

RATING ACTION COMMENTARY

Fitch Affirms Molymet's IDRs at 'BBB-'; Outlook Stable

Fri 07 Mar, 2025 - 12:49 p. m. ET

Fitch Ratings - New York - 07 Mar 2025: Fitch Ratings has affirmed Molibdenos y Metales S.A.'s (Molymet) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BBB-' and Molymet's National Long-Term and senior unsecured ratings at 'AA'-(cl). Fitch has also affirmed Molymet's National Long-Term and senior unsecured ratings at 'AAA(mex)' and Equity Rating at First Class Level '3(cl)'. The Rating Outlook is Stable.

Molymet's ratings reflect its global leadership position in the molybdenum and rhenium markets, and its moderate capital structure. Molymet's limited scale and commodity diversification, as well as its exposure to the molybdenum price volatility and its effects on working capital requirements are ratings constraints.

The Stable Outlook reflects Fitch's expectations that Molymet will maintain total and net leverage indicators around 2.5x and 1.5x during the rating horizon, consistent with the rating sensitivities. The company's currently manageable debt amortization schedule should provide it flexibility to absorb working capital requirements if needed.

KEY RATING DRIVERS

Robust Niche Market Position: Molymet's significant presence as the largest global processor of molybdenum, with a 35% market share, and rhenium, with a 70% market share, is a key rating consideration. This position helps mitigate its limited scale and diversification. Molymet's leading position provides it bargaining power with both suppliers and clients. This, combined with its state-of-the-art plants, result in high metal recovery outputs, enhancing profitability.

The rating also reflects the company's tolling business segment, secured by long-term price contracts with large copper producers with whom the company has a longstanding

relationships. These contracts account for more than 10% of Molymet's EBITDA and provide stability despite molybdenum price volatility.

Working Capital Volatility: The ratings consider the volatility of the company's working capital requirements related to changes in molybdenum prices and their effects on cash flow from operations (CFO), impacting around 90% of operations, excluding tolling.

A virtuous cycle exists with this correlation: when prices fall, the company's cash flow benefits from the release of working capital resources; when prices rise, increased working capital needs are financed by growing operating cash flow. Molymet has demonstrated good access to credit markets in Chile and Mexico to fund these working capital needs, and this financial flexibility is also a relevant rating consideration.

Favourable Volume and Price: Fitch projects that the company's revenue to remain elevated at USD2,252 million in 2025 and USD2,506 million in 2026, as a result of higher projected molybdenum prices (2025: USD21.3/lb and 2026: USD22.6 /lb) along with increased sales volumes (approximately 100 million lb in 2025 and 106 million lb in 2026). Given Molymet's business model, this significant increase in sales translates into a smaller increase in EBITDA (2025: USD160 million and 2026: USD173 million).

Expected Positive CFO in 2025-2026: Fitch anticipates that Molymet's CFO will expand to approximately USD126 million in 2025 and decelerate to a more conservative level of approximately USD37 million in 2026. This reflects an increase in working capital to a positive USD20 million in 2025, followed by a decline to negative USD78 million in 2026, largely driven by higher molybdenum prices, which could impact liquidity and financial flexibility.

Leverage to Remain Stable: Fitch projects that leverage and net leverage will stabilize at around 2.5x and 1.5x, respectively, in 2025-2027. Fitch anticipates stable debt levels until 2026 due to working capital needs, aligned with higher molybdenum price assumptions. Higher EBITDA from improved operational performance across all business segments mitigate this effect. As of Dec. 2024, the total leverage and net leverage were around 2.5x and 1.4x, respectively, in line with Fitch's expectations and within the rating category, and positively compared to 2.8x and 1.9x during 2023.

Equity Rating: Molymet's equity rating at first class level '3(c1)' is constrained by its liquidity ratio, despite a solid financial profile. The company has a small market presence in the Chilean stock market, in line with a free float of around 4%. Last month's average daily

volume was around USD2.4 million as of February 2025. Molymet's market capitalization was USD534 million.

PEER ANALYSIS

There is no direct peer for Molymet in Fitch's global rating portfolio due to the unique characteristics of the company's business and fundamentals of its market. Molymet has a diversified supplier base, with many under long-term contracts. Its output significantly contributes to the global supply of molybdenum products, evidenced by its 35% market share, despite the market's smaller size compared to other global commodities.

