

CAP S.A.

The rating action reflects Fitch Ratings’ expectation regarding CAP S.A.’s credit metric deterioration, which is consistent with the temporary downturn of two of its subsidiaries’ operating performance, especially its steel producer Compañía Siderúrgica Huachipato S.A. (CSH). Fitch expects net debt leverage ratios to be pressured in 2025, considering Fitch’s midcycle price assumptions.

The Negative Outlook factors in CAP’s slower than expected deleveraging, which considers the complex market conditions of the global steel market. It particularly considers CSH, which is burning significant amounts of cash.

Key Rating Drivers

**Uncertainty About Noncore Businesses:** Fitch expects CAP’s net leverage to be 1.7x in 2024, 2.2x in 2025 and 1.9x in 2026. These pressured credit metrics take into account expectations of zero EBITDA from its steel operations in 2024 and USD9 million beyond, compared with negative USD150 million last year.

This is an important assumption given limited visibility regarding the impact of the optimization and cost-saving measures being implemented, and about a potential rejection or acceptance of CAP’s filing for import duties on Chinese steel. Fitch also assumes a favorable outcome for Cintac S.A.’s bank debt refinancing and its potential deleverage capacity. A positive outcome of these events could result in stabilization of the Outlook.

**Temporary Strain in Cash Flow:** Over the rating horizon, the company’s EBITDA including dividends to minorities is expected to decrease to USD709 million in 2024, USD549 million in 2025 and USD511 million in 2026, considering Fitch’s price deck of USD95/tonne in 2024, USD80/tonne in 2025 and USD75/tonne in 2026. The projection considers a neutral EBITDA for the steel company.

Fitch projects FCF of negative USD26 million in 2024; USD29 million in 2025 and USD211 million in 2026, incorporating a moderation in both capex and dividends in a low price scenario assumption. Capex would reach USD260 million in 2025 and 2026, and dividends of 35% of net profit.

**Historically Conservative Financial Profile:** The rating affirmation is based on CAP’s historically conservative capital structure and demonstrated resilience in periods of price deterioration. CAP benefits from its niche market position as a value-added iron ore producer, which provides the company with high realized prices and a buffer against iron ore market volatility. The company is able to adjust its product blend in response to lower premiums to take advantage of its competitive cost structure and maintain strong margins.

**Highly Concentrated; Strong Reserves:** More than 95% of CAP’s consolidated EBITDA comes from iron ore mining, the profitability and market position of which are much stronger than those of the steelmaking and processing businesses. Increased penetration of low priced Chinese imports markedly affected steelmaking margins and prompted the local industry to ask for government support. Fitch positively factors the long reserve life of CAP’s iron ore mining business. CAP had 817 million tons of iron ore in reserve in 2022, which is slightly below 50 years of mine life at an expected 17 million tons of production per year. The average grade in reserves is 30%, but reserves will be recertified in 2024.

**Equity Rating:** CAP’s equity rating is based on the company’s strong credit profile, its long track record in the stock market and a market presence of 100%. CAP also reports market capitalization of USD1 billion as an important player in the Santiago stock market, and high daily trading volume that averaged USD2.3 million throughout January 2024.

Ratings

CAP S.A.

Long-Term IDR	BBB-
Local Currency Long-Term IDR	BBB-
National Long-Term Rating	AA-(cl)
Senior Unsecured Debt - Long-Term Rating	BBB-
Senior Unsecured Debt - National Long-Term Rating	AA-(cl)

Outlooks

Long-Term Foreign Currency IDR	Negative
Local Currency Long-Term IDR	Negative
National Long-Term Rating	Negative
Senior Unsecured Debt - National Long-Term Rating	Negative

[Click here for the full list of Ratings](#)  
2035 Climate Vulnerability Signal: 36

Applicable Criteria

[Corporate Rating Criteria \(November 2023\)](#)  
[Sector Navigators – Addendum to the Corporate Rating Criteria \(November 2023\)](#)

Related Research

[Global Corporates Macro and Sector Forecasts](#)

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## Financial Summary

(USD 000)	2020	2021	2022	2023F	2024F	2025F
Gross revenue	2,679,003	3,676,883	3,006,047	2,763,937	2,488,157	2,308,949
EBITDA margin (%)	35.0	47.4	28.3	29.8	30.0	24.5
EBITDA interest coverage (x)	14.2	41.4	13.0	6.8	6.7	5.7
EBITDA leverage (x)	0.9	0.5	1.7	2.6	2.4	3.0
EBITDA net leverage (x)	0.4	-0.0	1.2	1.8	1.7	2.2

F – Forecast

Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

CAP's ratings are constrained by its small size relative to the global mining industry, and its low mining and geographic diversification. The latter is somewhat compensated for by conservative financial management reflected in a resilient financial profile through the cycle. The company's business profile is similar to Ferrexpo plc (CCC+), which is among the top five pellet exporters globally at 12.4 million tonnes of pellets, compared with CAP's pellet production capacity of 4.0 million tonnes.

CAP also has a capacity of 12.5 million of pellet and sinter feed, reaching total production capacity of 16.5 million tonnes. Ferrexpo benefits from a slightly better position along the global iron ore cost curve, and both companies have conservative financial profiles.

However, Ferrexpo's rating was downgraded due to the war in Ukraine, which negatively affected the company's operating environment.

## Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Scale of Operations	Cost Position	Diversification and Country Risk	Reserve Life	Profitability	Financial Structure	Financial Flexibility
CAP S.A.	BBB-/Negative	a-	bbb-	bb-	bb+	bb+	a	bb-	bb	bb
Compania de Minas Buenaventura S.A.A.	BB-/Stable	bb	bb+	bb-	b	bb-	b	bb-	bb	bb-
Ferrexpo plc	CCC+/	b-	bb-	bb-	bb	ccc+	bbb	bb	a	ccc+
Minsur S.A.	BBB-/Stable	bb+	bbb-	bb+	bbb-	bb	bb	bbb	bbb+	bbb
Vale S.A.	BBB-/Stable	bb+	bbb	bbb	a-	bbb-	a-	a-	a	a
Volcan Compania Minera S.A.A.	CCC-/	bb	b	bb	b+	bb	b	b+	b	ccc

Source: Fitch Ratings

Relative Importance of Factor: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Scale of Operations	Cost Position	Diversification and Country Risk	Reserve Life	Profitability	Financial Structure	Financial Flexibility
CAP S.A.	BBB-/Negative	+3	0	-3	-1	-1	+4	-3	-2	-2
Compania de Minas Buenaventura S.A.A.	BB-/Stable	+1	+2	0	-2	0	-2	0	+1	0
Ferrexpo plc	CCC+/	+1	+4	+4	+5	0	+8	+5	+11	0
Minsur S.A.	BBB-/Stable	-1	0	-1	0	-2	-2	+1	+2	+1
Vale S.A.	BBB-/Stable	-2	0	0	+2	-1	+2	+2	+3	+3
Volcan Compania Minera S.A.A.	CCC-/	+7	+4	+7	+5	+7	+4	+5	+4	+1

Source: Fitch Ratings

Factor Score Relative to IDR: Worse positioned than IDR (Red), Within one notch of IDR (Blue), Better positioned than IDR (Light Blue)

## Rating Sensitivities

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

- The Outlook would be revised to Stable if the company's EBITDA coverage ratio recovers to more than 8.5x and it resolves the cash burn of its steel business on a sustained basis.

