

# PLATINUM QUARTERLY PRESENTATION Q4 2016

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London

9<sup>th</sup> March, 2017

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# AGENDA: PLATINUM QUARTERLY Q4 2016, 2016 AND 2017 FORECAST

## 1. Introduction

*Paul Wilson, CEO*

## 2. Fundamentals review & insights

*Trevor Raymond, Director of Research*

## 3. Questions

*Paul Wilson*

*Trevor Raymond*

*Marcus Grubb, Director of Market Development*



# 1A. PLATINUM'S STRONG FUNDAMENTALS CONTINUE - TIGHTER MARKET AND MACRO SUPPORT

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- Platinum deficits continue: last five years, 2016 bigger and 2017 forecast is higher: Tightening market
- We see continued weak supply and resilient demand - confounding many predictions
- Macro conditions are helpful
  - Elevated global uncertainty supports precious metals
  - Higher economic growth outlook supports industrial platinum
  - Market speculative positions in platinum are more positive
- The investment case for platinum is clear and attractive
- Platinum investment options are expanding, closing major gaps

# 1B. PLATINUM CEO PANEL AT 2017 INDABA INCREASED INVESTOR INSIGHTS

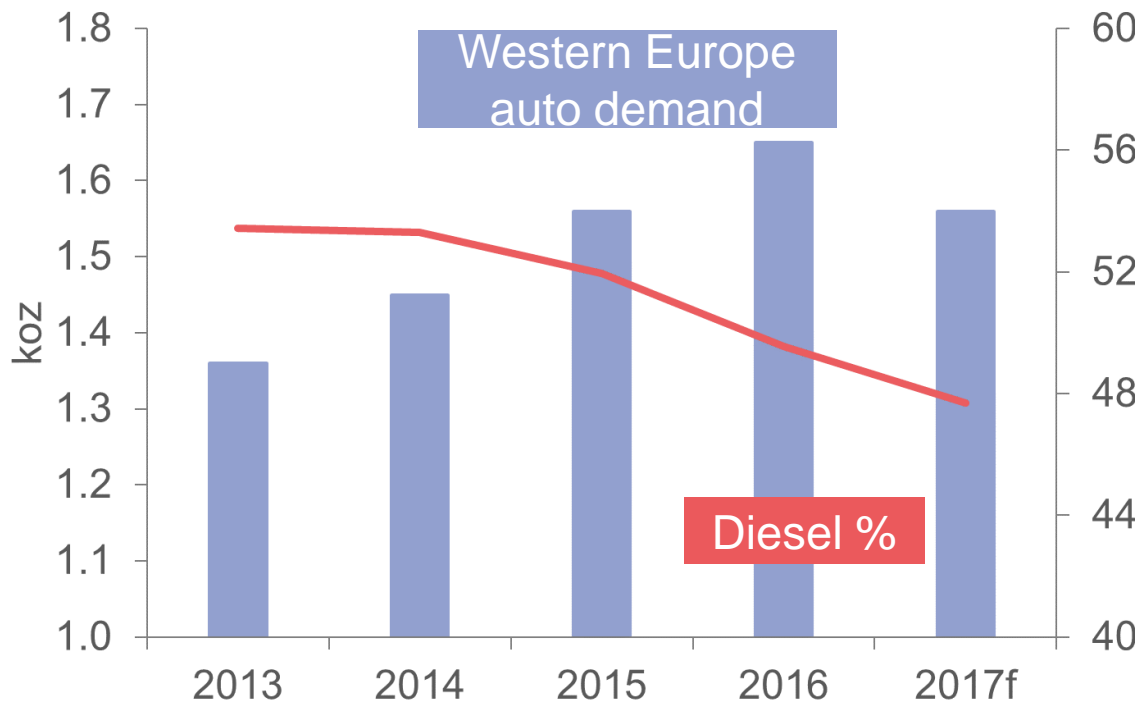
## “SUPPLY IS CONSTRAINED”



- WPIC hosted platinum CEO panel – 4 largest producers
- Key issues addressed through investor questions and panel discussion
  - “Producer working inventory stocks are very low – 3 consecutive drawdowns”
  - “Capital investment remains at very low levels with above inflation cost growth”
  - “Capacity increase very difficult in current environment”
  - “Capacity growth only possible after sustained margin growth and 1-2 year project lead times”
- CEOs see platinum investment as important, sticky demand
- They believe deficits are real and have been ignored for too long

# 1C. ANTI DIESEL SENTIMENT – TOO STRONG AND DATA-LIGHT!

W. Europe automotive platinum demand & W. Europe diesel share



- Platinum use in automotive is growing
- Diesel cars generate only 13% of city NO<sub>x</sub> (Gasoline 7%)
- Some new diesel cars already beat 2021 real world driving emissions requirements
- Automakers can only meet near term CO<sub>2</sub> levels if "clean on-the-road" diesels are in the fleet
- Diesel car platinum loadings likely to increase more
- Cost of NO<sub>x</sub> control is less than new hybrids and tax subsidies

# 1D. MORE WPIC PARTNERS LAUNCH PRODUCTS IN 2017 - DEITY IN INDIA & BULLIONVAULT IN Q1'17

- Our market development portfolio continues to grow
- We see latent and pent-up platinum demand due to lack of:
  - Knowledge
  - Suitable products
  - Distribution channels
  - Expert marketing
- Our partners agree and want to co-invest with us
- New partnerships established in 2016 and more to follow in 2017
- Muthoot Exim platinum deity investment product in India – 624 store pilot started 2nd March
- BullionVault launch in March 2017 – lowest cost investment platform, serving 60,000 retail accounts



# AGENDA: PLATINUM QUARTERLY Q4 2016, 2016 AND 2017 FORECAST

## 1. Introduction

*Paul Wilson, CEO*

## 2. Fundamentals review & insights

- Supply, demand and balance
- 2013 to 2017f and Q4 2016
- Investment case for platinum

