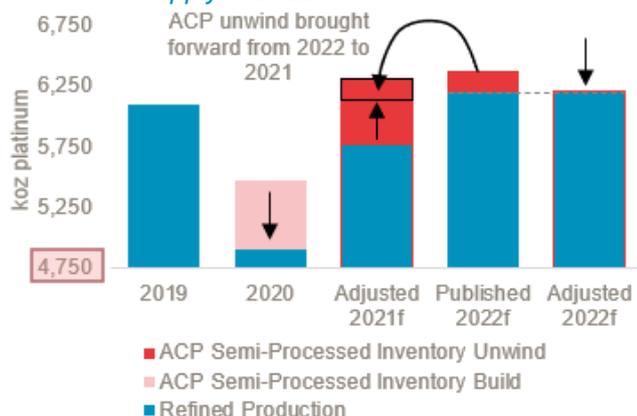


Faster than expected ACP semi-processed inventory unwind increases the estimated 2021 platinum surplus but reduces the surplus in 2022

Anglo American Platinum has announced that it has substantially completed processing the semi-finished ACP inventory overhang created in 2020 ahead of schedule. Combined with restricted automotive production, this may have been a contributing factor behind platinum price weakness in late 2021. Importantly, looking forward, the ACP inventory overhang has been removed, reducing the estimated 2022 surplus from 637 koz platinum to 447 koz.

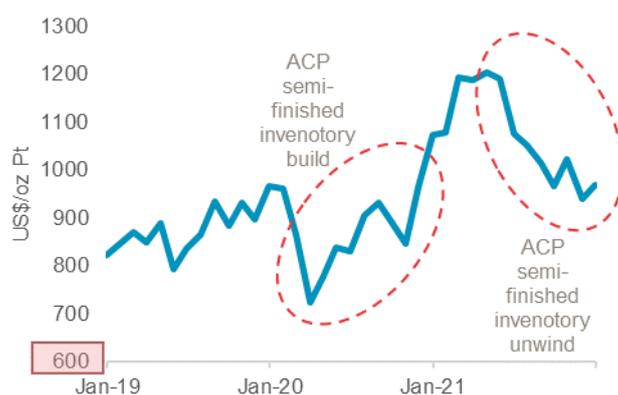
Anglo American Platinum issued its Q4'21 and full year 2021 production update on Thursday 27 January, 2022. Refined PGM (4E) production was slightly above the company's previous published estimate, but it also indicated that it has substantially completed the processing of the semi-finished inventory accumulated during the ACP outages in 2020. This is ahead of schedule; as per the last [Platinum Quarterly](#), published in November, the expectation was that around two thirds of the ACP inventory would be processed in 2021, with the balance of c.190 koz processed in 2022. **For illustrative purposes, unwinding all the accumulated ACP inventory in 2021 would increase the projected 2021 surplus from 769 koz platinum to 959 koz.** The platinum price performed strongly during the ACP outages in 2020 despite the negative impact of COVID on automotive demand for platinum. In contrast, the platinum price weakness in the latter part of 2021 was probably exacerbated by the additional ACP material coming to the market, in combination with supply-chain challenges limiting automotive production and reduced investment demand.

The faster than expected processing of the semi-finished ACP inventory acts to boost refined metal supply in 2021 but reduce supply in 2022



Source: Metals Focus, WPIC Research

The platinum price performed strongly during the 2020 ACP outages; the unwinding of ACP material probably contributed to platinum price weakness in 2021



Source: Bloomberg, WPIC Research

The accelerated unwinding of the ACP inventory in 2021 will reduce refined primary platinum supply in 2022. For illustrative purposes, if all the ACP material was sold into the market in 2021, the projected 2022 surplus would reduce from 637 koz to 447 koz platinum. Illustrating the leverage of changes to supply; a 3% reduction in primary refined platinum supply would reduce the projected surplus by 30%. We also observe that Anglo American Platinum highlighted the risks posed by ESKOM outages and COVID, whilst maintaining its production estimates for 2022. It is also worth noting that wage negotiations are expected to commence at some PGM operations around the middle of the year.

Anglo American Platinum has indicated that the ACP inventory has been 'largely' processed and refined in 2021, ahead of expectations. The impact of this is to increase the forecast 2021 surplus, but bringing forward this material will reduce the surplus in 2022.

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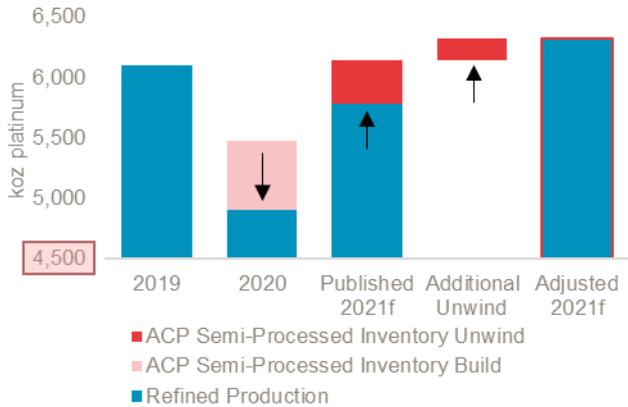
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28 January 2022