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

- A downgrade would be possible if CSH is not able to stabilize its operating cash generation and continues draining the group's cash and affecting the consolidated credit profile;
- A consolidated cost profile consistent with the fourth quartile;
- A sustained net debt/EBITDA ratio above 2.0x and/or EBITDA to interest expense of 8.5x or less;

- A significant and prolonged deterioration in liquidity and persistent negative FCF.

## Liquidity and Debt Structure

**Low Refinancing Risk:** The company reported USD240 million of cash in addition to an available revolving credit facility (RCF) of USD75 million as of September 2023, which faces short-term debt of USD743 million. However, short-term debt corresponds to working capital funding, including pre-export facilities at Compañía Minera del Pacífico (CMP) of between USD350 million and USD375 million; an RCF at the holding level between USD70 million and USD75 million; and close to USD220 million of Cintac's steel import financing, with approximately USD113 million off-balance-sheet confirming transactions. Fitch estimates a significant amount of Cintac's debt will move to the long term, in line with the refinancing process that would finalize in March 2024.

The company has a comfortable long-term debt amortization schedule, with the next debt payment estimated at USD355 million in 2026 at the CMP level. Other debt consists of bonds totaling USD341 million that matures beyond the projected period.

## 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>.

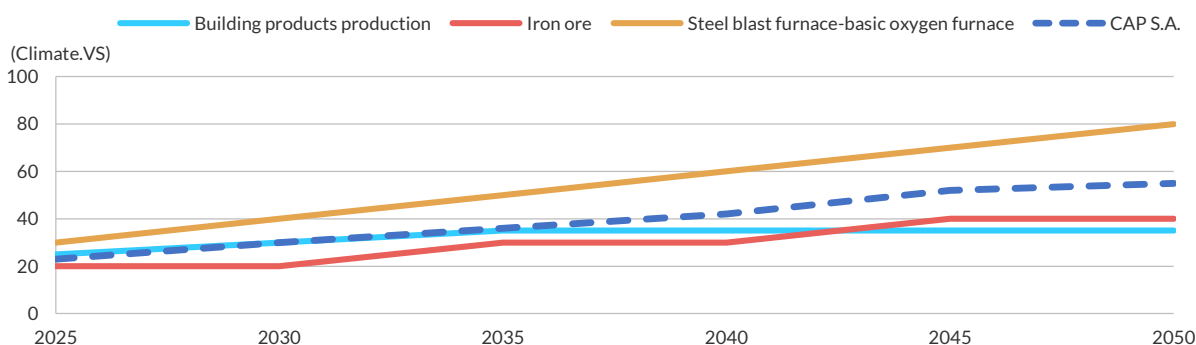
## Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's [Corporate Rating Criteria](#).

The fiscal 2022 revenue-weighted Climate.VS for CAP for 2035 is 36, suggesting moderate exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in the Metals & Mining sector see [Metals & Mining – Long-Term Climate Vulnerability Signals](#).

### Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

## Liquidity and Debt Maturities

(USD mil.)	2024F	2025F
<b>Available liquidity</b>		
Beginning cash balance	540	477
Rating case FCF after acquisitions and divestitures	-27	29
<b>Total available liquidity (A)</b>	<b>513</b>	<b>506</b>
<b>Liquidity uses</b>		
Debt maturities	-418	-490

(USD mil.)	2024F	2025F
Total liquidity uses (B)	-418	-490
Liquidity calculation		
Ending cash balance (A + B)	95	16
Revolver availability	75	75
Ending liquidity	170	91
Liquidity score (x)	0.4	0.2

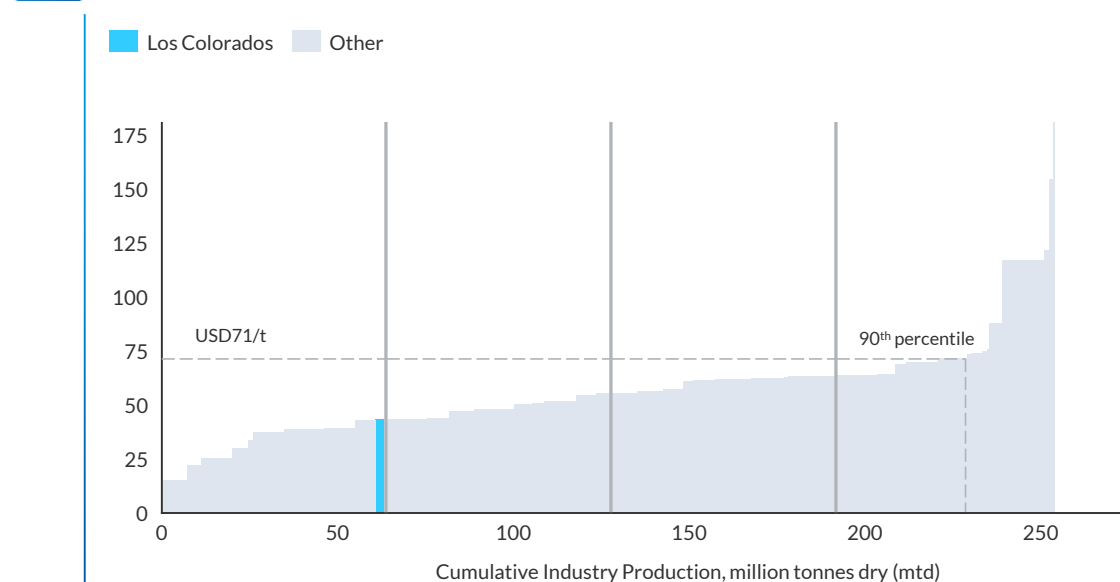
Scheduled Debt Maturities<sup>a</sup>

(USD mil.)	9/30/23
2024 <sup>b</sup>	418
2025	490
2026	45
2027	45
Thereafter	447
Total	1,445

<sup>a</sup>Including Interest. <sup>b</sup>Includes Cintac Confirming Payables.  
Source: Fitch Ratings, Fitch Solutions, CAP S.A.