*Trevor Raymond, Director of Research*

## 3. Questions

*Paul Wilson*

*Trevor Raymond*

*Marcus Grubb, Director of Market Development*





## 2A. WPIC PLATINUM QUARTERLY ENHANCES INVESTOR INSIGHT

SUPPLY	2013	2014	2015	2016	2017f
<b>Refined Production</b>	<b>6,070</b>	4,880	6,150	<b>6,030</b>	<b>5,920</b>
South Africa	4,355	3,115	4,465	4,240	4,185
Other	1,500	2,115	1,730	1,860	1,715
<b>Total Mining Supply</b>	<b>5,855</b>	<b>5,230</b>	<b>6,195</b>	<b>6,100</b>	<b>5,900</b>
<b>Recycling</b>	<b>1,980</b>	2,035	<b>1,710</b>	<b>1,865</b>	<b>1,760</b>
Autocatalyst	1,120	1,255	1,190	1,235	1,255
Jewellery	855	775	515	625	500
<b>Total Supply</b>	<b>7,835</b>	<b>7,265</b>	<b>7,905</b>	<b>7,965</b>	<b>7,660</b>
<b>DEMAND</b>					
Automotive	3,160	3,295	<b>3,385</b>	3,405	<b>3,390</b>
Jewellery	2,945	3,000	<b>2,880</b>	<b>2,565</b>	2,530
Industrial	1,530	1,550	1,670	1,760	1,610
Investment	935	150	<b>305</b>	<b>505</b>	250
<b>Total Demand</b>	<b>8,570</b>	<b>7,995</b>	<b>8,240</b>	<b>8,235</b>	<b>7,780</b>
<b>Balance</b>	<b>-735</b>	<b>-730</b>	<b>-335</b>	<b>-270</b>	<b>-120</b>
<b>Above Ground Stocks</b>	<b>3,405</b>	<b>2,675</b>	<b>2,340</b>	<b>2,070</b>	<b>1,950</b>

- **Refined production:**  
Downward trend continues - capex down and opex up
- **Recycling:** 2016 an outlier. Slow growth continues
- **Demand:** Jewellery weakness, automotive and investment strength
- Deficits revised higher
- Stocks at historic lows
- Supply weaker and demand stronger than past forecasts suggested

## 2B. QUARTERLY SUPPLY AND DEMAND: Q4'16 LARGE DEFICIT

SUPPLY	Q4 2015	Q3 2016	Q4 2016
Refined Production	1610	1610	1495
Recycling	375	510	480
<b>Total Supply</b>	<b>1,945</b>	<b>2,015</b>	<b>1,940</b>

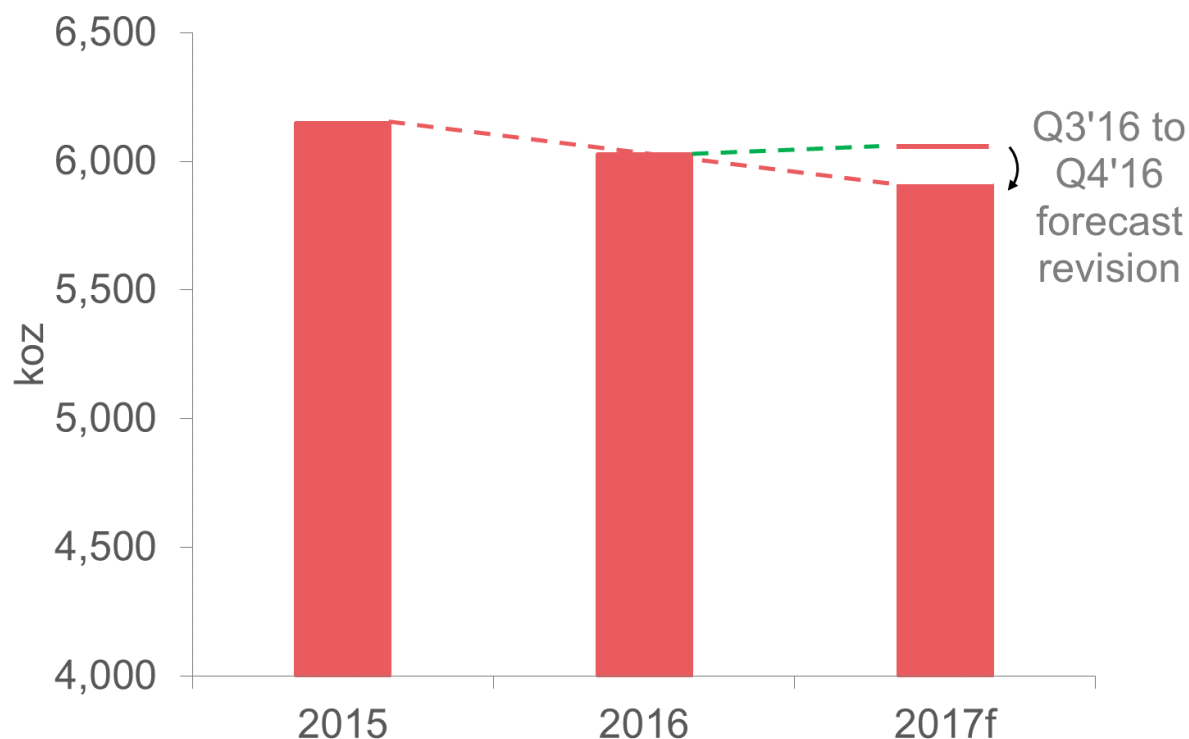
DEMAND	Q4 2015	Q3 2016	Q4 2016
Automotive	845	790	855
Jewellery	675	665	680
Industrial	425	440	405
Investment	-95	40	220
Change in Bars, Coins	220	70	110
Change in ETF Holdings	-345	-85	115
Change in Stocks Held by Exchanges	30	55	-5

<b>Total Demand</b>	<b>1,850</b>	<b>1,935</b>	<b>2,160</b>
<b>Balance</b>	<b>95</b>	<b>80</b>	<b>-220</b>

- **Year-on-year Q4'16 v Q4'15:**
  - Recycle growth offset refined fall – total supply flat
  - Combined demand from automotive, jewellery and industrial flat
  - Investment demand up 315 koz, ETFs up 460 koz
- **Quarter-on-quarter Q4'16 v Q3'16:**
  - Automotive strong, normal seasonality
  - Jewellery growth off low
  - Investment demand up 180 koz, ETFs up 200 koz