Platinum's attraction as an investment asset arises from:

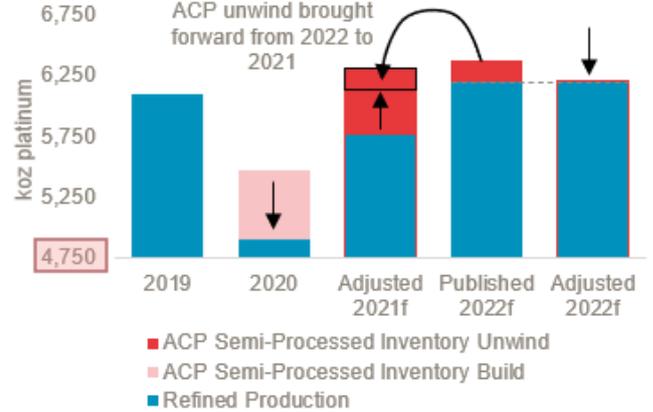
- Supply severely constrained for three more years despite some new investment in mining capacity
- Platinum price remains historically undervalued and significantly below both gold and palladium
- Automotive PGM demand growth should continue due to increasingly restrictive emissions rules
- Market balance and price mismatches between palladium and platinum drive substitution
- Investment demand is softer after two record years, but price and fundamentals remain attractive

Figure 1: The accelerated processing of semi-finished ACP inventory results in higher 2021 refined platinum supply versus November Platinum Quarterly estimates



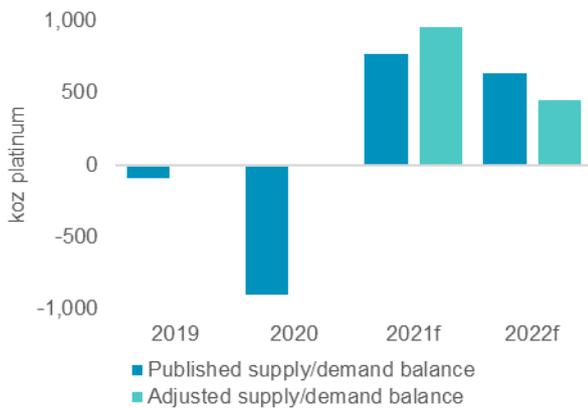
Source: Metals Focus, WPIC Research

Figure 2: Whilst boosting 2021 refined platinum supply, the bringing forward of the ACP unwind reduces refined platinum output in 2022



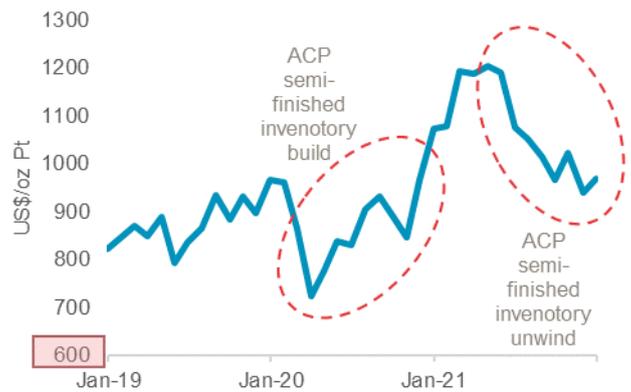
Source: Metals Focus, WPIC Research

Figure 3: The changes to refined primary platinum supply over those published in the November Platinum Quarterly increase the projected 2021 surplus and reduce 2022's



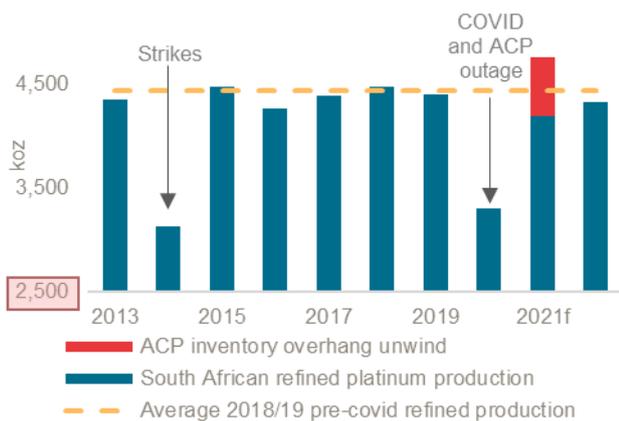
Source: Metals Focus, WPIC Research

Figure 4: The accelerated ACP inventory unwind could have contributed to platinum price weakness in 2021, exacerbated by automotive supply chain challenges



Source: Bloomberg, WPIC Research

Figure 5: After the ACP unwind, it is unclear how much inventory South African producers might have to smooth out future ESKOM, COVID or potential wage negotiation challenges



Source: Metals Focus 2019 onwardsr, SFA (Oxford) pre-2019, WPIC Research

Figure 6: As a reminder from our [last Platinum Perspectives](#), public company production estimates suggests that underlying mine production will not return to pre-COVID levels until 2024



Source: Metals Focus, WPIC Research, Aggregated published company production estimates to the market from 2023

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