Mining & Metals survey: Your thoughts for 2017

In December 2016 and January 2017 we conducted a straw poll of 65 decision makers in the mining and metals sector via an online survey. While the results are subject to the limitations of sample-based information, they do provide an indication of broader market sentiment. The results are anonymised and presented in aggregate.

**Question 1:** In which country do you currently reside?

- UK: 35.3%
- Australia: 9.2%
- Hong Kong: 9.2%
- France: 6.1%
- Canada: 6.1%
- Switzerland: 6.1%
- USA: 4.6%
- China: 3%
- Russia: 3%
- South Africa: 3%
- Turkey: 3%
- Other: 12.3%

Number of respondents: 65

**Question 2:** What type of company do you currently work for?

- Mining company – major and mid-cap: 27.6%
- Mining company – junior: 7.6%
- Trader: 3%
- Private equity: 4.6%
- Hedge fund: 1.5%
- Bank: 24.6%
- Development financing institution or ECA: 27.7%
- Alternative financing provider: 0%
- Advisor: 24.6%

Number of respondents: 65

**Question 3:** Will the significant rally in mineral prices in 2016 alter the mining industry’s austere approach to capital spending?

- Yes: 55.36%
- No: 44.64%

Number of respondents: 56

**Question 4:** What is required for the mining industry to pivot from balance sheet repair to investing in growth?

- Sustained higher prices and demand environment: 57.14%
- Shift in investor sentiment on capex: 12.50%
- A rise in hostile M&A forcing companies to move away from defensive strategies: 0%
- All of the above: 30.36%

Number of respondents: 56

**Question 5:** How has the rally in mineral prices in 2016 changed your thinking around the timing of such a pivot (from balance sheet repair to investing in growth)?

- It will be earlier than expected: 10.71%
- Neutral: 26.79%
- Investors are still nervous and skeptical the rally will hold: 62.50%

Number of respondents: 56

**Question 6:** What do you think will be the top priority for the major diversified mining companies in terms of capital management in 2017?

- Dividends/buybacks: 16.07%
- Capital spending on expansions/new mines: 12.50%
- M&A: 8.93%
- Debt reduction: 42.86%
- Do nothing/steady the ship: 19.64%

Number of respondents: 56
Question 8: Is now the time for private equity to invest in the mining sector?

Yes: 69.64%
No: 30.36%

Number of respondents: 56

Question 9: Mining equities have significantly outperformed the broader market in 2016 after a terrible 2015. What are your expectations for mining equities in 2017?

- Continued outperformance: 34.69%
- Under performance: 14.29%
- In line with benchmark indexes: 51.02%

Number of respondents: 49

Question 10: Will Trump’s presidency and infrastructure promises have a material impact on global demand for commodities in 2017?

Yes: 38.78%
No: 61.22%

Number of respondents: 49

Question 11: Do you expect the rally in commodities and equities to spur a boost in any of the following in 2017?

- IPOs: 18.37%
- Capital raising: 40.82%
- Debt issuances: 6.12%
- M&A: 34.69%

Number of respondents: 49

Question 13: What sort of M&A do you expect to see in the sector in 2017?

- Opportunistic asset-driven deals: 93.88%
- Hostile deals: 4.08%
- Major industry consolidation involving the larger players: 2.04%

Number of respondents: 49
Question 14: Do you foresee a shift in how the financing needs of mining & metals players will be met in 2017?
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**Question 15: How will mining & metals M&A be financed?**

- Debt: 8.51%
- Equity: 23.40%
- Cash: 0%
- Combination of financing alternatives: 68.09%

**Question 16: Are you expecting a supply response from the mining sector in 2017 in reaction to metal price gains in 2016?**

- Yes: 48.94%
- No: 51.06%

**Question 17: In the next growth phase, will the mining industry choose?**

- Greenfield development: 8.51%
- Brownfield expansions: 65.32%
- M&A: 36.17%

**If yes, which minerals will be most vulnerable to a supply response?**

- Coal: 23.40%
- Copper: 23.40%
- Zinc: 19.15%
- Nickel: 14.89%
- Iron ore: 19.15%

**Question 18: After lithium in 2016, what could be the next “hot” commodity in 2017?**

- Graphene: 10.64%
- Copper: 46.81%
- Diamonds: 8.51%
- Palladium: 10.64%
- Lithium, again: 23.40%