Molymet is rated lower than international oilseed processing and trading company Bunge Global S.A. (BBB+/Stable) due to Bunge's larger scale, less cyclical business, and superior geographical reach, which is poised to strengthen after the Viterro merger. Molymet's rating is aligned with Jinchuan Group Co., Ltd. Standalone Credit Profile of 'bbb-'. Although both companies have similar geographical diversification, Jinchuan has larger scale, higher EBITDA, a significant role in copper and nickel processing, and strong links to the Chinese government, leading to Jinchuan's higher rating (BBB+/Stable).

Molymet is rated higher than leading Latin American rigid plastic packaging solutions company, NG Packaging & Recycling Corporation Holdings S.A.'s (BB+/Stable) given its lower leverage and higher geographical diversification despite similar working capital needs volatility following their respective processing businesses. Molymet is rated higher than Brazil grains producer Andre Maggi Participacoes S.A. (BB/Stable) despite Andre Maggi's larger scale due to Molymet's better market position, geographical diversification and lower leverage.

KEY ASSUMPTIONS

--Molybdenum prices of USD21.3/lb in 2025, USD22.6/lb in 2026 and USD23.5/lb in 2027;

--Rhenium prices of USD650/lb throughout the projected period;

--Own Molybdenum sales volume of around 100 MM lbs in 2025, 106 MM lbs in 2026 and 108 MM lbs in 2027;

--Capex of USD30 million in 2025, USD30 million in 2026, and USD30 million in 2027;

--Dividend pay-out ratio of 40% of net profit for 2025-2027.

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Total debt/EBITDA and net debt/EBITDA below 2.5x and 1.5x, on a sustained basis;

--EBITDA Interest Coverage consistently above 6.0x;

--Higher diversification and scale, reducing exposure to working capital needs due to midcycle molybdenum prices.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Weaker cash flow, leading to liquidity deterioration and/or exposure to refinancing risks within the 18-month horizon;

--Total debt/EBITDA ratio above 3.5x and/or net debt/EBITDA ratio above 2.5x;

--EBITDA Interest Coverage consistently below 5.0x.

LIQUIDITY AND DEBT STRUCTURE

As of December 2024, Molymet maintained a robust liquidity position with cash and equivalents of USD140 million against short-term debt of USD4 million. Despite high volatility in working capital, the company can mitigate this by rapidly converting part of the inventory into cash and using credit facilities available from local and foreign banks of around USD550 million.

The company has an adequate debt repayment schedule with USD115 million due in 2027, providing the company with extra financial flexibility. Fitch closely monitors the amortization schedule, as increased working capital requirements and significant maturities could affect Molymet's liquidity.

ISSUER PROFILE

Molymet is the main processor of molybdenum and rhenium concentrates in the world, holding approximately 35% and 70% of the global processing capacity, respectively. The company has operations in four countries: Chile, Mexico, Belgium, and Germany.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅			PRIOR ⇅
Molibdenos y Metales S.A. (Molymet)	Natl LT	AAA(mex)	Affirmed	AAA(mex)
senior unsecured	Natl LT	AAA(mex)	Affirmed	AAA(mex)
Molibdenos y Metales S.A. (Molymet)	LT IDR	BBB-	Affirmed	BBB-
	LC LT IDR	BBB-	Affirmed	BBB-

	Natl LT	AA-(cl)	Affirmed	AA-(cl)
	Nat Equity Rating		Primera Clase Nivel 3	Primera Clase Nivel 3
	Affirmed			
senior unsecured	Natl LT	AA-(cl)	Affirmed	AA-(cl)

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Metodología de Clasificación de Acciones en Chile \(pub. 19 Jul 2024\)](#)

[Chilean Equity Rating Criteria \(pub. 22 Jul 2024\)](#)

[Corporate Rating Criteria \(pub. 06 Dec 2024\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 06 Dec 2024\)](#)

[Metodología de Calificación de Finanzas Corporativas \(pub. 14 Feb 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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Molibdenos y Metales S.A. (Molymet)

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