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COMPANIES & MARKETS

Mining

BHP warns over AI's need for copper

Data centre demand will add to pressure on metal supplies, says finance chief

LESLIE HOOK

The growth of artificial intelligence will exacerbate a looming shortage of copper, a metal vital for the clean energy transition, miner BHP has warned.

The rise of data centres and AI, which requires more energy-intensive computing, could boost global copper demand by 3.4m tonnes a year by 2050, BHP's chief financial officer Vandita Pant said.

"Today, data centres are less than

1 per cent of copper demand, but that is expected to be 6 to 7 per cent by 2050," she said. "There is a lot of copper in data centres."

BHP, the world's largest mining company by market capitalisation, expects global copper demand will rise to 52.5m tonnes a year by 2050, up from 30.4m tonnes in 2021 – a 72 per cent increase.

AI is reshaping energy systems as well as demand for commodities around the world.

The expectation of a shortfall of copper has triggered a race to secure access to mines, including BHP's unsuccessful £59bn bid for London-listed Anglo American earlier this year.

In July BHP, along with Canada's Lundin Mining, paid \$5bn to acquire exploration company Filo, whose assets include copper prospects.

Copper is used in a range of industries

"Today, data centres are less than 1% of copper demand, but that is [likely] to be 6 to 7% by 2050"

and products needed to meet net zero targets, including power cables, electric vehicles and solar farms. Many analysts expect a global copper shortfall in the medium to long term.

Data centres are expected to exacerbate this shortage in the shift to accommodate AI applications, which use more energy-intensive chips and increase energy needs.

"Data centres themselves are becoming incrementally less copper intensive, but getting the electricity to them, that is copper intensive," said Colin Hamilton, commodities analyst at BMO Capital Markets.

Copper is used not only to supply power to data centres but also in the cooling systems and to connect processors in the centre. However, others caution that long-term forecasts for copper in data centres are highly uncertain.

"We are trying to predict the future of

a market that we don't really know that much about," said one analyst. "We are at the dawn of AI, so how much AI will the world be using in 2050? We don't have any idea."

Weak demand in China has weighed on copper prices this year, which are trading at about \$9,207 a tonne, 15 per cent lower than their peak in May.

The copper market is in surplus this year due to poor demand, and that will continue next year as well, according to BHP forecasts, before reversing towards the end of this decade. The group warned in August that rising demand for copper "in the final third of the 2020s" could lead to a "fly-up" pricing regime as demand outpaces supply.

Sport

F1 rival calls on Brussels to look at Liberty Media's €4bn MotoGP deal

SAMUEL AGINI

One of the biggest power brokers in motorsport has called on Brussels to demand concessions from the owner of Formula One ahead of its proposed €4.2bn takeover of elite motorbike series MotoGP.

Alejandro Agag, co-founder and chair of electric car series Formula E, warned that the deal threatened to hand US group Liberty Media "very significant" power with broadcasters when negotiating media rights deals.