## 2C. REFINED PT PRODUCTION: 2017 REVISED LOWER CONTINUES DOWNWARD TREND

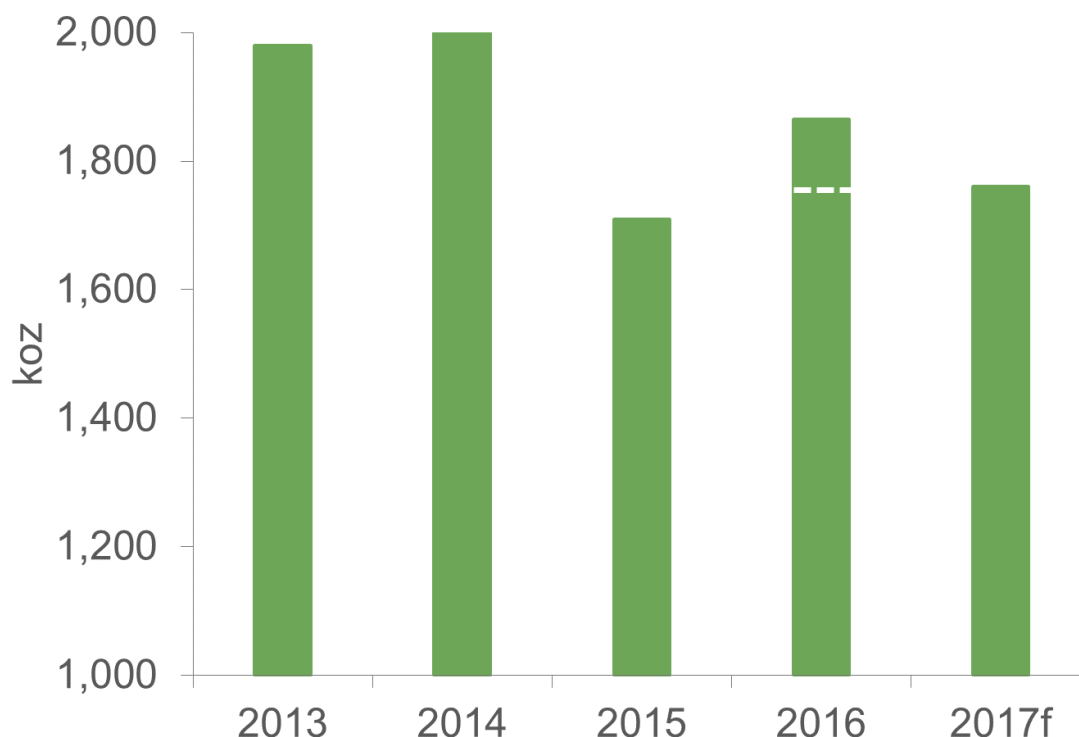
Refined Platinum Production



- Safety-related stoppages and price-induced restructuring led South Africa's 5% (-225 koz) decline in 2016 output
- Closure of loss-making production, delays to projects and depletion will lower South African production in 2017 by 1% (-55 koz)
- Forecast for 2017 revised down between November 2016 and now
- Low price, low capex and real cost increases keep downward pressure on future supply

## 2D. RECYCLED SUPPLY: SLOW GROWTH CONTINUES CHINA JEWELLERY WAS AN OUTLIER IN 2016

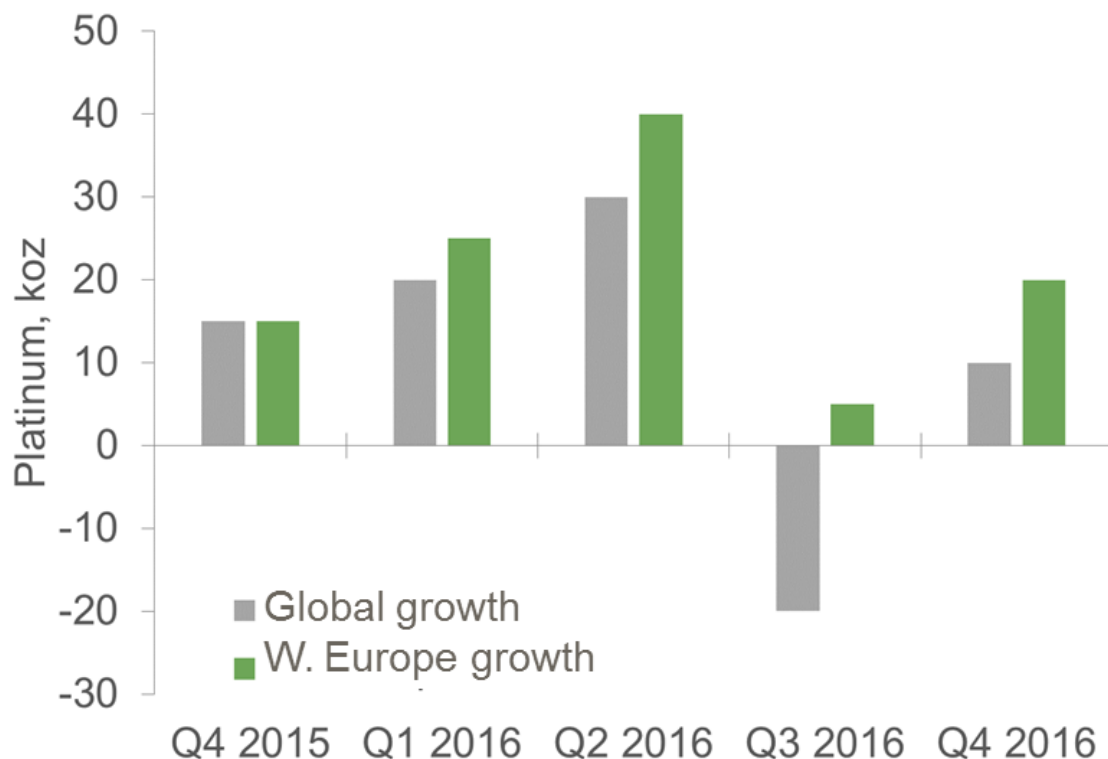
Recycled platinum supply



- 2016 recycling up 9% due to unusual one-off stock recycling in China, and is expected to drop back to 'normal' in 2017
- Autocatalyst recycling is forecast to rise slightly in 2017 as higher scrap steel prices lift depressed scrappage rate
- Slow growth from reduced 'new' base level to continue

