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Research Update:

Molibdenos y Metales S.A. Outlook Revised To Negative On Higher Volatility And Leverage; 'BBB-' Rating Affirmed

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Rating Action Overview

- Chile-based Molibdenos y Metales S.A.'s (Molymet) higher exposure to spot molybdenum prices has led to higher leverage and cash flow volatility, despite solid EBITDA.
- Volatile working capital consumption and high investments and dividends have kept leverage above historical levels and will likely limit any material upside in the next two years, with debt to EBITDA remaining above 2.0x.
- On March 2, 2026, S&P Global Ratings revised the outlook on Molymet to negative from stable and affirmed its 'BBB-' global scale rating on the company.
- The negative outlook reflects a one-in-three chance of a downgrade within the next 12 months if exposure to molybdenum price fluctuations continue to result in higher cash flow and metrics volatility. A downgrade could also reflect lower-than-expected cash flows reducing the liquidity cushion, or net debt to EBITDA consistently above 3.0x.

Rating Action Rationale

Solid molybdenum prices have helped increase EBITDA for Molymet in the past few years, but leverage has remained above historical levels. Molybdenum average prices have remained robust, exceeding $21 per pound on average for the past three years. Rising demand, particularly from China--the world's largest molybdenum market--has fueled this trend. In this context, Molymet has increased its processing volumes, which, together with higher prices, allowed nominal EBITDA to grow to $191 million in 2025, from $156 million in 2024 and $116 million in 2023.

However, higher concentrate purchases to meet sales volumes and price volatility throughout 2025 have led to substantial working capital requirements, which reached $185 million in 2025--much higher than what we previously expected. These factors, alongside capital expenditures (capex) and dividend payouts, have consumed Molymet’s cash. The company reported a cash balance of $76.5 million in 2025, from $140.5 million in 2024.

Despite the improving EBITDA, leverage has stayed higher than past levels of below 2.0x, with net debt to EBITDA of 2.3x in 2025, 2.0x in 2024, and 2.8x in 2023.

We expect supportive prices and volumes will drive solid EBITDA in 2026 and 2027 but working capital dynamics and higher capex will dictate cash flows and leverage. We anticipate molybdenum prices will remain supportive, stabilizing around $23 per pound, given positive industry prospects. We expect Molymet to continue increasing volumes, which will boost revenues to approximately $2.7 billion in 2026. Amid higher volumes, higher costs will likely limit EBITDA growth, but we still forecast nominal EBITDA to be relatively stable at $190 million in 2026 and $197 million in 2027.

We assume better working capital dynamics, driven by stabilizing prices and the company's efforts to improve operating cycle management. These improvements should support a recovery in operating cash flow, which we expect to revert to positive in 2026. However, we forecast capex to increase to $50 million, considering maintenance and expansion projects to diversify the company's production process between plants. This increase, coupled with outflows of $36 million to finance the acquisition of Rhenium Alloys and our assumption of $42 million of dividends payout, will continue to consume Molymet's cash and weigh on leverage. We forecast net debt to EBITDA of 2.5x in 2026 and 2.3x in 2027, a structural change from the below 1.0x average the company reported until 2020, which led us to revise our view of its financial risk profile to a weaker category.

We think Molymet has a solid market position, but increasing diversification and its ability to manage volatility remain key for credit quality. The company is the leading global processor of molybdenum and rhenium, holding estimated market shares of 35% and 70%, respectively. Its cost-efficient technology enables it to recover high molybdenum content from processed concentrate, contributing to a degree of bargaining power and relatively solid margins. However, most of its operations (55%-65% of EBITDA) still rely on own sales of processed products, which leaves the company significantly exposed to working capital swings.

Mitigating factors included the company's tolling business unit, where it benefits from long-term contracts with major copper producers, which generate more predictable cash flows, partially mitigating the impact of molybdenum price fluctuations. Currently, tolling represents around 12% of EBITDA. Additionally, the byproduct segment, particularly rhenium, continues to strengthen Molymet's product mix. This business line has demonstrated consistent growth, on the back of increasing rhenium prices. In 2025, the EBITDA contribution from byproducts reached 32%, up from 30% in 2024, 25% in 2023, and 15% in 2022. The recent acquisition of Rhenium Alloys will further support diversification and further bolster this segment's contribution to EBITDA, and we believe the company could continue to pursue acquisitions of this type to help with such strategy.

Outlook

The negative outlook reflects a one-in-three chance of a downgrade within the next 12 months if exposure to molybdenum price fluctuations continue to lead to higher volatility in cash flow and metrics. A downgrade could also reflect lower-than-expected cash flows that reduce liquidity cushion, or net debt to EBITDA consistently above 3.0x.