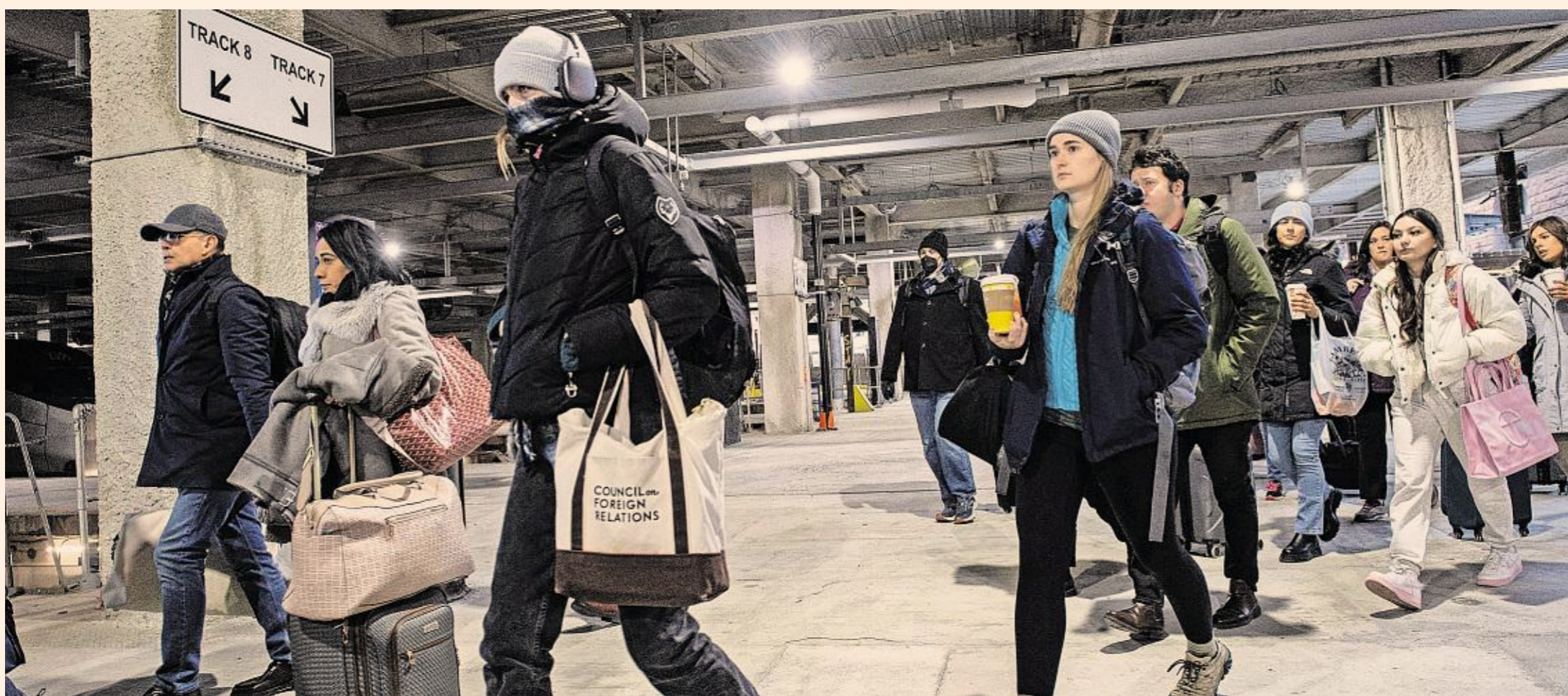
The US group agreed a €4.2bn takeover of MotoGP in April. It is hoping to emulate its success with F1, which has boomed in popularity thanks to the *Drive to Survive* series on Netflix and new races in Miami and Las Vegas.

"From the point of view of competition law, I think there are significant challenges," Agag said. "The leverage that this merger will give the resulting entity in terms of negotiating with broadcasters will be significant and I think the European Commission will look very carefully at this deal."

Agag, who also founded off-road racing competition Extreme E and electric powerboat series E1, stopped short of saying the takeover must be blocked but called for "proper remedies to

US jobs. Talent pool

Power balance shifts from workers to bosses



Ebbing demand and slowing inflation check pay rises and make staff retention easier

TAYLOR NICOLE ROGERS — NEW YORK

US companies are planning to give employees smaller annual pay increases as falling demand for workers and slowing inflation make it easier to retain staff, recruitment consultants have said.

Consulting firm Gallagher said it expected wages across all industries to grow an average 3.6 per cent in 2025 based on its surveys of US employers, down from 4 per cent in 2024.

"We saw a spike in 2022, and since then they have attempted to try to get back to some more standard practices of business," said Kevin Talbot, national managing director of Gallagher's compensation service.

Employers felt less pressure to offer big raises to stop staff from quitting, said remuneration consultants and workers.

US job openings declined to their lowest level in more than three years in July at 7.7mn, as demand for workers subsided. US employers added fewer jobs than economists had expected in August.

The shift in the labour market has also allowed companies to increase their

demands of workers as the balance of power in the labour market switches from employee to employer, letting go underperforming staff and forcing remote workers back into the office earlier this year.