## 2E. AUTOMOTIVE DEMAND: UP SINCE VW SCANDAL AUTOMAKER SOLUTIONS REMAIN HIDDEN

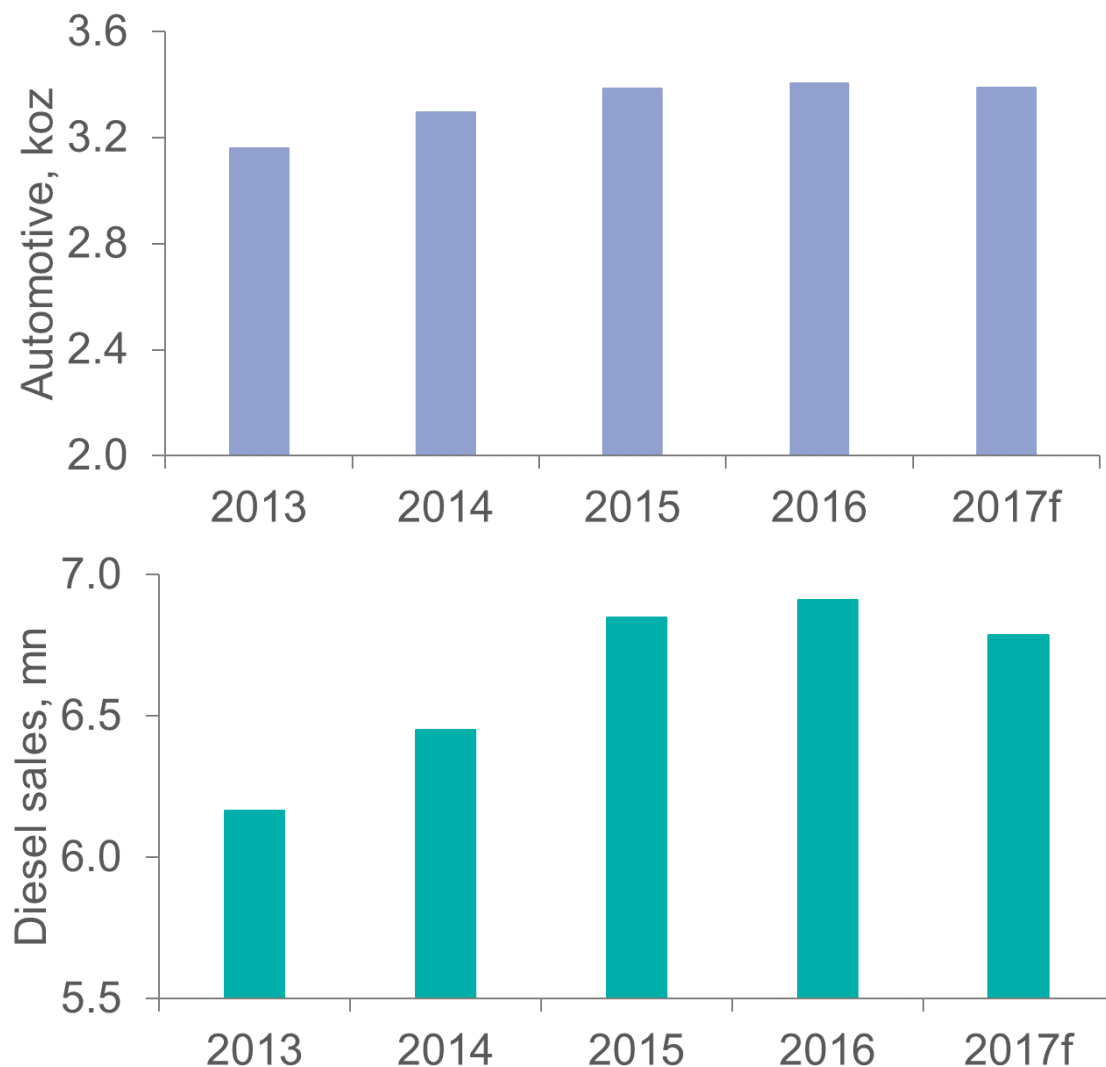
### Automotive platinum demand – annual growth



- Automotive platinum demand has grown YoY in all but one quarter since the VW scandal
- W. European automotive platinum demand has grown YoY in all quarters
- Diesel car portion reduction mitigated at platinum demand level by:
  - *Higher loadings due to Euro 6*
  - *Strong manufacturer pipeline*
  - *Greater impact on smaller cars*
  - *Consumer preferences*
  - *Manufacturer emissions strategies*
- Higher platinum loadings can reduce emissions compliance risk

## 2F. AUTOMOTIVE DEMAND: DIESEL CAR SALES IN EU STRONGER THAN EXPECTED – PT DEMAND UP

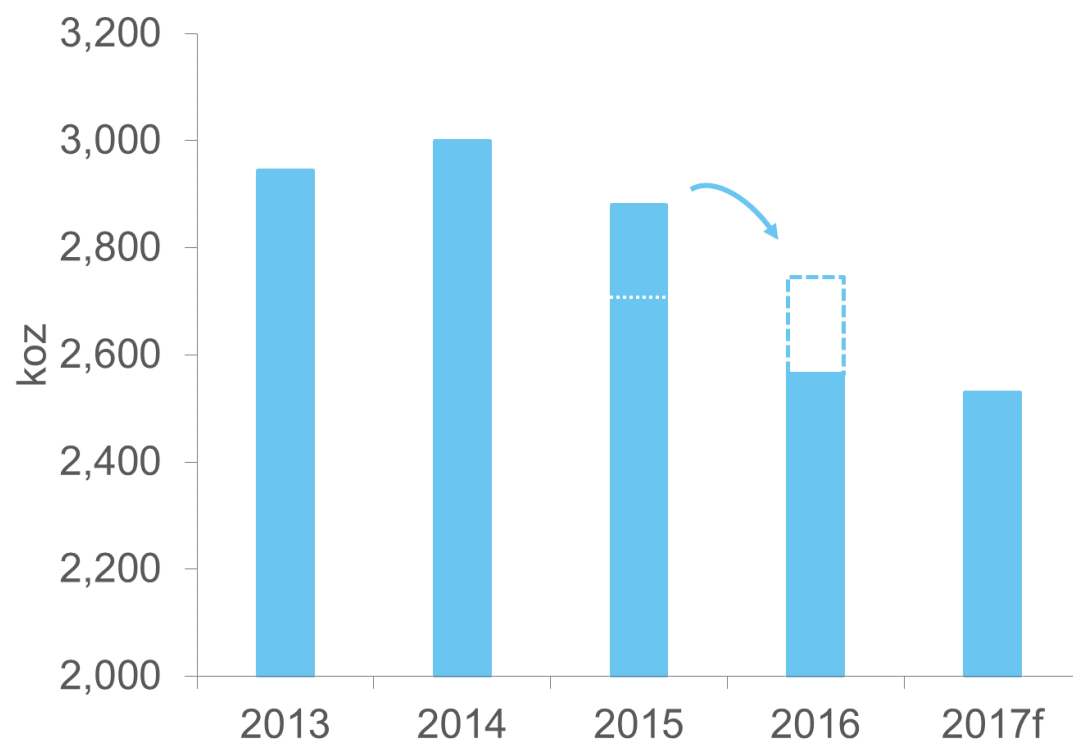
Total automotive Pt demand & W.E diesel vehicle sales



- 2016 automotive platinum demand up 1% to 3,405 koz with 49.6% Western Europe diesel portion, higher sales and higher loadings
- Total vehicle sales up, 9<sup>th</sup> year in a row - W. Europe diesel car sales up, 5<sup>th</sup> year in a row
- Forecast decline in 2017 still related to emissions control decisions prior to VW scandal
- Many automakers are implementing low NO<sub>x</sub> diesel car strategies
- Upside likely as automaker strategies become clear