Downside scenario

We could downgrade Molymet in the next 12-18 months if cash generation volatility persists due to higher working capital swings amid price fluctuations and increasing volumes. In this scenario, cash flow would not recover as we expect in 2026, and leverage would remain higher with debt to EBITDA above 3.0x. We could also lower the ratings if the liquidity cushion shrinks due to lower-than-expected cash generation and high cash outflows for capex and dividend payouts.

Upside scenario

We could revise the outlook to stable if Molymet is able to reduce the risks of higher cash flow volatility, whether from better working capital management or its focus on diversifying product mix. In this scenario, we would expect lower and more stable working capital requirements to allow for more consistent cash generation and improvements in leverage, keeping leverage and liquidity controlled.

Company Description

Molibdenos y Metales (Molymet) is the leading global processor of molybdenum and rhenium concentrates, with an approximate share in world processing of 35% and 70%, respectively, as of 2025. Most of the company's revenues comes from processing molybdenite and delivering molybdenum oxide, ferromolybdenum, as well as other byproducts such as rhenium. The company also provides roasting services to third parties.

Molymet has industrial subsidiaries in four different countries: Chile, Mexico, Belgium, and Germany; and commercial offices in the U.K., China, U.S., Brazil, and Chile. Once concluded, the acquisition of Rhenium Alloys will increase the company's industrial footprint in the U.S.

The company operates through three divisions:

- Own sales: Molymet buys molybdenum concentrates (molybdenite) from miners and uses its own technology to treat and process the concentrate in order to produce and sell a variety of molybdenum products (from molybdenum oxide to high value-added downstream products). This is largely used by the oil and gas, petrochemical, automotive, and mechanical engineering industries.
- Tolling: This unit charges a fee to companies in the mining industry to process their molybdenite and send it to their clients as a marketable product, through long-term fixed-rate contracts. Its main clients are Corporacion Nacional del Cobre de Chile (Codelco), Sierra Gorda SCM, and Kennecott Molybdenum.
- Byproducts: This unit recovers rhenium and other byproducts obtained from the roasting and oxidation process at the other two business units and sells those to clients. The main clients are Cannon Muskegon, Pratt & Whitney, and General Electric Co.

Our Base-Case Scenario

Assumptions

- End-of-period exchange rates of Chilean peso (CLP) 955 per $1 in 2026, CLP960 in 2027, and CLP965 in 2028
- GDP growth in Chile of 2.3% in 2026 and 2.2% in 2027 and 2028
- Molybdenum oxide average prices of about $23 per pound for the next three years
- Tolling fees of about $1.9 per pound of molybdenite concentrate processed for the next three years

- Rhenium product average prices of about $700 per pound for the next three years
- Own molybdenum processed volumes of about 105 million pounds in 2026 and 107 million-110 million pounds in 2027 and 2028
- Tolling volumes processed of about 24 million pounds in 2026 and 24 million-25 million pounds in 2027 and 2028
- Rhenium volumes of about 128,000 pounds in 2026, about 135,000 pounds in 2027, and about 140,000 pounds in 2028 due to access to new markets and the ramp-up of the newly acquired company
- Capex of about $50 million in 2026, declining to $40 million in 2027 and 2028
- Dividend distribution of 40% of previous year's net income

Key metrics

Molibdenos y Metales S.A.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. $)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	1,883	2,475	2,064	2,474	2,724	2,788	2,854	2,922
Gross profit	260	198	230	281	276	285	293	302
EBITDA (reported)	186	115	157	190	189	196	202	209
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	2	1	(1)	1	1	1	1	1
EBITDA	188	116	156	191	190	197	203	210
Less: Cash interest paid	(20)	(44)	(30)	(33)	(42)	(42)	(42)	(42)
Less: Cash taxes paid	(60)	(51)	(14)	(37)	(36)	(38)	(40)	(42)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	109	21	113	120	112	117	121	125
EBIT	150	76	138	175	164	169	176	184
Interest expense	22	48	44	39	43	43	43	43
Cash flow from operations (CFO)	198	86	59	(48)	91	97	101	107
Capital expenditure (capex)	42	38	40	25	50	41	40	29
Free operating cash flow (FOCF)	156	47	20	(73)	41	56	61	77
Dividends	41	28	13	34	42	33	35	37
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	115	19	7	(107)	(1)	23	26	41
Debt (reported)	501	763	430	500	500	500	500	500