It contributed to what Tom Bowen, an economist at payroll software maker Gusto, called a "notable decline" in pay growth.

Jocelyn, a New York-based marketing executive, said that her bosses denied her request for a raise earlier this month. Her manager said that the agency was still discussing its remuneration budget for next year and some cli-

More employers are letting go staff who underperform and forcing remote workers back into the office earlier

Joseph Prezioso/AFP/Getty

ents still had not signed their scope of work for 2025.

"I got a small 'good job bonus' but it is not the same as a raise," Jocelyn said.

Employers gave large pay rises in 2022 and 2023 as they struggled to recruit and retain staff amid a labour shortage spurred by the pandemic. Many companies offered referral and retention bonuses in addition to substantial rises, pushing median year-over-year growth in hourly wages to a peak of 6.7 per cent.

Wages have grown 23.3 per cent on average since the start of the pandemic, outpacing a 21.2 per cent rise in consumer prices.

But companies had tried to slow the pace of pay increases since, Talbot said.

Rising costs for healthcare benefits were eating into groups' remuneration budgets, said Johnny Taylor, chief executive of the Society for Human Resource Management.

The average cost of health insurance premiums rose 7 per cent between 2022 and 2023, bringing employers' average contribution to \$17,393 for family coverage, per KFF.

"If there is anything that is keeping [human resources professionals] up at night, it is: how do you say to your superstar who has gotten 5 to 6 per cent over the last few years that they are now going to get 2?" Taylor said.

'How do you say to your superstar who has gotten 5% to 6% over the last few years that they are going to get 2%?'

However, Talbot said that his clients were not bracing for pushback from employees.

"I think the willingness of employees to push back is proportional to what they see their opportunities are for jobs elsewhere, and because the job market is not as hot as it was, there is more willingness to accept something in the 3 per cent range than to push for double-digit increases," he said.

Some workers are receiving outsized raises, however. Talbot said that Gallagher's surveys found that healthcare companies were budgeting the most pay rises, driven largely by demand for nurses.

Kate Duchene, chief executive of consulting firm RGP, said her clients were still willing to pay up to retain workers with expertise in data management and tech implementations.

"Beyond these highly in-demand skill sets, I think large companies are taking a more bespoke approach in this environment as average wage inflation has moderated a bit," Duchene said.

One Wall Street analyst who works on economic modelling software said she received two increases this year, a small one that was given to her whole team in March and a promotion earlier this month.

"Getting any pay bump this year was a little surprising for everyone," she said.

Pharmaceuticals

Pfizer sounds alarm on Biden price controls

OLIVER BARNES — NEW YORK
IAN JOHNSTON — BARCELONA

Pfizer's oncology chief has warned that the Biden administration's drug price reforms could hurt development of cancer treatments targeted at children or patients suffering from rarer forms of the disease.

In August, the US government unveiled \$7.5bn of cost savings for taxpayers from the first 10 drugs eligible for price negotiations with Medicare, the state-backed healthcare programme for over-65s, as part of the sweeping changes introduced by the Inflation Reduction Act.

Chris Boshoff, Pfizer's chief oncology officer, an advocate of Pfizer's \$43bn acquisition of Seagen last year, said the threat of price negotiations for cancer medicines changed the economics of studying the drugs for paediatric cancers or rarer disease forms.

He added: "There may be less incentives to develop a rare indication or paediatric indication because, especially as you close into the IRA date, why would you then start a large phase-three programme or large

"There may be less incentives to develop a rare indication or paediatric indication"

complex programme for a small indication when the return on the investment . . . would be single digits"

But Boshoff said that Pfizer had not deprioritised certain programmes because of the IRA drug-pricing changes, which makes small-molecule drugs eligible for negotiations after nine years and more complex biologic medi-

cines eligible after 15 years. Pfizer was only hit with price controls on one of its drugs – Eliquis – in the first round of negotiations.

But during the next round of negotiations, up to three Pfizer drugs might be targeted, according to analysts.