## 2G. JEWELLERY DEMAND: STOCK MOVEMENTS DISTORT PICTURE AT CONSUMER LEVEL

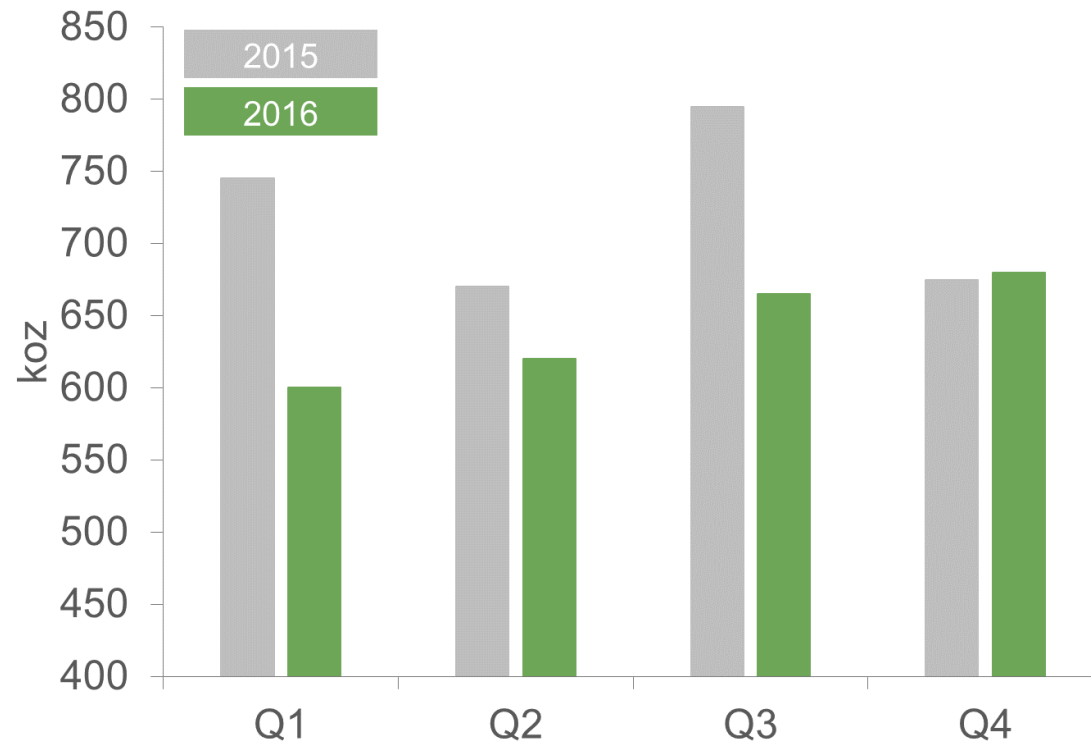
Gross platinum jewellery demand



- Stock increases in 2015 were sold in 2016 distorting platinum demand in both years
- Upside likely in 2017
- Jewellery demand (fabricator net buying) fell 11% (-315 koz) in 2016 led by destocking in China
- Strong demand growth elsewhere, led by India (11%, +25 koz)

