1.4bn, down 8% year-on-year. Metals and minerals marketing was particularly strong, especially in copper, where Glencore capitalised on physical trade dislocations and regional demand imbalances. While energy marketing faced tougher conditions amid weak sentiment and excess supply, the business overall demonstrated the strength and defensiveness of Glencore's trading platform.

Looking ahead

Glencore expects a significantly stronger financial performance in the second half of 2025, supported by a recovery in copper production, cost savings and a partial unwind of working capital investments. Full-year production guidance remains intact, with 60% of copper volumes expected in H2, supporting higher earnings and cash flow. Spot commodity prices suggest annualised free cash flow of around US$4bn billion, and the US$900m from the Viterra sale adds further support. Management expect to reduce net debt toward the US$10bn target by year-end.

Over the longer term, Glencore is strategically positioned to benefit from structural trends underpinning global commodity demand, particularly in copper, cobalt and nickel. Copper production is expected to return to around one million tonnes annually by 2028, underpinned by its existing asset base and a pipeline of growth projects such as MARA and El Pachón. Marketing earnings guidance has been raised to a higher long-term range of US$2.3bn – US$3.5bn, reflecting the post-Viterra focus and new products and geographies. With flexibility in both marketing and industrial businesses, Glencore is equipped to navigate geopolitical volatility while creating value through the cycle.

Our fair value range has been reduced due to lower coal prices. Glencore's shares continue to trade well below our revised fair value.

segment fell to 24% (from 28% in H1 2024), reflecting cost inflation and operational inefficiencies tied to constrained production.

Private Clients
by Old Mutual Wealth

4th Floor, Block A, Old Mutual Wealth, Mutualpark, Jan Smuts Drive, Pinelands, 7405 | Tel: +27 (0)21 524 4678 | Email: privateclients@omwealth.co.za