Moreover, Pfizer's new cancer drugs acquired through its Seagen acquisition – eight of which are expected to achieve blockbuster status of \$1bn in sales by 2030 – will not be affected for several years.

Boshoff's comments came as Pfizer's multibillion-dollar bet on oncology with the takeover of Seagen, a specialist in antibody drug conjugates, a new targeted form of chemotherapy, begins to pay off.

Boshoff said next year would be "critical" for Pfizer's push into cancer as it launches late-stage trials in lung and breast cancers.

Technology

Swedish PM rules out rescue of Northvolt

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Sweden's government has ruled out a financial rescue of Northvolt as the country's green battery start-up fights for survival.

Ulf Kristersson, the centre-right prime minister, said yesterday that Sweden wanted to position itself as a leading country for the green transition with new companies such as Northvolt and H2 Green Steel supplying groups such as Volvo Cars and Atlas Copco.

But he said: "There is no question of the Swedish state going in and becoming a shareholder. Right now, the ball is in the court of Northvolt's shareholders."

The Swedish battery group is Europe's great hope of fighting back against the likes of CATL and BYD of China, Panasonic of Japan, and Tesla of the US in leading the battery sector.

Despite becoming the first company in Europe to produce a cell from a home-grown gigafactory in late 2021 at its factory in Skellefteå just below the Arctic Circle, Northvolt has grappled with scaling up its production.

Ulf Kristersson declared that there was 'no question of the state going in and becoming a shareholder'



The group is desperately seeking to raise fresh capital as it focuses on its first gigafactory. It will cut jobs, close part of the Skellefteå factory and examine delays for three other planned plants in Sweden, Germany and Canada.

But after raising more than \$15bn since its launch in 2017 – the most of any privately owned start-up in Europe

– Northvolt is struggling to gain backing for its latest fundraising amid concerns about the outlook for electric vehicles and intensifying worries about the company's financial position.

Carmakers including Northvolt's biggest investor Volkswagen and Volvo Cars have sounded the alarm on the slow pace of EV sales. BMW cancelled a \$2bn contract with Northvolt this year in frustration at delayed deliveries.

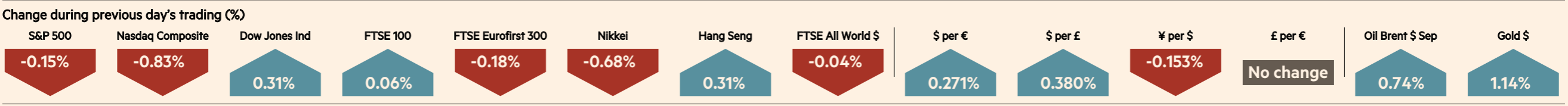
Northvolt executives have argued that the group has enjoyed relatively little state support from Sweden, unlike the generous backing from Germany and Canada, with much of it coming in the form of loan guarantees. "It's not like we're dependent on a vast amount of subsidies from Sweden," said one.

Northern Sweden has become a hub for the green transition thanks to the abundance of renewable electricity in the region.

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

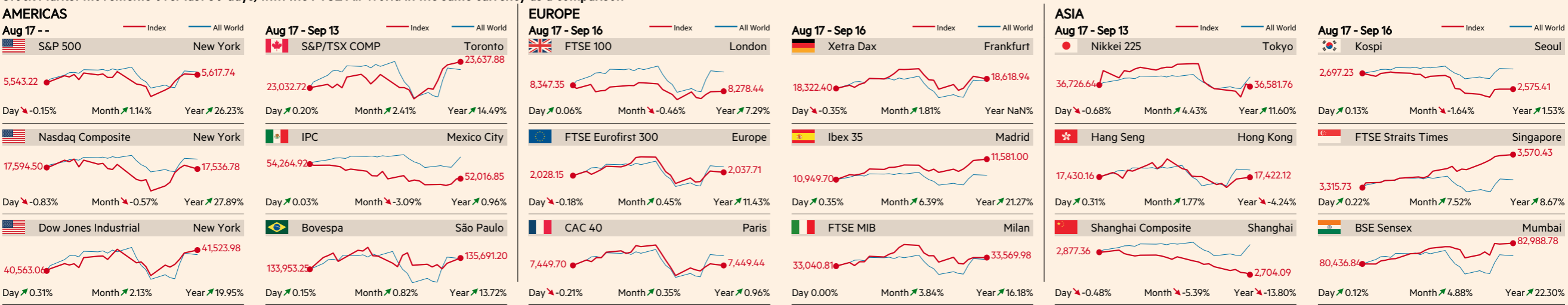


Table of stock market indices with columns for Country, Index, Latest, Previous, and % change. Includes Americas, Europe, Asia, and other regional indices.