## CRU Cost Curve

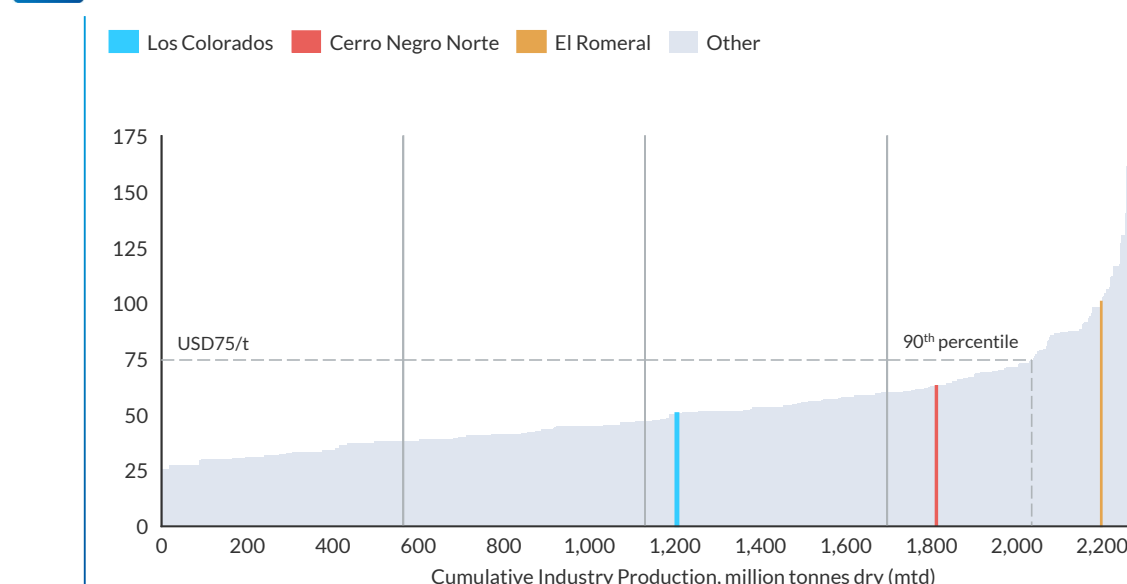
### Position of CAP S.A.'s Mines on Seaborne Iron Ore Cost Curve Business Costs (Pellets) 2023 – USD/t



Business costs include site cost plus transportation cost plus port cost plus marketing and finance cost plus value in use adjustment plus ocean freight. Benchmarked to CFR China.

Source: CRU Cost Analysis Tool, January 2024 Plant Database, 4Q23 Macroeconomic

### Position of CAP S.A.'s Mines on Seaborne Iron Ore Cost Curve Business Costs (All Products) 2023 – USD/t



Business costs include site cost plus transportation cost plus port cost plus marketing and finance cost plus value in use adjustment plus ocean freight. Costs trimmed at USD175/t.

Source: CRU Cost Analysis Tool, January 2024 Plant Database, 4Q23 Macroeconomic

The above cost curves were independently produced by CRU. The cost curves have not been reviewed or verified by the issuer.

## CRU Research



Information on this page was provided by CRU. Fitch Ratings has partnered with CRU, including their analysis of cost, prices and market developments, to enhance research and analytics in the metals and mining sector. Fitch develops forecasts and assumptions for certain variables (for example, prices) for the purposes of its rating analysis that may differ from CRU forecasts in this report. For more information on CRU and the CRU information specifically included in this report, visit [www.crugroup.com](http://www.crugroup.com).

## Iron Ore Market Analysis - CRU October 2023

The iron ore price fluctuated in 3Q23, starting at USD110 per dry metric ton (dmt) before dropping to USD104/dmt in mid-August as rumours of steel production cuts in China intensified. The price recovered toward the end of the quarter, reaching USD124/dmt in mid-September on positive Chinese economic data. Iron ore consumption has been high in China, despite low end-use steel demand and narrow steel margins. Blast furnace capacity utilisation rates were the highest since October 2020, at 93%. Iron ore inventories in China are at 50 days of consumption, a multi-year low, which has supported prices.

CRU forecasts global iron ore imports to reach 1,647 million tonnes (mt) in 2023, up from 1,559mt in 2022. Chinese imports were 9% higher than the six-year average in January to August. CRU expects this to slow after the peak season in 3Q23. Japan, Korea, Taiwan (JKT) imports remain below the average indicating weak demand. Inventories in JKT are building, with some ore being resold from Japan to China. Iron ore supply from major exporters has been strong, with all four majors reporting increased production in 2023. Exports from Brazil have had a strong recovery following seasonal rainfall disruptions earlier in the year and CRU forecasts them to increase by 18mt to 358mt in 2023.

CRU expects the price to fall to USD109/t in 4Q23 with limited upside in demand in key import markets and strong supply from the major exporters. CRU expects low inventory levels in China, which have increased the price, to ease in the coming years as they restock. CRU has revised its 2024 price forecast up by USD3/dmt to USD99/dmt due to this restocking.

## Selected CRU Iron Ore Price and Market Forecasts

Prices	2021	2022	2023F	2024F	2025F	2026F
China spot, 62% Fe fines (USD/dmt)	160	120	115	99	87	83
yoy change (%)	48.1	-25.0	-4.2	-13.9	-12.1	-4.6
Consumption (mt)						
Global iron ore consumption	2,299	2,246	2,280	2,268	2,256	2,222
Global pellet consumption	510	515	534	565	580	587
Global lump consumption	341	336	347	351	354	344
Global fines consumption <sup>a</sup>	1,448	1,395	1,400	1,352	1,322	1,291

<sup>a</sup>Fines consumption in sinter, DRI and hot briquetted iron production. F - Forecast  
Source: CRU

## Selected CRU Iron Ore Import, Export and Production Forecasts

Imports, exports (mt)	2021	2022	2023F	2024F	2025F	2026F
Global iron ore imports	1,596	1,559	1,647	1,642	1,638	1,628
Australian iron ore exports	926	938	948	956	969	959
Brazilian iron ore exports	353	340	358	356	356	370
South African iron ore exports	68	56	55	55	56	58
Chinese production, imports (m tonnes)						
Chinese iron ore mined production <sup>a</sup>	392	384	384	359	335	306
Chinese iron ore import penetration <sup>b</sup> (%)	80	79	83	85	87	89

<sup>a</sup>Includes production of sinter fines, pellet feed and lump. <sup>b</sup>Imports as a proportion of consumption. F - Forecast  
Source: CRU

## Selected CRU Mining Cost Inflation Indicators

	Mining equipment yoy change (%)	Brent crude oil (USD/bbl)	Thermal coal South China <sup>a</sup> (USD/t)	Panamax shipping (USD/day)	Australia mining wage yoy change (%)	Brazil mining wage yoy change (%)
2021	2.6	70.7	121	22,870	23.5	4.8
2022	3.6	100.8	167	21,351	-12.8	15.8
2023F	2.6	84.4	115	14,139	-2.3	10.4

