



IMPACT OF  
**COVID-19**  
ON THE  
**MINING**  
**EQUIPMENT**  
INDUSTRY

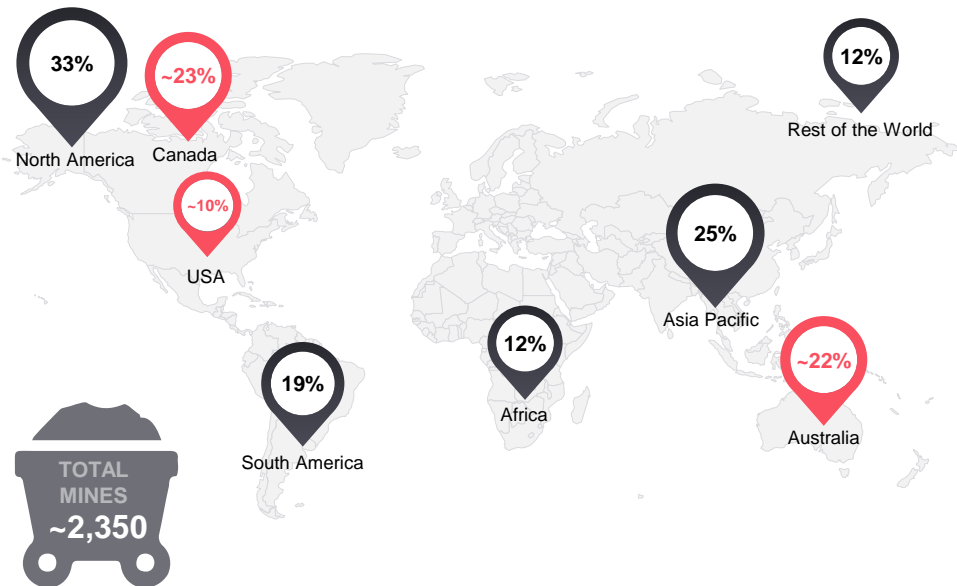


FutureBridge

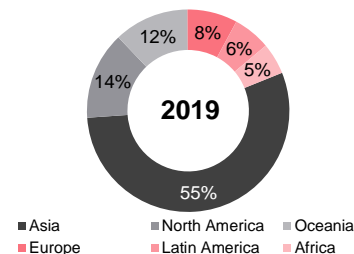
# Mining Equipment Industry Snapshot: Pre-COVID-19 Scenario

In the absence of COVID-19, the underground mining equipment market was projected to grow at a CAGR of ~2-4%, till 2021

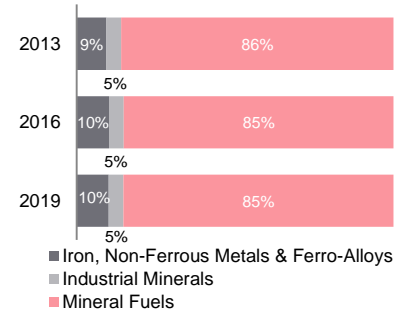
## Global Active Mineral Exploration Sites, By Region, 2019



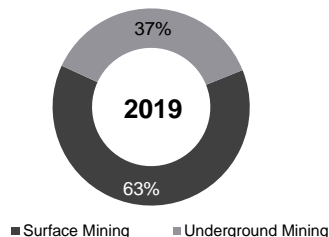
## Mining Production, By Region



## Mineral Production, By Type



## Mining Equipment, By Type



**2-4%**  
was expected CAGR of mining equipment industry from 2018-2021, during the pre-COVID-19 period

China, United States, Russia, Australia and India are the top 5 mining commodity producers.

Underground mining equipment sector is estimated to grow faster than surface mining, due to depletion of ore grade in the surface mines

Source: World Mining Congresses and FutureBridge Analysis

# Mining Equipment Manufacturers: Current Impact of COVID-19 Pandemic

## Production Halt



Komatsu halted its production facilities in Asia & Oceania, and is planning to halt the production in Americas, Europe & CIS. However, the company has resumed operations in China



Caterpillar is temporarily suspending operations at certain facilities, however, it continues to run its U.S. domestic operations



Sandvik AB has stopped its production facility in Italy, India and partially in other regions

## Decline in After Sales Service Revenues

Total Mines Closed: ~60 Sites



- Due to COVID-19 pandemic, large number of gold & other metal mines have closed during the past few months across different geographies
- Production halt in the mining industry owing to shutdown of numerous mining sites (~60) in Jan to Mar 2020 has led to decline in the sales of consumables, spare parts and after sales services of the Mining Equipment Companies

