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Tear Sheet:

Industrias Peñoles S.A.B. de C.V.

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This report does not constitute a rating action.

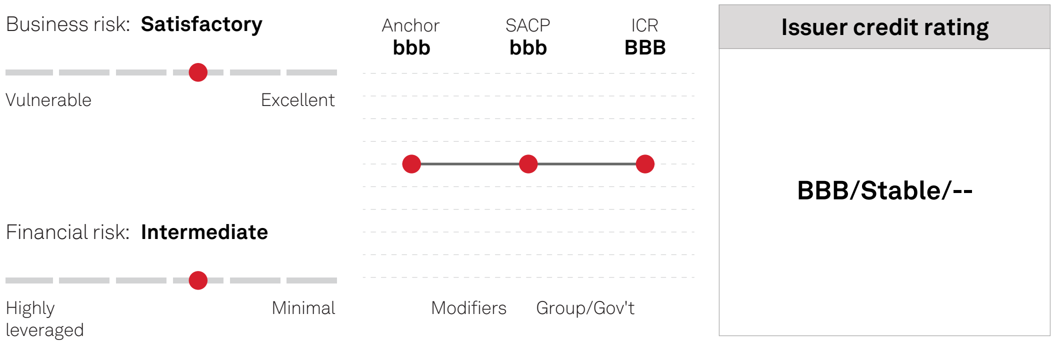
Peñoles' credit metrics have strengthened amid elevated metal prices and optimized operating costs. The company maintains a net cash position, with robust cash reserves exceeding total financial liabilities. Annual revenue grew 30% to $8.6 billion in 2025, fueled by significant price appreciation in silver (up 38%) and gold (up 45.2%) amid global economic uncertainty. Additionally, a more efficient cost structure bolstered EBITDA generation (up 73%), reflecting significant operational progress.

We expect Peñoles' liquidity to remain strong, benefiting from projected commodity prices and a prudent capital allocation framework. As of March 31, 2026, the company's $3.7 billion cash position reflected a disciplined approach to balancing dividend payouts and strategic capital expenditure. This robust liquidity buffer should provide sufficient organic funding for both near- and long-term growth initiatives, minimizing the need for additional financing.

Because of the nature of the mining industry, we view Peñoles as less exposed to Mexico's economy. Peñoles is primarily export oriented, with 61% of total revenue derived from sales to North America (approximately 50% from the U.S. [AA+/Stable/A-1+] and 11% from Canada [AAA/Stable/A-1+]). Consequently, the company remains more sensitive to the economic growth and stability of these foreign markets than to the Mexican economy.

Commodity price volatility remains a key credit risk for Peñoles. An upgrade would require a demonstration of financial metrics' stability during price downturns, via growing production and reserves, while the company maintained diversified assets and geographically diverse sales.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- S&P Global Ratings' Metal Price Assumptions: Mostly Higher On Supply Shocks And Lower Stocks, May 25, 2026
- Credit Quality Of Several Mexican Corporate Entities Remains Intact After Sovereign Outlook Revision To Negative, May 13, 2026
- Research Update: Mexico Outlook Revised To Negative On Weakening Fiscal Flexibility; 'BBB' Foreign Currency Rating Affirmed, May 12, 2026

Company Description

Peñoles, founded in 1887, is a mining group with integrated operations for the smelting and refining of nonferrous metals and the manufacture of chemical products. Peñoles is the world's leading producer of refined silver, the leading Latin American producer of refined gold and lead, and one of the world's leading producers of refined zinc and sodium sulfate. Its shares have been listed on the Mexican Stock Exchange since 1968 under PE&OLES. Peñoles is also part of Grupo BAL, with the Baillères family as the main shareholders of the company.

Outlook

Our stable rating outlook on Peñoles reflects our view that stronger prices, consistent production, and the optimized cost structure will keep debt-to-EBITDA ratios below 1.5x for the next 12-24 months. We also expect Peñoles to fund growth investments with operating cash generation and not incur additional debt. EBITDA margins will remain above 30%.

Downside scenario

We could lower the ratings in the next 12 months if Peñoles' leverage consistently weakens, resulting in debt to EBITDA above 1.5x and free operating cash flow (FOCF) to debt below 15%. This could happen if:

- The company is unable to navigate low price cycles and production does not compensate for revenue;
- We conclude that the company's cost structure is not supportive and EBITDA declines beyond our expectations, amid normalized price cycles; or

- Capital expenditure is higher than we expect, given substantial exploration or expansion projects.

Upside scenario

An upgrade in the next 12-24 months could occur if the company's FOCF to debt is consistently above 40% while its debt to EBITDA remains below 1.5x, even during normalized price cycles. This could happen if:

- New projects produce higher-than-expected volumes during the ramp-up or we perceive higher prices will prevail longer than expected; and
- We assume the company's liquidity can withstand worsened economic and industry conditions, maintaining diversified sales within higher-rated regions than Mexico.