Molibdenos y Metales S.A.--Forecast summary

Plus: Lease liabilities debt	11	9	8	7	7	6	6	5
Plus: Pension and other postretirement debt	38	29	27	36	36	36	36	36
Less: Accessible cash and liquid Investments	(174)	(376)	(141)	(76)	(37)	(58)	(81)	(120)
Plus/(less): Other	(25)	(98)	(4)	(34)	(34)	(34)	(34)	(34)
Debt	351	327	320	433	471	450	426	388
Equity	847	864	890	944	987	1,042	1,099	1,161
FOCF (adjusted for lease capex)	149	46	17	(74)	39	54	59	75
Interest expense (reported)	21	46	43	38	42	42	42	42
Capex (reported)	42	38	40	25	50	41	40	29
Cash and short-term investments (reported)	174	376	141	76	37	58	81	120
Adjusted ratios								
Debt/EBITDA (x)	1.9	2.8	2.0	2.3	2.5	2.3	2.1	1.8
FFO/debt (%)	30.9	6.5	35.2	27.8	23.7	25.9	28.4	32.4
FFO cash interest coverage (x)	6.5	1.5	4.7	4.6	3.6	3.7	3.9	4.0
EBITDA interest coverage (x)	8.7	2.4	3.6	5.0	4.4	4.5	4.7	4.8
CFO/debt (%)	56.4	26.2	18.5	(11.2)	19.4	21.5	23.7	27.5
FOCF/debt (%)	44.5	14.4	6.1	(16.9)	8.7	12.5	14.2	20.0
DCF/debt (%)	32.8	5.8	2.0	(24.8)	(0.1)	5.0	6.1	10.5
Lease capex-adjusted FOCF/debt (%)	42.3	14.1	5.4	(17.1)	8.4	12.0	13.8	19.5
Annual revenue growth (%)	29.6	31.4	(16.6)	19.9	10.1	2.4	2.4	2.4
Gross margin (%)	13.8	8.0	11.1	11.4	10.1	10.2	10.3	10.4
EBITDA margin (%)	10.0	4.7	7.6	7.7	7.0	7.1	7.1	7.2
Return on capital (%)	12.1	6.3	11.5	13.6	11.6	11.5	11.7	12.0
Return on total assets (%)	8.0	3.8	7.5	10.0	8.8	8.8	8.8	8.9
EBITDA/cash interest (x)	9.5	2.6	5.2	5.7	4.5	4.6	4.8	4.9
EBIT interest coverage (x)	6.9	1.6	3.2	4.5	3.8	3.9	4.0	4.2
Debt/debt and equity (%)	29.3	27.4	26.4	31.4	32.3	30.2	27.9	25.0
Debt fixed-charge coverage (x)	8.7	2.4	3.6	5.0	4.4	4.5	4.7	4.8

Molibdenos y Metales S.A.--Forecast summary

Debt/debt and undepreciated equity (%)	29.3	27.4	26.4	31.4	32.3	30.2	27.9	25.0

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. $--U.S. dollar.

Liquidity

We continue to assess Molymet's liquidity as adequate. We expect sources to exceed uses by more than 1.2x in the next 12 months, and we think sources will remain above its uses even if EBITDA declines 15%, although with a tighter cushion reflecting higher expected cash outflows for investments, the payment for the acquisition of Rhenium Alloys, and dividends payout.

We continue to think the company's liquidity is highly exposed to working capital swings that depend on molybdenum price fluctuations. Nevertheless, its extended debt maturity profile, with no material debt coming due in the next two years; good refinancing track record; overall prudent financial risk management; and flexibility to reduce cash outflows if needed supports our view of Molymet's liquidity.

Principal liquidity sources	Principal liquidity uses
• Cash position of $76.5 million as of Dec. 31, 2025 • Funds from operations of $111 million in 2026	• Short-term debt maturities of $3.7 million as of Dec. 31, 2025 • Working capital outflows of $22 million in 2026 • Capex of about $50 million in 2026 • Acquisition payment of $36 million due in 2026 • Dividend distributions of $42 million in 2026

Covenants

Molymet has covenants that require the maintenance of several financial metrics, such as total equity (>$300 million), net liabilities to equity (less than 1.75x) and EBITDA to net interest coverage above 2.0x, measured annually. These are acceleration covenants.

We expect Molymet to continue to comply with its covenants with more than a 100% cushion.

Environmental, Social, And Governance

Environmental factors are a neutral consideration in our credit rating analysis of Molymet. The company transforms sulfur dioxide from the roasting process into sulfuric acid with commercial value, minimizing greenhouse gas emissions through washing and filtering technologies. Molymet treats wastewater, allowing it to reuse 80%, and recycles over 140,000 pounds of industrial and household waste. As a result, 98% of Molymet's waste is inert.

In addition, the company's investment plan incorporates the modernization of facilities, with a positive environmental impact. Those projects include the modernization of the gas treatment and cleaning systems at the MolymetNos plant in Chile, as well as Molymex's gas and sulfuric acid scrubbing plants located in Mexico and Belgium.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Negative/--
Local currency issuer credit rating	BBB-/Negative/--
Business risk	Fair
Country risk	Intermediate risk
Industry risk	Moderately high risk
Competitive position	Fair
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bb+
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Positive
Stand-alone credit profile	bbb-

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings List

Ratings Affirmed; Outlook Action		
	To	**From**
Molibdenos y Metales S.A.		
Issuer Credit Rating	BBB-/Negative/--	BBB-/Stable/--