### Supply Chain Disruption



- Unavailability of freight forwarders and liners due to suspended operations and travel restriction is leading to longer delivery schedules. This has impacted the supply of spare parts and after market products to active mining sites across the globe
- Low availability of logistic partners and workforce, in addition to lockdown restrictions has hindered the operations of suppliers to the OEMs, thereby disrupting the production schedules of the OEMs

### Automation & Digitalization



- To ensure operability, mining companies are up-skilling their workforce on mobile mining equipment. Limited availability of workforce has triggered the need for automation & digitalization in order to ensure business continuity
- The mining equipment manufacturers are contemplating fast track the uptake of automated solutions, such as autonomous trucks and remote operation centers

- Absence of third party consultants and contractual workers to facilitate service of equipment in the remote areas is impacting the business activities of mining equipment manufacturers
- The current situation will create impact on the leadership in the industry, since the focus will be on rapidly managing the shift to new patterns of work along with restructuring and workforce reduction



### Work Force Imbalance

- Mining sites are active in countries such as Zimbabwe, Tongo and Chile, as these countries have classified mining under essential industries
- On the contrary, European Union and the United States have classified mining under non-essential industries, and this has led to huge impact on mining equipment manufacturers



### Regulations & Policies

**China has started its mining activities and it is expected to reduce the impact of the pandemic on the mining industry and the equipment manufacturers by the end of 2020**

Source: Industry Articles, Company Websites, Press Releases and FutureBridge Analysis