## 2H. JEWELLERY DEMAND: DESPITE STOCK DISTORTION DEMAND GREW FOR 4 QUARTERS '16

Jewellery platinum demand

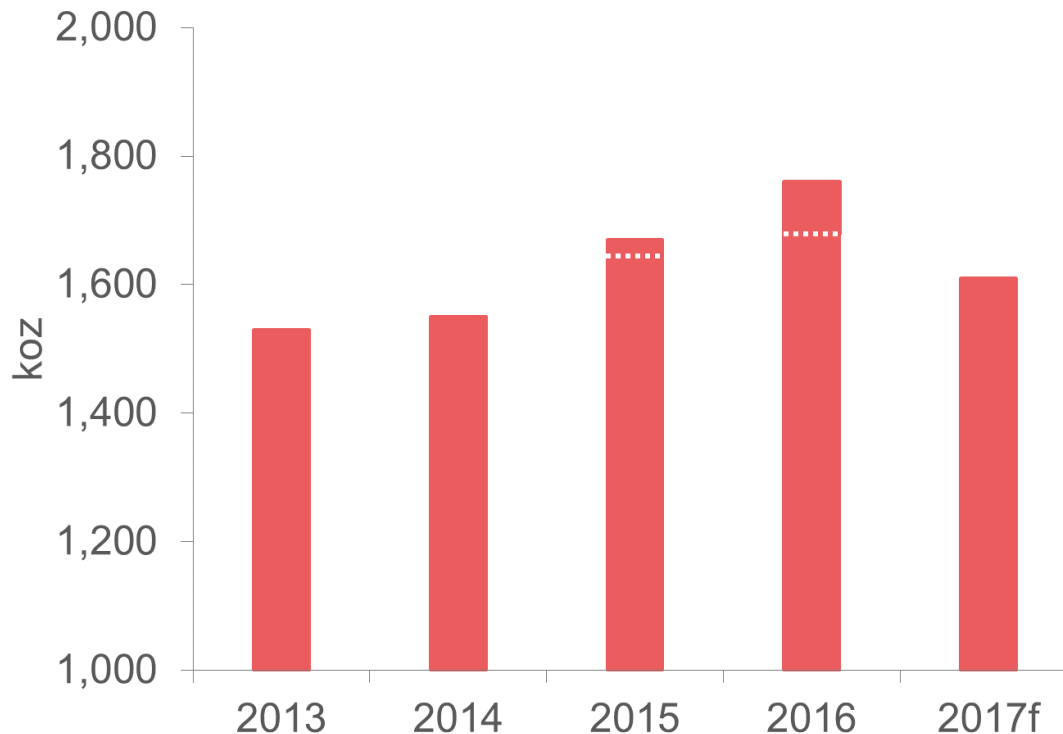


- Lower 2016 demand at manufacturer buying level
- Quarterly growth through 2016



## 2I. INDUSTRIAL DEMAND: STEADY GROWTH PLUS 'LUMPY' CAPACITY CHANGES

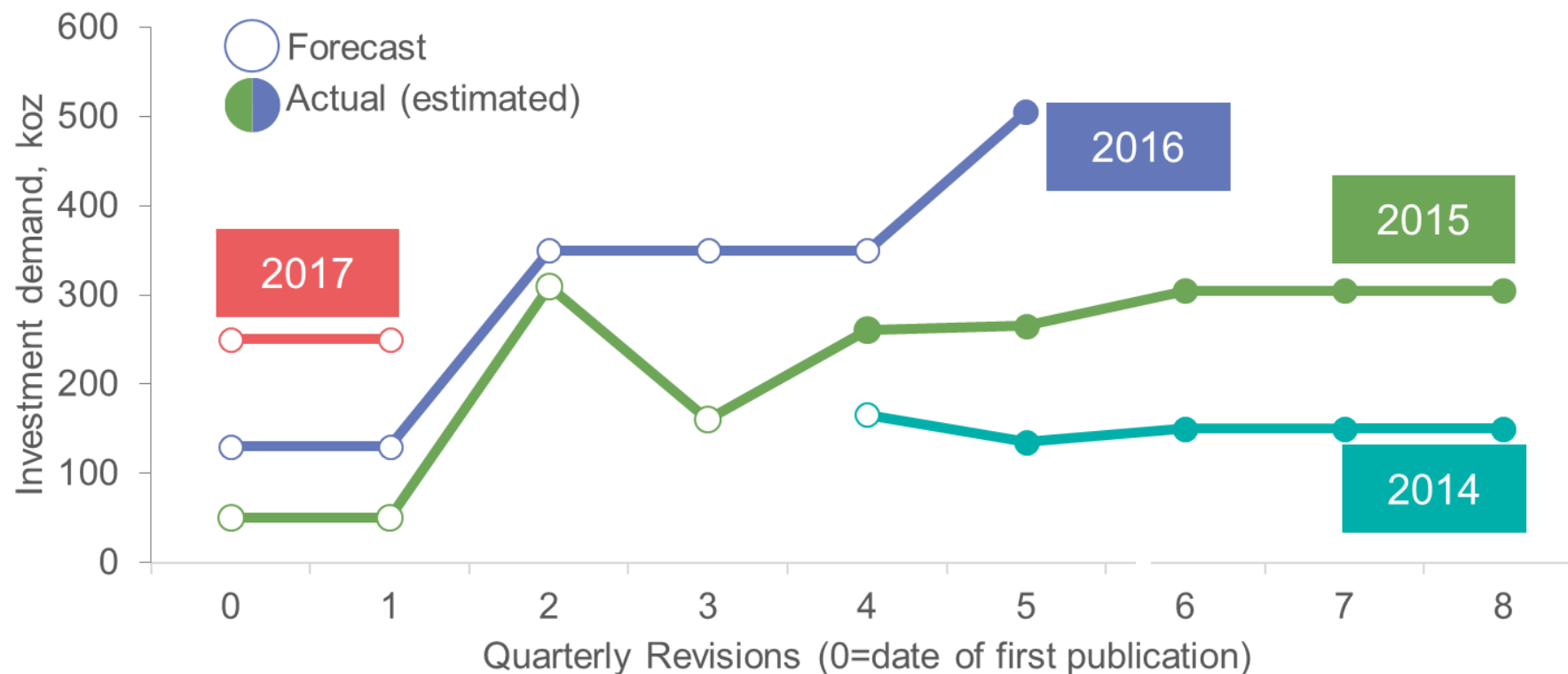
Industrial platinum demand



- Strong industrial demand in 2015 and 2016 due to substantial capacity expansion in petroleum (+80 koz) in the US and Japan
- No petroleum expansion in 2017 but demand above 2014 level
- Industrial platinum demand correlated to global growth but with 'lumpy' capacity across segments
- Enhanced global growth outlook supports platinum demand growth