Key Metrics

Industrias Penoles S. A. B. de C. V.--Forecast summary

(Mil. $)	2024a	2025a	2026e	2027f	2028f
Revenue	6,650	8,647	12,383	11,556	10,636
Gross profit	2,533	3,991	6,517	5,585	4,600
EBITDA	1,861	3,222	5,707	4,750	3,739
Funds from operations (FFO)	1,501	2,639	4,110	3,469	2,742
EBIT	1,131	2,646	5,030	4,047	3,102
Interest expense	167	170	159	128	127
Cash flow from operations (CFO)	1,222	2,455	3,194	3,002	2,887
Capital expenditure (capex)	446	545	929	867	798
Free operating cash flow (FOCF)	777	1,910	2,266	2,135	2,089
Dividends	74	269	426	741	595
Discretionary cash flow (DCF)	702	1,642	1,840	1,394	1,494
Adjusted net debt	1,275	--	--	--	--
Equity	5,632	7,289	10,235	12,200	13,650
Cash and short-term investments (reported)	1,867	3,484	4,195	5,570	7,043
Adjusted ratios					
Debt/EBITDA (x)	0.7	--	--	--	--
FFO/debt (%)	117.7	N.M.	N.M.	N.M.	N.M.
FFO cash interest coverage (x)	10.6	17.1	27.9	29.5	23.7
EBITDA interest coverage (x)	11.2	19.0	35.9	37.1	29.5
CFO/debt (%)	95.8	N.M.	N.M.	N.M.	N.M.
FOCF/debt (%)	60.9	N.M.	N.M.	N.M.	N.M.
DCF/debt (%)	55.1	N.M.	N.M.	N.M.	N.M.
Annual revenue growth (%)	12.2	30.0	43.2	(6.7)	(8.0)
Gross margin (%)	38.1	46.2	52.6	48.3	43.2
EBITDA margin (%)	28.0	37.3	46.1	41.1	35.2
Return on capital (%)	15.8	37.3	57.4	36.1	24.0

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. N.M.--Not meaningful.

Financial Summary

Industrias Penoles S. A. B. de C. V.--Financial summary

(Mil. $)	2020a	2021a	2022a	2023a	2024a	2025a
Revenues	4,673	5,972	5,523	5,929	6,650	8,647
EBITDA	1,435	1,689	1,001	825	1,861	3,222
Funds from operations (FFO)	1,119	1,093	566	223	1,501	2,639
Interest expense	128	149	162	190	167	170
Cash interest paid	125	145	171	190	156	164
Operating cash flow (OCF)	998	1,024	531	361	1,222	2,455
Capital expenditure	543	743	728	592	446	545
Free operating cash flow (FOCF)	455	281	(198)	(230)	777	1,910
Discretionary cash flow (DCF)	421	131	(300)	(287)	702	1,642
Cash and short-term investments	1,593	1,817	1,469	1,040	1,867	3,484
Gross available cash	1,593	1,817	1,469	1,040	1,867	3,484
Debt	1,464	1,265	1,582	1,864	1,275	0
Common equity	4,531	5,024	5,288	5,506	5,632	7,289
Adjusted ratios						
EBITDA margin (%)	30.7	28.3	18.1	13.9	28.0	37.3
Return on capital (%)	9.4	15.7	5.5	2.9	15.8	37.3
EBITDA interest coverage (x)	11.2	11.3	6.2	4.3	11.2	19.0
FFO cash interest coverage (x)	10.0	8.6	4.3	2.2	10.6	17.1
Debt/EBITDA (x)	1.0	0.7	1.6	2.3	0.7	0.0
FFO/debt (%)	76.4	86.4	35.8	12.0	117.7	N.M.
OCF/debt (%)	68.2	81.0	33.5	19.4	95.8	N.M.
FOCF/debt (%)	31.1	22.2	(12.5)	(12.4)	60.9	N.M.
DCF/debt (%)	28.8	10.4	(19.0)	(15.4)	55.1	N.M.

N.M.--Not meaningful.

Peer Comparison

Industrias Penoles S. A. B. de C. V.--Peer comparison

(Mil. $)	Industrias Penoles S.A.B. de C.V.	Fresnillo PLC	Antofagasta PLC	Vale S.A.
Foreign currency issuer credit rating	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
Local currency issuer credit rating	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
Revenue	8,647	4,561	8,620	38,403
EBITDA	3,222	2,770	4,944	14,375
Funds from operations (FFO)	2,639	2,371	3,763	11,371
Interest	170	42	351	1,237
Cash interest paid	164	41	473	1,022
Operating cash flow (OCF)	2,455	2,343	3,072	8,779
Capital expenditure	545	400	3,685	5,984
Free operating cash flow (FOCF)	1,910	1,942	(613)	2,795

Industrias Penoles S. A. B. de C. V.--Peer comparison

Discretionary cash flow (DCF)	1,642	1,185	(1,373)	(766)
Cash and short-term investments	3,484	2,664	4,910	7,566
Gross available cash	3,484	2,664	4,910	7,566
Debt	0	0	3,427	26,141
Equity	7,289	5,075	14,430	34,725
EBITDA margin (%)	37.3	60.7	57.4	37.4
Return on capital (%)	37.3	47.0	21.4	10.5
EBITDA interest coverage (x)	19.0	65.6	14.1	11.6
FFO cash interest coverage (x)	17.1	58.9	9.0	12.1
Debt/EBITDA (x)	0.0	0.0	0.7	1.8
FFO/debt (%)	N.M.	N.M.	109.8	43.5
OCF/debt (%)	N.M.	N.M.	89.6	33.6
FOCF/debt (%)	N.M.	N.M.	(17.9)	10.7
DCF/debt (%)	N.M.	N.M.	(40.1)	(2.9)

For year ended Dec. 31, 2025. N.M.--Not meaningful.

Rating Component Scores

Foreign currency issuer credit rating	**BBB/Stable/--**
Local currency issuer credit rating	**BBB/Stable/--**
Business risk	**Satisfactory**
Country risk	Moderately High
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Positive (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011