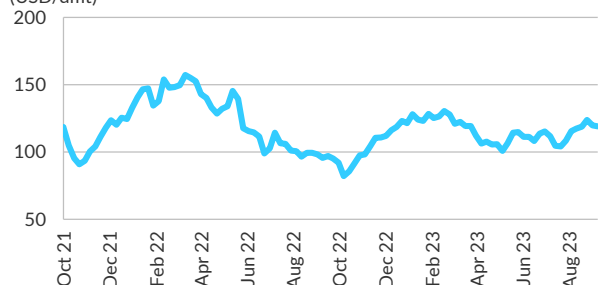
<sup>a</sup>Cost and freight price. F - Forecast  
Source: CRU

CRU

## Iron Ore: Prices Recover Above USD100/t on Strong Chinese Demand

### Fluctuating Iron Ore Price in 3Q23

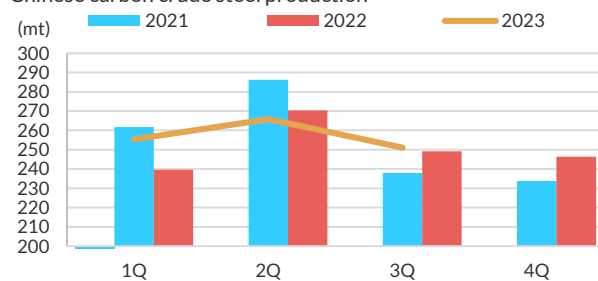
Iron ore fines, 62% Fe CFR China  
(USD/dmt)



Source: CRU

### Robust 3Q23 Steel Output Despite Narrow Margins

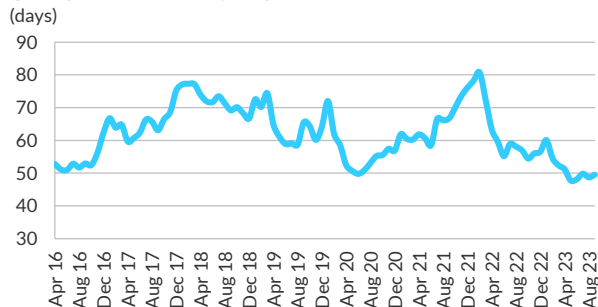
Chinese carbon crude steel production



Source: CRU

### Chinese Iron Ore Still Critically Low

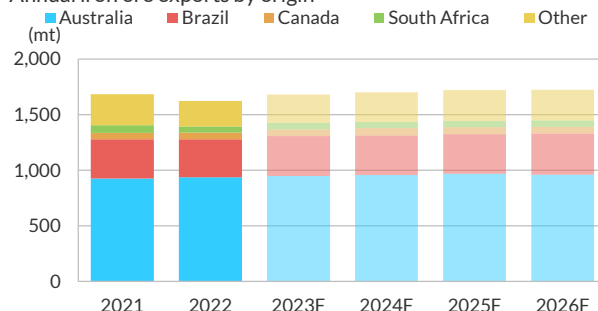
Chinese iron ore inventories



Source: CRU

### Supply Improvements Expected in the Short Term

Annual iron ore exports by origin



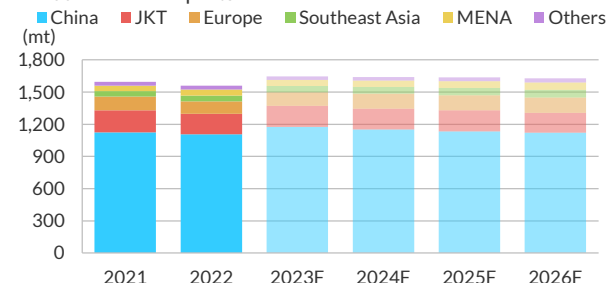
Source: CRU

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- The iron ore price averaged USD113/dmt in 3Q23 up slightly from USD111/dmt in 2Q23. Consumption levels were higher than CRU expected in China upon positive economic results despite little improvement in end-use steel demand.
- High Chinese crude steel output boosted iron ore consumption in 3Q23. Crude steel output hit a multi-year high in 3Q, reaching 251mt. Fears of steel output cuts pushed prices higher and led to increased steel production in China despite narrow margins. Output momentum is likely to reduce in the coming months due to weak margins.
- Chinese iron ore inventories declined to 50 days of consumption by end-3Q23, 15 days lower than historical averages. Ore inventories remain significantly low due to high consumption rates and slow offloading from ports due to weather turbulence.
- CRU expects global iron ore imports to reach 1,647mt in 2023, up 5.7% yoy. China imports have been above the past six-year average. However, JKT imports have been below the past six-year average, with inventories at high levels. Imports are likely to decline gradually to 1,628mt in 2026.
- Global iron ore exports are likely to increase by 58mt in 2023. Australian exports are likely to increase by 10mt this year, but more replacement projects will be needed in the coming years. Brazilian exports are to rise 18mt in 2023, and are on track to reach the highest export level since its 2019 dam incident.
- CRU expects the iron ore price to fall to USD99/dmt in 2024, as weak expected demand in China coincides with improving global supply. CRU expects prices to continue to fall to USD83/dmt by 2026 as the market shifts from undersupply to oversupply.

### Mixed Signals from Demand, but China Is Key

Annual iron ore imports

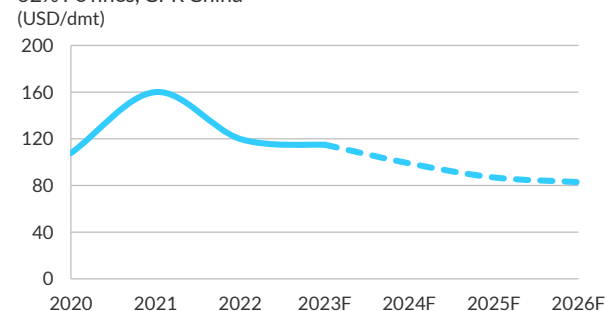


MENA – Middle East and North Africa. F – Forecast

Source: CRU

### Iron Ore Price to Decline Gradually to 2026

62% Fe fines, CFR China



Source: CRU

## Key Assumptions

### Fitch's Key Assumptions Within Our Rating Case for the Issuer Include

- Fitch's midcycle iron ore prices at USD118/tonne for 2023, USD95/tonne for 2024, USD80/tonne for 2025 and USD75/tonne for 2026;
- Cash costs of USD53/tonne for 2023, USD49/tonne for 2024, USD49/tonne for 2025 and USD49/tonne for 2026;
- Compania Minera del Pacifico S.A.'s shipments of approximately 17,000 tonnes for 2023; 16,800 tonnes for 2024; 16,900 tonnes for 2025 and 17,500 tonnes for 2026;
- Freight costs of USD20/tonne for the rating horizon;
- Capex at USD512 million in 2023, USD475 million in 2024, and USD260 million per year in 2025 and 2026;
- Steel subsidiary EBITDA generation of approximately negative USD150 million in 2023; zero in 2024, and USD9 million in 2025 and 2026.