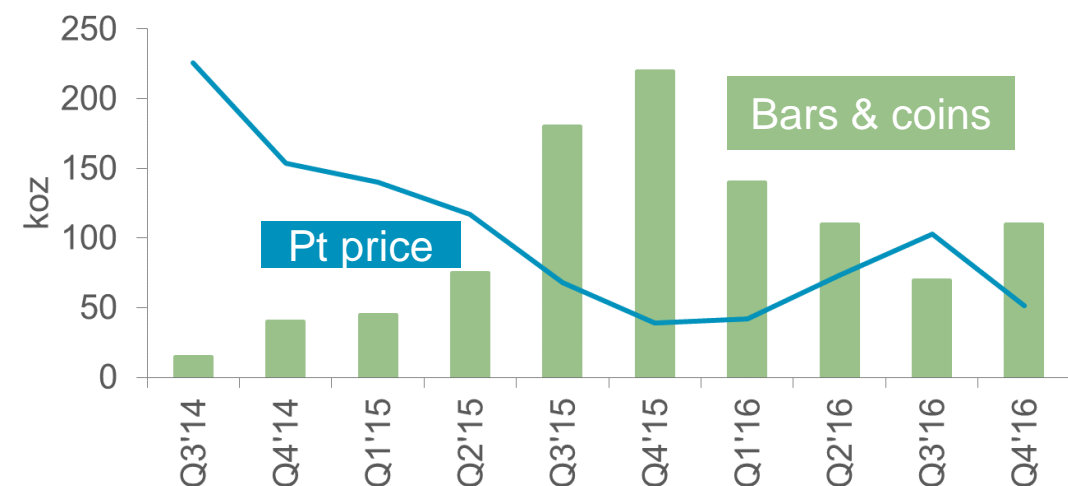
## 2J. INVESTMENT DEMAND: POTENTIAL FOR SUSTAINABLE GROWTH

Platinum investment demand forecasts/estimates

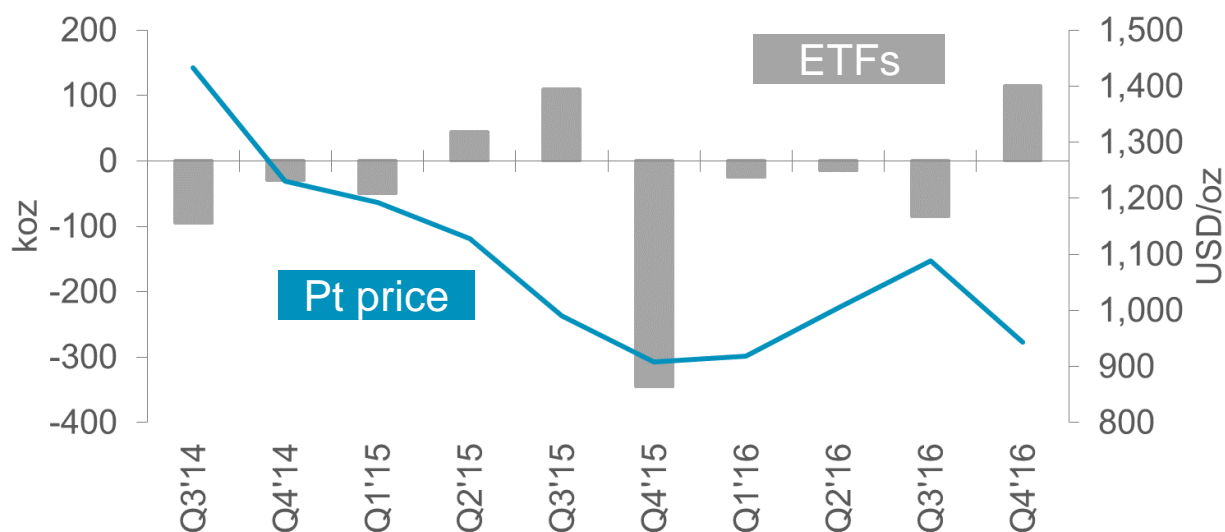


- Investment demand hardest to forecast – growth in 3 consecutive years
- Conservative initial level each year – demand growth opportunity

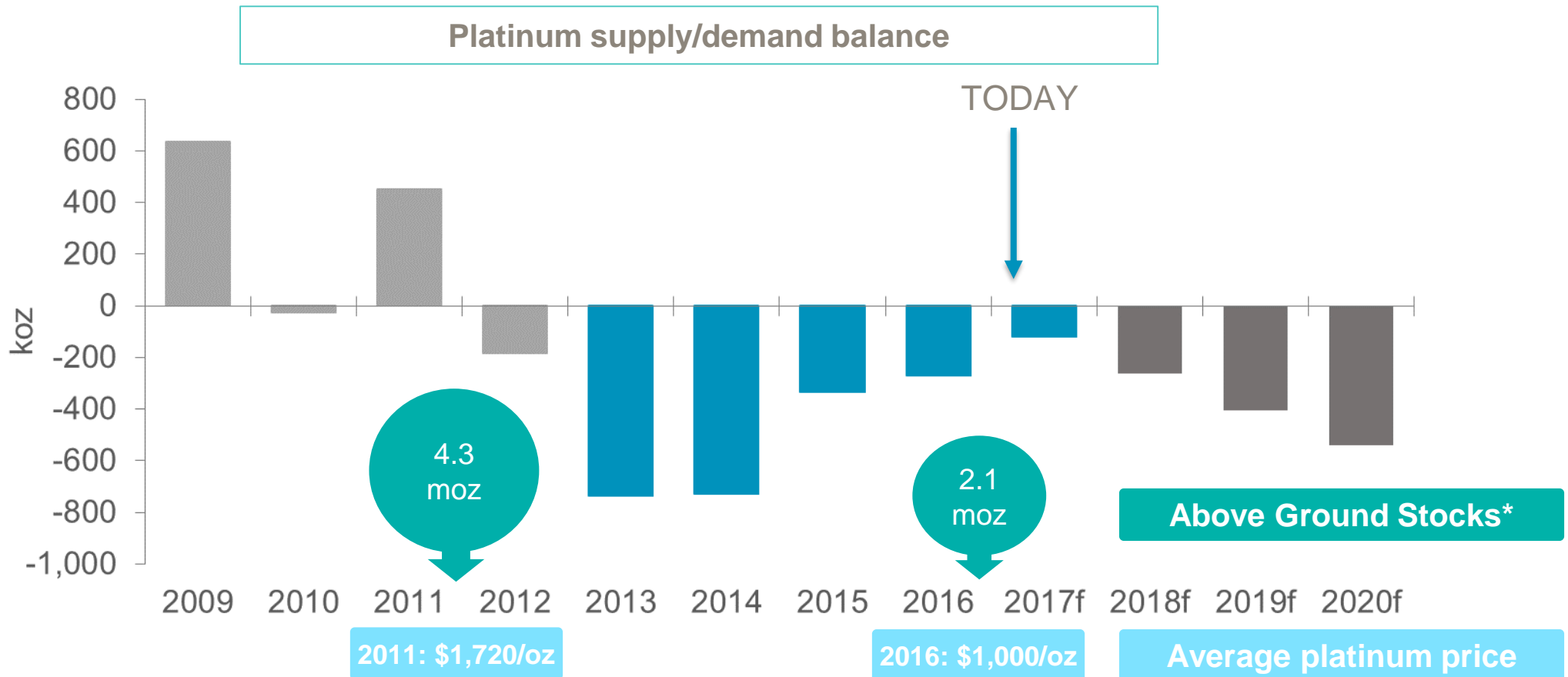
## 2K. INVESTMENT DEMAND: UP IN 2016 PHYSICAL PRODUCTS AND ETFS BUILD



- Investment demand in 2016 up 66%
- Sustained bar and coin buying offset weak ETFs in 2016
- Bar buying stayed high in Q4'16 as price still below JPY 4000/g
- Increased investor interest in ETFs during Q4'16