STOCK MARKET: BIGGEST MOVERS

Table of biggest movers in AMERICA, LONDON, EURO MARKETS, and TOKYO. Columns include stock name, price, and % change.

UK MARKET WINNERS AND LOSERS

Table of UK market winners and losers with columns for stock name, price, and % change.

UK MARKET WINNERS AND LOSERS

Table of UK market winners and losers with columns for stock name, price, and % change.

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FTSE ACTUARIES SHARE INDICES

Table of FTSE Actuaries Share Indices with columns for index name, closing price, and % change.

FT 30 INDEX

Table of FT 30 Index with columns for date, closing price, and % change.

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Table of FTSE 100 Summary with columns for index name, closing price, and % change.

FTSE GLOBAL EQUITY SERIES

Table of FTSE Global Equity Series with columns for region, index name, and performance metrics.

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Table of FTSE Global Equity Series with columns for region, index name, and performance metrics.

UK STOCK MARKET TRADING DATA

Table of UK Stock Market Trading Data with columns for order book turnover, total equity turnover, and other metrics.

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Table of UK Rights Offers with columns for company name, amount, and latest date.

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Table of UK Company Results with columns for company name, turnover, and pre-tax profit.

UK RECENT EQUITY ISSUES

Table of UK Recent Equity Issues with columns for issue name, amount, and price.

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Table of UK Recent Equity Issues with columns for issue name, amount, and price.

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MARKETS DATA

FT500: THE WORLD'S LARGEST COMPANIES

Main market data table with columns for Stock, Price, Day Chg, 52 Week High/Low, Yld, P/E, MCap, and various regional indices like Australia, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Korea, Netherlands, Norway, Singapore, South Africa, South Korea, Sweden, Switzerland, Taiwan, Thailand, UK, and US.

FT 500: TOP 20

Table listing the top 20 FT 500 companies with columns for Stock, Price, Day Chg, Close, Prev, and various metrics.

FT 500: BOTTOM 20

Table listing the bottom 20 FT 500 companies with columns for Stock, Price, Day Chg, Close, Prev, and various metrics.

BONDS: HIGH-YIELD & EMERGING MARKET

Table showing bond market data for high-yield and emerging markets, including columns for Bid, Day Chg, Coupon, Ratings, and Spread.

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INTEREST RATES: OFFICIAL

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Table showing market interest rates for various countries and currencies.

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Table showing bond index performance for various regions and currencies.

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Table showing UK gilt market data, including columns for Bid, Day Chg, Coupon, and Yield.

COMMODITIES

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BONDS: INDEX-LINKED

Table showing index-linked bond data for various countries.

BONDS: TEN YEAR GOVT BONDS

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Table showing UK FTSE Actuaries indices for various durations.

PRECIOUS METALS (PM LONDON FIX)

Table showing precious metal prices for gold, silver, and platinum.

COMMODITIES

Table showing commodity prices for various goods like oil, gas, and metals.

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Energy logo and slogan: 'Energy Power. Politics. Profit. Power. Politics.' with 'Your indispensable energy newsletter.' and 'Sign up now at ft.com/newsletters'.

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Large advertisement for FT Financial Times Energy newsletter, featuring the FT logo, 'Energy Power. Politics. Profit. Power. Politics.' slogan, and 'Your indispensable energy newsletter. Sign up now at ft.com/newsletters'.

