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Street Talk

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# Molycop bankers grind and hustle; seven-point pitch to buyers

Sarah Thompson, Anthony Macdonald and Tim Boyd

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Apr 7, 2021 – 9.34pm



Grinding media business Molycop's revenue is up 30 per cent since US private equity firm American Industrial Partners took the keys from Arrium in 2016, and the process has begun to find the next owner.

Molycop advisers Record Point and Morgan Stanley have kicked off the group's sale with a seven-point pitch to private equity funds, infrastructure investors and other potential buyers.



Molympco's customers include Rio Tinto, whose copper operations including the Oyu Tolgoi mine. **Philip Wen**

The bankers said Molycop, which supplies steel balls and rods that help extract copper and gold from mined ore, was 3½ times the size of its biggest rival based on installed capacity, and expected 5 per cent a year future volume growth.

In a flyer sent to launch Molycop's auction, the bankers said Molycop's customers included the largest and lowest cost copper and gold producers in the world, and had been servicing most of its big clients for 25 years or more.

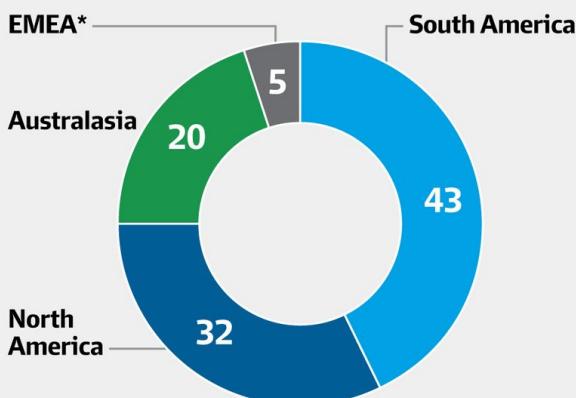
The flyer said Molycop would sell 1.3 million tonnes of grinding media in the year to June 30, 2021, from its 12 manufacturing facilities and 40 locations globally, and had 1400 staff.

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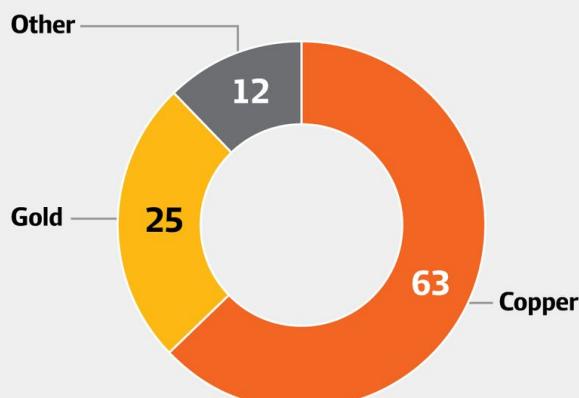
It said the group was likely to record \$US1.3 billion (\$1.61 billion) revenue in FY21 and \$US175 million in adjusted EBITDA, with its underlying market forecast to increase 3.5 per cent a year until the end of the decade.

### Molycop key metrics

REVENUE BY REGION, FY20 (%)



VOLUME BY COMMODITY, FY20 (%)



GRINDING MEDIA MARKET SHARE BY VOLUME\*\*, FY20 (%) ■ Molycop ■ Competitors



### Molycop key business statistics

**~1.3Mt**  
2021e volume sold

**~\$US1.3b**  
2021e revenue

**~\$US175m**  
2021e adjusted EBITDA

**40+**  
Global locations

**100+**  
Engineers, PhDs,  
metallurgists

**1400+**  
Employees

\* EMEA (Europe, the Middle East and Africa) includes results of Molycop Spain only. \*\* Forged and cast      SOURCE: COMPANY DATA

The revenue and earnings numbers were higher than Molycop's performance under former owner, Arrium. The last time fundies (and potential buyers) saw Molycop's financials was at the end of the 2016 financial year, when it recorded \$US1.02 billion revenue and \$US156 million EBITDA. The business was then referred to as Arrium Mining Consumables Division.

The other thing that's changed is Molycop's production capacity. Potential buyers were told Molycop had invested \$US150 million over the past six years to increase

WEBCO HOLDINGS Corp has invested \$US150 million over the past six years to increase capacity to 1.8 million tonnes, which included 1.1 million tonnes of small/medium balls and 0.7 million tonnes of SAG grinding balls which feed semi-autogenous mills.

Both are used at copper and gold mines to grind core ore into smaller chips, and then chips to dust. The grinding is designed to liberate contained metals. The balls wear out and need to be replaced frequently.

The flyer is expected to precede a two part-auction that will play out over the coming six months or so. The business will target deep-pocketed financial buyers and strategic names in Australia and offshore, sources said.

KKR is not taking a look, despite unsubstantiated news reports.

American Industrial Partners paid \$US1.23 billion for the business in a deal that completed in January 2017, while Arrium was in administration.

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