# Short-Term & Long-Term Impact: Post COVID-19 Pandemic

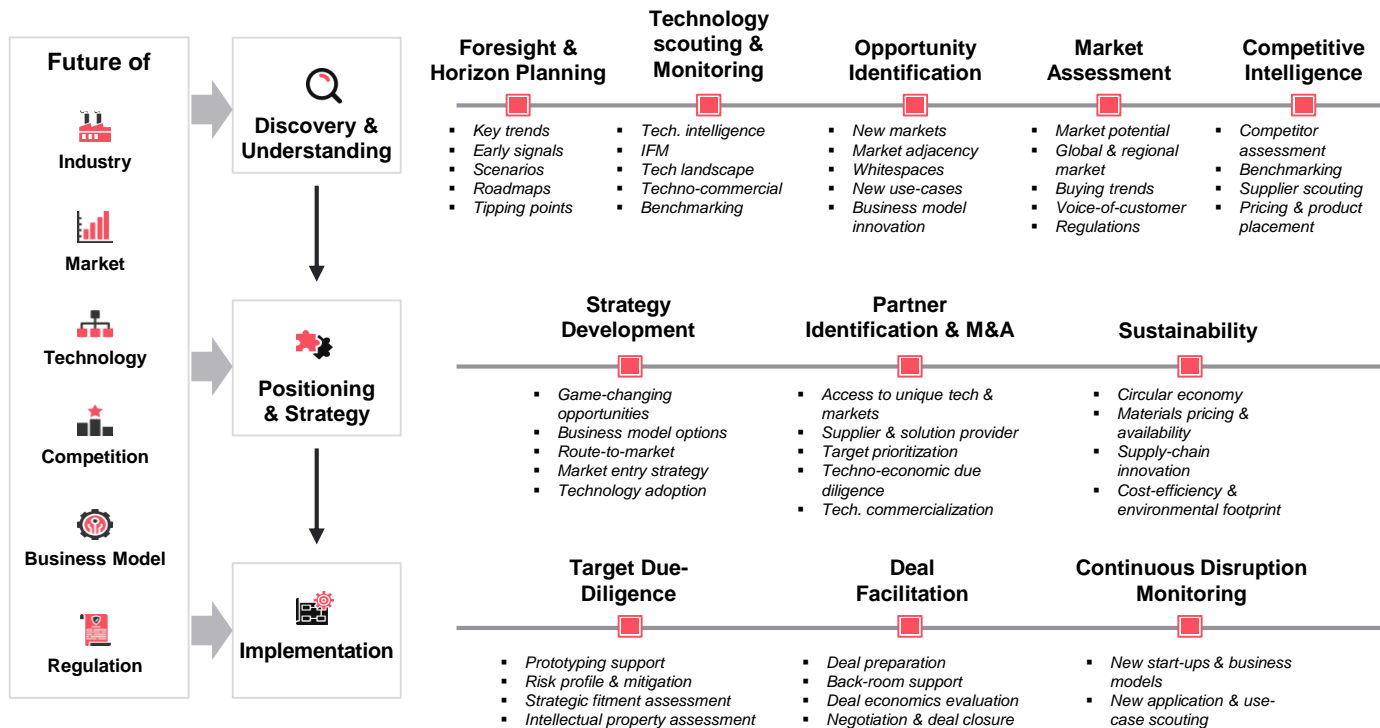
		Current Situation	Short-Term Prospects (<1 Year)	Long-Term Prospects (>1 Year)
<b>INDUSTRY RELEVANCE</b>	<b>Demand-supply scenario</b>	<ul style="list-style-type: none"> <li>Market demand was already low and will be further catalyzed by lockdown due to COVID-19</li> <li>Miners are diverging from capacity addition towards resource extraction, leading to decline in equipment sales</li> </ul>	<ul style="list-style-type: none"> <li>Mining equipment demand to remain low in the short-term period as the commodity prices of end-markets are expected to remain uncertain</li> </ul>	<ul style="list-style-type: none"> <li>End-markets to ramp-up mineral production to offset the new demand for the metals. This would lead to growth in demand for automation and new/ lease mining equipment</li> </ul>
	<b>Supply chain disruption</b>	<ul style="list-style-type: none"> <li>Need for alternative freight routes</li> <li>Decline in shipments &amp; order intake</li> <li>Suspended operations and travel restriction</li> <li>Non-operational supply partners</li> </ul>	<ul style="list-style-type: none"> <li>Alternative procurement &amp; inventory reallocation</li> <li>Improving delivery schedules</li> <li>Order redirection to other distribution centers</li> <li>Redistribution and prioritization for sales of in-demand spare parts</li> </ul>	<ul style="list-style-type: none"> <li>Procurement managers to opt for outsourcing maintenance services and focus on core activities</li> <li>Optimizing investments in collaboration with maintenance service providers</li> </ul>
	<b>Cost and profitability</b>	<ul style="list-style-type: none"> <li>Low capacity utilization rate</li> <li>Site closures and production halts</li> <li>Mining commodity prices at rock-bottom due to fragile end-market</li> </ul>	<ul style="list-style-type: none"> <li>Deferring non-essential capital to maintain operational continuity</li> <li>Reduction of working hours to lower wages for the workforce and generate savings for the companies</li> <li>Cost reduction initiatives to preserve liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Restoring mass scale production of consumables to reach economy of scale</li> <li>Focus on lease market can offset the impact on profitability</li> <li>Adoption of operational efficiency measures and thorough cost benefit analysis and forecasting whenever pursuing expansion of business</li> </ul>
	<b>Business Model</b>	<ul style="list-style-type: none"> <li>High risk susceptibility limiting M&amp;A activities</li> <li>Lower revenues from both sales and service based business models</li> </ul>	<ul style="list-style-type: none"> <li>Partnering with new suppliers to focus on gold mining activities</li> <li>Supplier centric approach: Focusing on aggregating local suppliers</li> <li>Fast tracking operational automation</li> </ul>	<ul style="list-style-type: none"> <li>High focus on service based business models</li> <li>Focus on inorganic growth primarily through Merger &amp; Acquisition activities</li> <li>Focus on technical innovations</li> </ul>
	<b>Organization structure</b>	<ul style="list-style-type: none"> <li>Unavailability of workforce</li> <li>Unavailability of contractual workers and third-party consultants</li> <li>Operational delay and structural challenges in the industry</li> </ul>	<ul style="list-style-type: none"> <li>Workforce reduction and new operational standards</li> <li>Up-skilling current staff on mobile mining equipment</li> <li>Employee pay cut to maintain smooth workflow</li> </ul>	<ul style="list-style-type: none"> <li>Review structural changes and getting the staff back in place</li> <li>Targeting collaboration with third-party service providers for on-site consultation</li> <li>Getting back into previous operational organization structure</li> </ul>

Source: Industry Articles, Company Websites, Press Releases and FutureBridge Analysis

COVID-19 IMPACT  High  Moderate  Low

# Solutions to Propel your Business

FutureBridge offers unique fusion of hyper customized, on-demand engagements and program-based long-term engagements to give you a competitive edge



## How can we help?

1. Continuous Scanning and Monitoring of Disruptive Technologies and its Impact on Industries Post COVID-19 situation
2. Identification of shifts in business models that will help companies to navigate in the post COVID-19 era
3. Proposing risk mitigation strategies to facilitate strong and fast recovery
4. Enabling companies for seizing growth and recovery opportunities in the post COVID-19 era

# Thank you

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