ARTS

Treasured troupe is reanimated

DANCE

London City Ballet
Sadler's Wells, London
★★★★☆

Louise Levene

For nearly 30 years, London City Ballet has been just a ticket stub in a ballet-goer's scrapbook, but the fondly remembered company has risen again this summer with a flavoursome blend of ballets old and new. The programme has been touring since July — everywhere from Bath to Beijing — and last week it returned to its home city with a four-night run at Sadler's Wells.

The original company was founded in 1978, brainchild of Durban-born dancer Harold King. The troupe's chief aim was to take classical dance to parts that bigger, more unwieldy companies could not reach and it won enthusiastic (and highly photogenic) support from the dance-mad Diana, Princess of Wales. The company bourréed its last in 1996.

King's small but perfectly formed *Swan Lake* (just a dozen swans, if memory serves) became the Flying Dutchman of the touring circuit, but his mixed bills were packed with modern classics and new commissions. This programme, *Resurgence*, selected by LCB's director and reanimator Christopher Marney, is faithful to that tradition.

After a brief slideshow to remind us of the rise and fall of the original company, the quintuple bill kicks off with Ashley Page's 1993 *Larina Walz*, set to the lilting (taped) melody from Tchaikovsky's *Eugene Onegin*. During the 1990s the dread words "new Ashley Page ballet" were usually synonymous with corny, combative pairwork and fussy sets, but this five-couple tights'n'tutus ballet is a smoothly crafted, unabashedly musical confection. The choreography shows off Marney's dancers and emphasises their classical credentials in a seamless flow of duets packed with pretty promenades and nerveless travelling lifts.

It was followed by a precious rarity: Kenneth MacMillan's *Ballade*, created in



Cascade of combinations: London City Ballet in Arielle Smith's 'Five Dances' — ASH

1972 and — amazingly — never danced since. Set to Fauré's *Ballade for Piano and Orchestra*, this exquisite pas de quatre was a love letter to Deborah (MacMillan's wife-to-be) and shows three young men vying for the attentions of guest

superstar Alina Cojocaru. Among the solos, duos and trios, MacMillan includes a sequence in which she is passed adoringly from man to man, innocently foreshadowing the brothel scene in *Manon* that he created two

years later. Finally, Cojocaru makes her choice (dissy and attentive Alejandro Virelles) and his two rivals spin wingwards with their chairs, leaving a table for two.

The languid but fiendishly difficult pas de deux from MacMillan's 1966 *Concerto* (smoothly danced by Isadora Bless and Joseph Taylor) is the highlight of the second half. Such thoroughbred material can unbalance a programme.

Marney's *Eve*, an attempt to rethink the Garden of Eden from a female perspective, felt flimsy and overwrought in this company, despite a strong performance by Álvaro Madrigal as the slip-sliding Serpent. Arielle Smith's *Five Dances* would have made a far stronger finale.

Smith's six-hander is powered by John Adams's *John's Book of Alleged Dances* and showcases the talents and idiosyncrasies of Marney's dancers. Arthur Wille, whose paper-plane *jetés* caught the eye in Page's piece, unravels ice dance-worthy pirouettes and *chainés* and the whole ballet is a cascade of combinations that deftly dodge the usual partnering clichés. A very bright beginning.

At the Joyce Theatre, New York, September 17-22, joyce.org

Mia Farrow relishes her return to Broadway

THEATRE

The Roommate
Booth Theatre, New York
★★★★☆

Nicolas Rapold

The Roommate depends utterly on the considerable energies of its stars, Mia Farrow and Patti LuPone, rooted as it is in the slightest of premises and an abundance of culture-clash clichés. The odd-couple pairing of naive Iowan and gruff New Yorker veers into some amusing late-bloomer misadventures, but remains remarkably meagre on character depth for a two-hander engaging two such talents.

The bright kitchen of Sharon (Farrow) is the sole setting in Jack O'Brien's traditional production, with a see-through house frame creating a Midwestern airiness thanks to changing sky backdrops. On a clear day you might see forever, but Sharon, an affable divorcee, keeps her horizons limited, puttering about endlessly and attending the occasional book club. When leather-jacketed Robyn (LuPone) arrives as Sharon's new housemate, this Bronx exile's sarcastic deadpan and impatient step quickly throw into relief the complacency in the air; the long wire to Sharon's wall-mounted phone comes to feel like an adult umbilical cord.