## Financial Data

(USD 000)	2020	2021	2022	2023F	2024F	2025F
<b>Summary income statement</b>						
Gross revenue	2,679,003	3,676,883	3,006,047	2,763,937	2,488,157	2,308,949
Revenue growth (%)	68.5	37.2	-18.2	-8.1	-10.0	-7.2
EBITDA before income from associates	938,756	1,743,379	851,098	823,235	745,333	566,000
EBITDA margin (%)	35.0	47.4	28.3	29.8	30.0	24.5
EBITDA after associates and minorities	905,722	1,646,735	648,999	672,235	708,583	548,563
EBITDAR	938,756	1,743,379	851,098	823,235	745,333	566,000
EBITDAR margin (%)	35.0	47.4	28.3	29.8	30.0	24.5
EBIT	756,242	1,519,859	587,121	548,663	458,524	280,828
EBIT margin (%)	28.2	41.3	19.5	19.9	18.4	12.2
Gross interest expense	-53,906	-42,271	-42,368	-99,245	-105,245	-95,602
Pretax income including associate income/loss	620,813	1,474,030	509,517	454,917	358,279	190,227
<b>Summary balance sheet</b>						
Readily available cash and equivalents	497,595	893,072	300,676	540,434	476,839	458,321
Debt	822,911	812,345	1,109,579	1,726,000	1,689,000	1,641,186
Lease-adjusted debt	822,911	812,345	1,109,579	1,726,000	1,689,000	1,641,186
Net debt	325,316	-80,727	808,903	1,185,566	1,212,161	1,182,865
<b>Summary cash flow statement</b>						
EBITDA	938,756	1,743,379	851,098	823,235	745,333	566,000
Cash interest paid	-63,657	-39,739	-50,110	-99,245	-105,245	-95,602
Cash tax	-92,315	-434,662	-474,484	-174,518	-145,574	-114,649
Dividends received less dividends paid to minorities (inflow/outflow)	-33,034	-96,644	-202,099	-151,000	-36,750	-17,438
Other items before FFO	-235,816	75,716	275,702	-52,000	—	—
FFO	531,097	1,249,545	404,440	351,972	462,764	343,312
FFO margin (%)	19.8	34.0	13.5	12.7	18.6	14.9
Change in working capital	126,241	12,975	-455,274	-189,638	77,956	50,657
CFO (Fitch-defined)	657,338	1,262,520	-50,834	162,334	540,720	393,969
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-248,856	-405,218	-422,578	—	—	—
Capital intensity (capex/revenue) (%)	9.3	11.0	14.1	—	—	—
Common dividends	-49,703	-365,614	-400,893	—	—	—
FCF	358,779	491,688	-874,305	—	—	—
FCF margin (%)	13.4	13.4	-29.1	—	—	—
Net acquisitions and divestitures	-38,767	-6,217	1,453	—	—	—



(USD 000)	2020	2021	2022	2023F	2024F	2025F
Other investing and financing cash flow items	-25,656	15,241	18,396	—	—	—
Net debt proceeds	-133,637	-55,097	258,336	616,421	-37,000	-47,814
Net equity proceeds	—	—	—	—	—	—
Total change in cash	160,719	445,615	-596,120	239,758	-63,595	-18,518
<b>Leverage ratios (x)</b>						
EBITDA leverage	0.9	0.5	1.7	2.6	2.4	3.0
EBITDA net leverage	0.4	-0.0	1.2	1.8	1.7	2.2
EBITDAR leverage	0.9	0.5	1.7	2.6	2.4	3.0
EBITDAR net leverage	0.4	-0.0	1.2	1.8	1.7	2.2
FFO-adjusted leverage	1.4	0.6	2.5	3.9	3.0	3.8
FFO-adjusted net leverage	0.6	-0.1	1.8	2.7	2.2	2.7
FFO leverage	1.4	0.6	2.5	3.9	3.0	3.8
FFO net leverage	0.6	-0.1	1.8	2.7	2.2	2.7
<b>Calculations for forecast publication</b>						
Capex, dividends, acquisitions and other items before FCF	-337,326	-777,049	-822,018	-564,000	-567,315	-364,673
FCF after acquisitions and divestitures	320,012	485,471	-872,852	-401,666	-26,595	29,296
FCF margin after net acquisitions (%)	11.9	13.2	-29.0	-14.5	-1.1	1.3
<b>Coverage ratios (x)</b>						
FFO interest coverage	9.1	32.4	9.0	4.5	5.4	4.5
FFO fixed-charge coverage	9.1	32.4	9.0	4.5	5.4	4.5
EBITDAR fixed-charge coverage	14.2	41.4	13.0	6.8	6.7	5.7
EBITDAR net fixed-charge coverage	19.5	43.1	14.2	7.2	7.1	6.1
EBITDA interest coverage	14.2	41.4	13.0	6.8	6.7	5.7
<b>Additional metrics (%)</b>						
CFO – capex/debt	49.6	105.5	-42.7	-20.3	3.9	8.2
CFO – capex/net debt	125.6	-1,062.0	-58.5	-29.5	5.4	11.3
CFO/capex	264.1	311.6	-12.0	31.7	113.8	151.5

F – Forecast. CFO – Cash flow from operations  
Source: Fitch Ratings, Fitch Solutions

#### How to Interpret the Forecast Presented

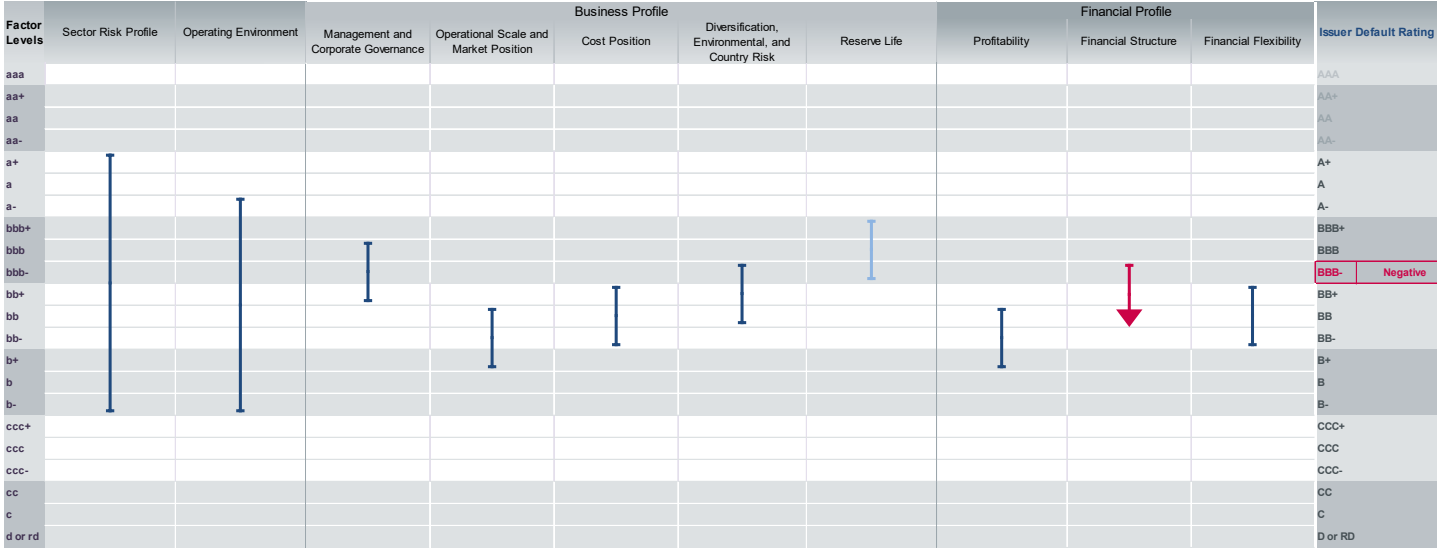
The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