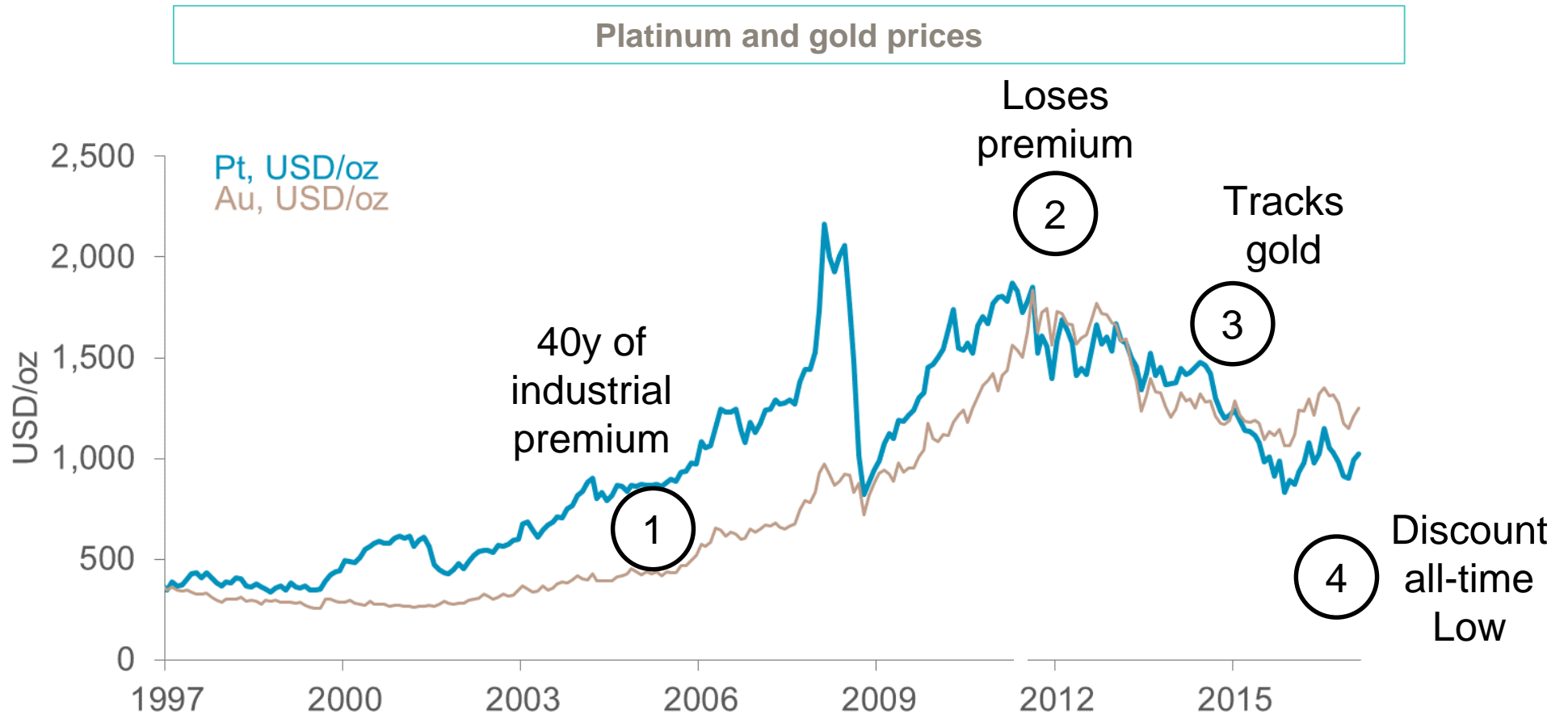


## 2L. THE FUTURE WILL SEE DEFICITS IN PLATINUM: FIVE CONSECUTIVE DEFICITS – TIGHT MARKET



- Five consecutive deficits with 4 more expected – tight market being noticed by more investors
- Sentiment improving can quickly remove above ground stocks as a supply to meet deficits
- Years of weak price has embedded negative sentiment – investment opportunity being recognised

## 2M. PLATINUM UNDERVALUED DESPITE FIVE YEARS OF DEFICITS – OPPORTUNITY MORE VISIBLE



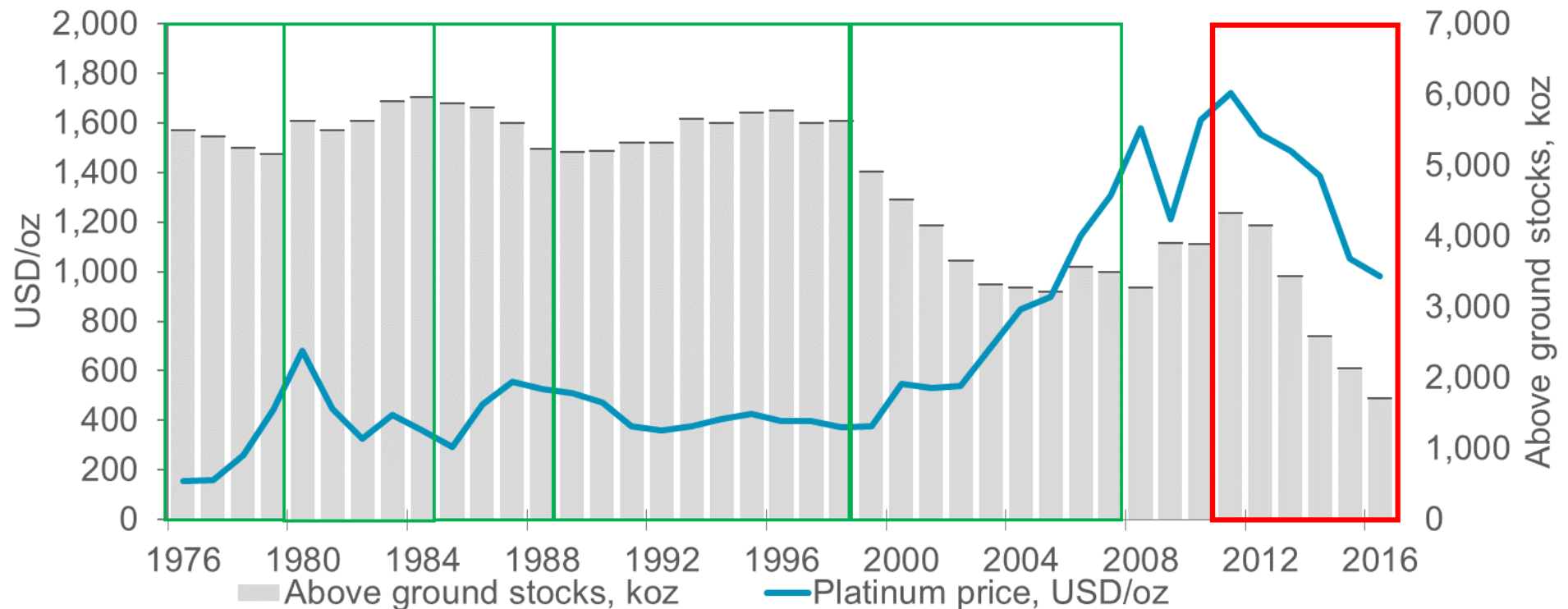
## 2N. PLATINUM IS AT THE LOWEST REAL DISCOUNT TO GOLD IN 35 YEARS

Platinum / gold discount (real)



## 20. MORE VISIBILITY OF TIGHT MARKET LOWEST STOCK LEVEL IN 40 YEARS

Above ground stocks, and Pt price (USD/oz)



- Data back to 1975 shows that we are currently at the lowest ever level of above-ground stocks
- Whatever the *level* of current stocks, their relative size suggests this is not a market flush with 'saleable' platinum

## 2P. PLATINUM'S STRONG FUNDAMENTALS CONTINUE TIGHTER MARKET AND MACRO SUPPORT

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- Platinum Quarterly increases platinum visibility and insight to growing investor audience
- Data shows supply more constrained and demand more resilient than sentiment suggests
- Automotive demand data confirms data confounds widespread perceptions on diesel
- Platinum jewellery more relevant in China and India with good growth opportunities
- Steady industrial growth underpin with strong investment growth prospects
- Global macro underpin from higher growth but with elevated risk
- Platinum is undervalued in an increasingly tight market