Farrow returns to the stage for her first full-dress stage play since 1979, and some of the getting-to-know-you material in Jen Silverman's 2015 drama could date from then. Sharon oh-mys and overapologises upon learning that Robyn is gay and vegan, and when she smokes pot for the first time with her. But things pick up as Sharon's nosiness awakens her buried urge to try something new — and maybe become something besides

a hovering mother to her son, a designer in New York. Robyn meanwhile might be seeking to hide and lay low in the same way that Sharon has for so many years.

If *The Roommate* is about embracing or creating new roles for oneself later in life, it's appropriate that Farrow bristles with colourful details in tackling Broadway anew. Sharon's golly-gee voice and homebody shuffle become like a musical instrument in her hands, to great comedic effect.

When Robyn reveals her past as a con artist — and inadvertently inspires Sharon — Farrow delivers the line "I don't know" with three or four loopily expressive variations, conveying a mind that's racing with possibilities. You half expect her farmgirl pigtails to fly up with excitement as she presses Robyn to share the tricks of her trade.

LuPone smoothly tracks Robyn's shift from condescension to admiration and even a little worry over Sharon's newfound appetite for crime. But as effortlessly commanding as she can be, she seems at times to cede the stage to Farrow, and it can be hard to feel the full weight of Robyn's chequered past. We get a peek at her desperation over her estranged family — she and Sharon do eventually bond as mothers — but not enough of the fiery independent spirit that must have driven her.

It feels as if Silverman, author of the bold feminist roundelay *Collective Rage*, has here written a play for your parents, and the lengthy blackouts between the play's scenes tend to smooth over any dramatic buildup. *The Roommate* is a perfectly fine play invigorated by two very fine actors, but, like Sharon, you might find yourself yearning for more — and especially more of the unknown.

To December 15, shubert.nyc



Mia Farrow plays a woman living a solitary life in 'The Roommate'
Matthew Murphy

Fresh ideas emerge from familiar music

CLASSICAL

New York Philharmonic
David Geffen Hall, Lincoln Center, New York
★★★★☆

George Grella

With two full seasons to go before Gustavo Dudamel begins his tenure as the next New York Philharmonic music director, the orchestra has an extended run of guest conductors. This promises some inconsistency and some exceptional nights.

Their first concert of the season featured conductor Michael Tilson Thomas and pianist Emanuel Ax. If Mozart's Piano Concerto No 14 and Mahler's Symphony No 5 weren't exceptional, they were still satisfying music-making. It was, however, exceptional to see Tilson Thomas. He is not only one of the great classical musicians of the past 50 years, but his every appearance is special. (He is suffering from glioblastoma multiforme, an aggressive and incurable malignant brain cancer.)

He last led the Philharmonic in March 2023, with a gorgeous and affecting Schubert Symphony No 9. This evening he was as sharp and in command as ever with the baton. He and Ax are in a late performing style. The pianist has always been a sober interpreter with excellent technique and tasteful phrasing; the technique remains, but the concerto showed new ways of thinking.

Ax's thought processes seemed lighter, more agile. Each musical idea had a simplicity, and a sense of curiosity,

that came through the piano. Mozart expresses multiple simultaneous possibilities, even ones that conflict — that's the nature of music — and what makes a performance memorable is the sense that the musicians can hear and articulate this presence.

That was Ax. Slight changes in accents in the minor-key development of the first movement deepened the feeling of constant dramatic transformation. The second movement was less *cantabile* but more romantic and it broadened the richness of the piece. The finale had the kind of aplomb and assurance that veteran musicians bring.

The orchestra was crisp, though it took a few bars for the spirit of the music to kick in. This spirit was in them from the opening trumpet solo in Mahler's Symphony No 5. Like Ax, this showed Tilson Thomas still finding new things

in familiar works. He kept a fine pace — the Adagietto was 10 minutes and that felt ideal — and sought expressive power less in tempos and dynamics than in dazzling changes in tone and timbres. One has rarely heard such sensual colours in this piece.