FitchRatings

CAP S.A.

ESG Relevance:  Corporates Ratings Navigator Mining



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	↑ Positive
<div>Higher Importance</div>	↓ Negative
<div>Average Importance</div>	↕ Evolving
<div>Lower Importance</div>	□ Stable

## Operating Environment

a	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
a-	Financial Access	a	Strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	a	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'a'.
b-			
ccc+			

## Management and Corporate Governance

bbb+	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bbb	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bb+	Financial Transparency		
bb			

## Operational Scale and Market Position

bb+	Scale of Operations	bb	Small diversified or medium single-commodity.
bb	EBITDA	bb	USD0.5 billion
bb-	Size of Individual Assets	b	Small assets
b+			
b			

## Cost Position

bbb-	Cost Position	bb	3rd quartile.
bb+	Regulatory Risk	bbb	Limited or manageable exposure to environmental regulations. Remediation costs are comfortably within current cashflows.
bb			
bb-			
b+			

## Diversification, Environmental, and Country Risk

bbb	Commodity Diversification	b	Single commodity (not top 10 participant).
bbb-	Environmental Risk	bbb	Sustainability strategy in line with average market participants. Medium exposure to energy-transition metals.
bb+	Country Risk Relative to Mining Operations	a	Minimal
bb			
bb-			

## Reserve Life

a-	Bulk Commodities (Iron Ore, Coal, Bauxite, Etc.)	bbb	20-50 years on average at major mines.
bbb+	Base (Copper, Lead, Etc.) and Precious Metals		
bbb			
bbb-			
bb+			

## Profitability

bb+	EBITDA Margin	bb	25%
bb	FFO Margin	b	15%
bb-	FCF Margin	bb	Neutral FCF on average, with a protracted FCF outflow due to capex plans and price cycle.
b+			
b			

## Financial Structure

bbb	EBITDA Leverage	bb	3.0x
bbb-	EBITDA Net Leverage	bbb	1.7x
bb+	FFO Leverage	bb	3.5x
bb	FFO Net Leverage	bb	3.0x
bb-			

## Financial Flexibility

bbb-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
bb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bb	EBITDA Interest Coverage	bb	8.5x
bb-	FFO Interest Coverage	b	4.0x
b+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

## Credit-Relevant ESG Derivation

				Overall ESG	
CAP S.A. has 13 ESG potential rating drivers				key driver	0 issues
➤ Regulatory Risk - emission standards				driver	0 issues
➤ Energy use in operations				potential driver	13 issues
➤ Water usage in operations (including exposure to regions with water scarcity)				not a rating driver	0 issues
➤ Total amount of tailings and mineral processing waste produced; management of tailings dams					1 issues
➤ Exposure to extreme weather events					
➤ Relationships with local communities and/or land right holders					

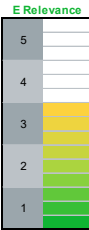
Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation					ESG Relevance to Credit Rating			
CAP S.A. has 13 ESG potential rating drivers					key driver	0 issues	5	
➡ CAP S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.					driver	0 issues	4	
➡ CAP S.A. has exposure to energy productivity risk but this has very low impact on the rating.								
➡ CAP S.A. has exposure to water management risk but this has very low impact on the rating.					potential driver	13 issues	3	
➡ CAP S.A. has exposure to waste & impact management risk but this has very low impact on the rating.								
➡ CAP S.A. has exposure to extreme weather events but this has very low impact on the rating.					not a rating driver	0 issues	2	
➡ CAP S.A. has exposure to land rights/conflicts risk but this has very low impact on the rating.								
					1	issues	1	
Showing top 6 issues								

Environmental (E) Relevance Scores

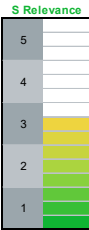
General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Regulatory Risk - emission standards	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility
Energy Management	3	Energy use in operations	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility
Water & Wastewater Management	3	Water usage in operations (including exposure to regions with water scarcity)	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Total amount of tailings and mineral processing waste produced; management of tailings dams	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility
Exposure to Environmental Impacts	3	Exposure to extreme weather events	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility



**How to Read This Page**  
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.  
**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.  
**The Credit-Relevant ESG Derivation table's** far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.  
**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

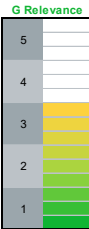
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Relationships with local communities and/or land right holders	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility
Customer Welfare - Fair Messaging, Privacy & Data Security	1	n.a.	n.a.
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Cost Position of Key Operations; Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	3	Worker safety and accident prevention	Management and Corporate Governance
Exposure to Social Impacts	3	Social resistance to major projects or operations that leads to delays and cost increases	Profitability; Financial Structure; Financial Flexibility



Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

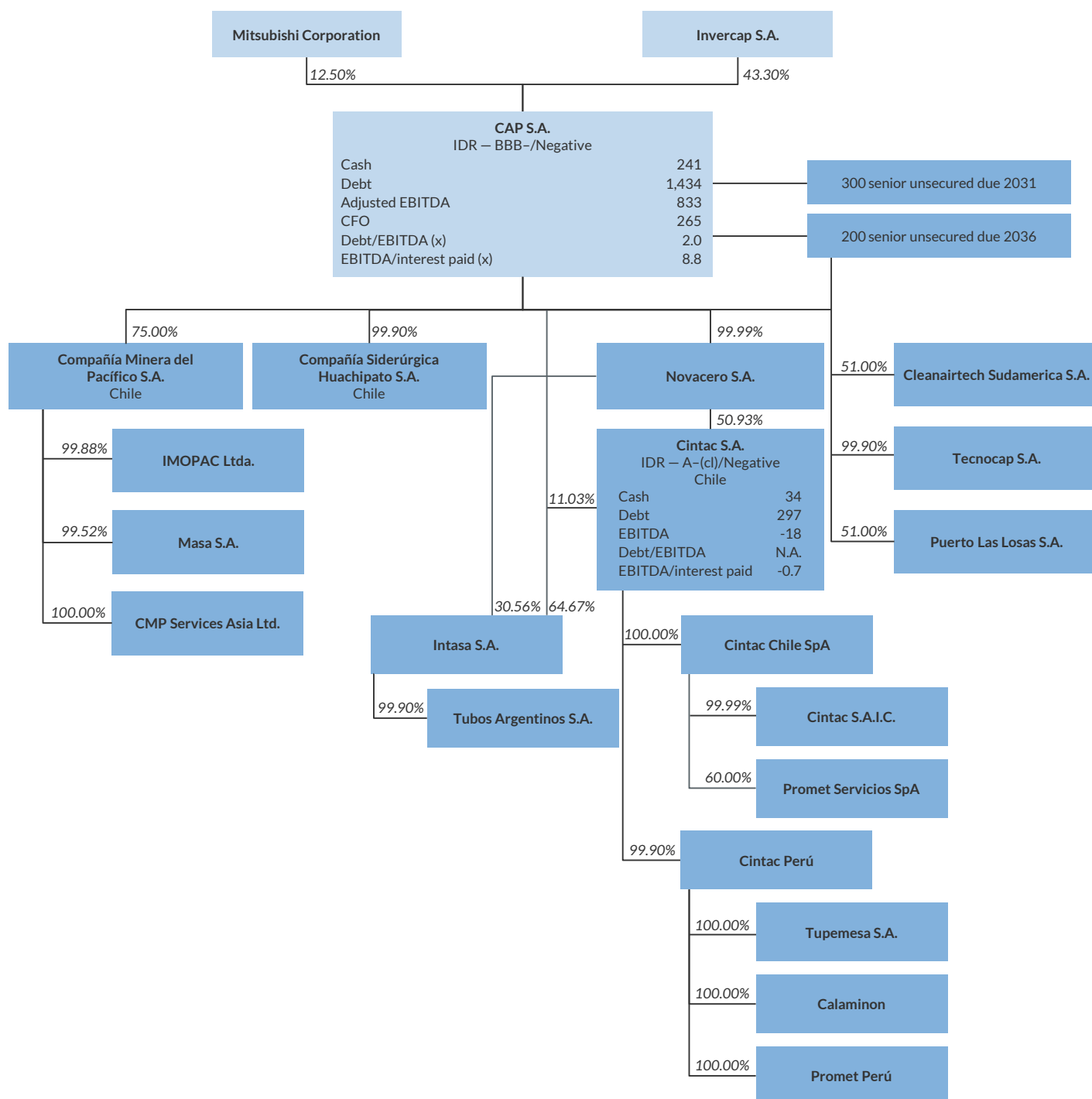


CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

## Simplified Group Structure Diagram

### Organizational Chart

USD mil., as of the LTM ended Sept. 30, 2023



Consolidated

IDR – Issuer Default Rating. CFO – Cash flow from operations. N.A. – Not applicable  
Source: Fitch Ratings, Fitch Solutions, CAP S.A.

## Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (USD mil.)	EBITDA margin (%)	EBITDA interest coverage (x)	EBITDA leverage (x)	EBITDA net leverage (x)
CAP S.A.	BBB-						
	BBB-	2022	3,006	28.3	13.0	1.7	1.2
	BBB-	2021	3,677	47.4	41.4	0.5	-0.0
	BBB-	2020	2,679	35.0	14.2	0.9	0.4
Compania de Minas Buenaventura S.A.A.	BB-						
	BB	2022	825	20.2	5.9	3.0	2.0
	BB	2021	900	22.7	24.1	3.2	2.1
	BB+	2020	677	15.9	5.0	5.5	3.3
Ferrexpo plc	CCC+						
	CCC+	2022	1,249	32.7	584.1	—	-0.3
	BB-	2021	2,518	58.4	226.8	0.0	-0.1
	BB-	2020	1,700	46.3	37.0	0.3	-0.0
Vale S.A.	BBB						
	BBB	2022	43,839	47.2	18.1	0.6	0.3
	BBB	2021	54,502	56.7	28.0	0.4	0.0
	BBB	2020	40,018	48.0	20.6	0.6	-0.1
Minsur S.A.	BBB-						
	BBB-	2022	2,275	59.1	22.1	1.1	0.9
	BBB-	2021	2,005	70.3	28.5	1.1	0.8
	BBB-	2020	649	41.2	8.7	5.1	3.8
Volcan Compania Minera S.A.A.	CCC-						
	BB	2022	951	31.4	5.9	2.6	2.4
	BB	2021	937	41.4	9.2	2.4	1.8
	BB	2020	535	19.1	2.7	8.9	7.8

Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

(USD 000 as of Dec. 31, 2022)	Notes and formulas	Standardized values	CORP - factoring	Lease treatment	Other adjustments	Adjusted values
<b>Income statement summary</b>						
Revenue		3,006,047	—	—	—	3,006,047
EBITDA	(a)	885,014	—	-33,916	—	851,098
Depreciation and amortization		-295,943	—	31,966	—	-263,977
EBIT		589,071	—	-1,950	—	587,121
<b>Balance sheet summary</b>						
Debt	(b)	1,080,432	109,366	-67,159	-13,060	1,109,579
Of which other off-balance-sheet debt		—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—
Lease-adjusted debt		1,080,432	109,366	-67,159	-13,060	1,109,579
Readily available cash and equivalents	(c)	300,676	—	—	—	300,676
Not readily available cash and equivalents		50,003	—	—	—	50,003
<b>Cash flow summary</b>						
EBITDA	(a)	885,014	—	-33,916	—	851,098
Dividends received from associates less dividends paid to minorities	(d)	-202,099	—	—	—	-202,099

(USD 000 as of Dec. 31, 2022)	Notes and formulas	Standardized values	CORP - factoring	Lease treatment	Other adjustments	Adjusted values
Interest paid	(e)	-52,060	—	1,950	—	-50,110
Interest received	(f)	4,333	—	—	—	4,333
Preferred dividends paid	(g)	—	—	—	—	—
Cash tax paid		-474,484	—	—	—	-474,484
Other items before FFO		166,855	108,847	—	—	275,702
FFO	(h)	327,559	108,847	-31,966	—	404,440
Change in working capital		-345,908	-109,366	—	—	-455,274
CFO	(i)	-18,349	-519	-31,966	—	-50,834
Non-operating/nonrecurring cash flow		—	—	—	—	—
Capex	(j)	-422,578	—	—	—	-422,578
Common dividends paid		-400,893	—	—	—	-400,893
FCF		-841,820	-519	-31,966	—	-874,305
<b>Gross leverage (x)</b>						
EBITDA leverage	b / (a+d)	1.6	—	—	—	1.7
(CFO-capex)/debt (%)	(i+j) / b	-40.8	—	—	—	-42.7
<b>Net leverage (x)</b>						
EBITDA net leverage	(b-c) / (a+d)	1.1	—	—	—	1.2
(CFO-capex)/net debt (%)	(i+j) / (b-c)	-56.5	—	—	—	-58.5
<b>Coverage (x)</b>						
EBITDA interest coverage	(a+d) / (-e)	13.1	—	—	—	13.0

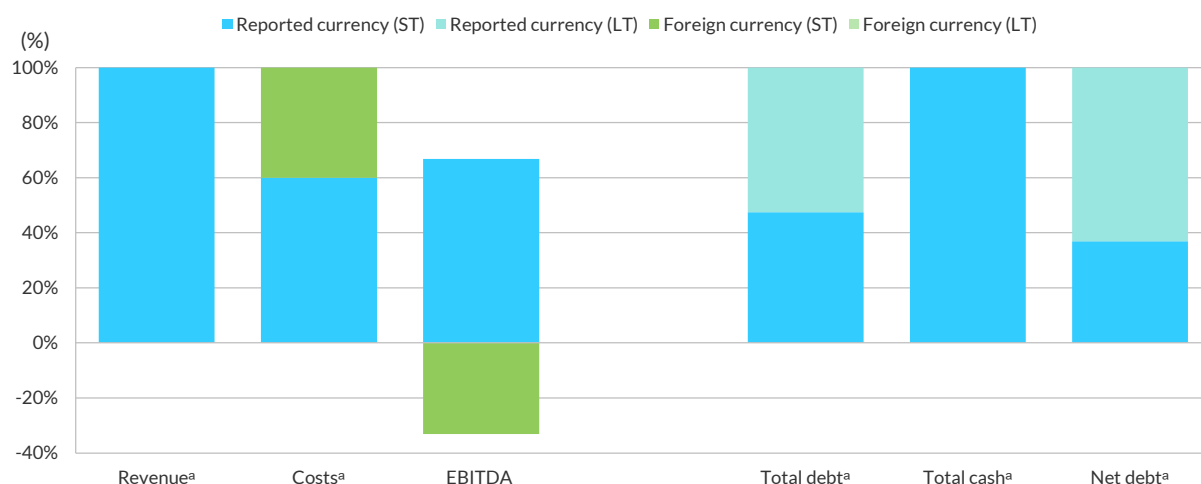
CFO – Cash flow from operations. Note: The standardized items presented above are based on Fitch's taxonomy for the given sector and region. Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly. Debt includes other off-balance-sheet debt.

Source: Fitch Ratings, Fitch Solutions, CAP S.A.

## FX Screener

### Fitch FX Screener

CAP S.A. – (BBB-/negative), LTM Sep 2023, USD 000

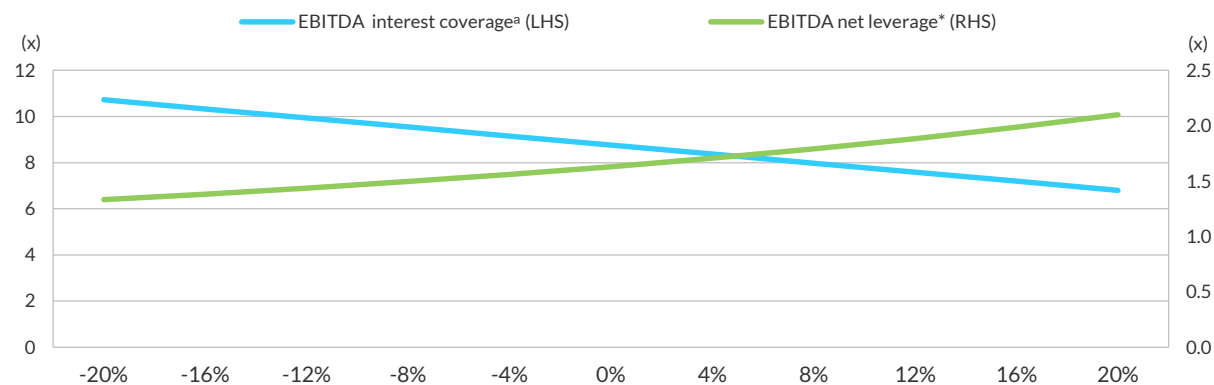


<sup>a</sup>Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information

Source: Fitch Ratings, Fitch Solutions

### Fitch FX Screener — Foreign to Reported Currency Stress Test; Absolute Variation

CAP S.A. — (BBB-/negative), LTM Sep 2023

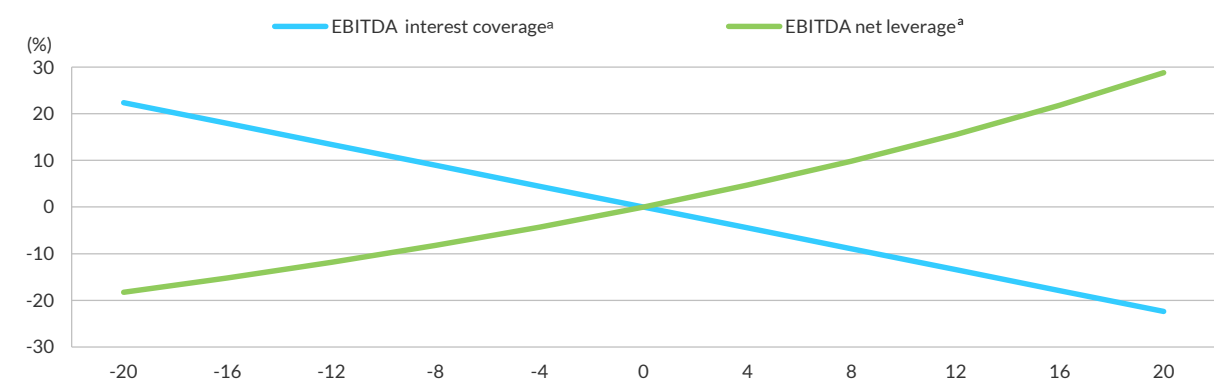


<sup>a</sup>EBITDA after dividends to associates and minorities

Source: Fitch Ratings, Fitch Solutions

### Fitch FX Screener — Foreign to Reported Currency Stress Test; Relative Variation

CAP S.A. — (BBB-/negative), LTM Sep 2023



<sup>a</sup>EBITDA after dividends to associates and minorities

Source: Fitch Ratings, Fitch Solutions

## CRU Research

[Aluminum](#)

[Copper](#)

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