He had a superb handle on the form. The quasi-climax in the second movement of part one was strong but not too much, because the finale needs the biggest one. The balance between the three large sections depends on the middle Scherzo, and this was indeed exceptional, with conductor and orchestra traversing an enormous range of moods and vast distances between light and dark. This was lean Mahler, the emotional drama narrated in the third person, invigorating in the mind.

lincolncenter.org

Michael Tilson Thomas
conducts the
New York Philharmonic
Chris Lee



2024
goldsmithsfair.co.uk

6 October

24 September
Goldsmiths' Hall, City of London

GOLDSMITHS' FAIR

Lex.



John Plender
The lucrative pension fund transfer trend needs urgent scrutiny
INSIDE BUSINESS

Oil's fall leaves majors in need of a new pitch to investors

Oil may float on water, but its days of floating above slowing global demand growth look numbered.

Having briefly dipped below \$70 a barrel, it could well sink further. That is bad news for oil and gas companies, of course. But it leaves European majors, whose equity appeal has largely focused on buybacks and dividends, in need of a new sales pitch.

Oil's main problem is that consumption in China has actually started to fall, with the impact of a weak economy exacerbated by the increasing penetration of electric vehicles and high-speed rail. That will translate into a global growth rate for this year and next that is below 1mn barrels a day, or less than 1 per cent of global consumption, according to the International Energy Agency.

Such slivers of demand growth are easily filled by new oil coming on stream in Brazil and Guyana and other non-Opec producers.

That leaves the cartel in an uncomfortable position: maintain its cuts and cede market share, or risk flooding the market. It is unlikely to choose production over price because supply growth comes from cheap, long-cycle projects which could withstand the pain. But even assuming its members do not break ranks, the threat of ample spare capacity that can quickly be brought back on stream will keep a lid on the oil price.

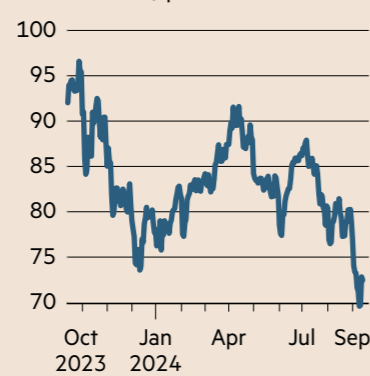
That leaves oil majors looking at prices which might average \$10-\$15 per barrel less than they did in 2023.



Oil majors face a price up to \$15 less per barrel than in 2023 — Igora Alekseev/Alamy

Slowing global growth drives down oil price

Brent crude (\$ per barrel)

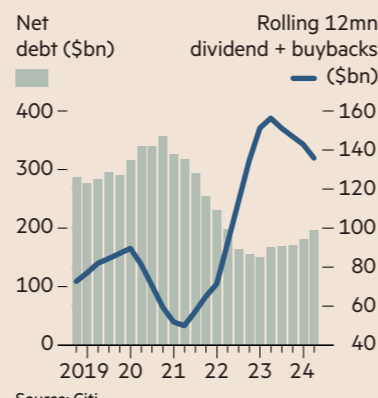


A rule of thumb might see cash flow declines of \$0.50 per barrel for every dollar lost on the oil price, thinks Christopher Wheaton at Stifel, meaning some \$30bn annually across the big five's upstream production portfolios. The impact of weak refining margins and, potentially, lower trading gains from less volatile flows comes on top of that.

Lower cash flows will blow a hole in the majors' distribution policies. Most were paying over half their cash flows out to investors in dividends and buybacks, according to Citigroup analysis. They will have a lot less to play with going forwards.

True, the group as a whole exits this

Global oil groups are re-leveraging to try to hold distributions



oil bonanza with strong balance sheets. But leveraging up to fund buybacks would be a hard sell.

This leaves oil majors in need of a new story to tell investors. The problem is less acute for those companies — mainly in the US — which have sizeable opportunities left in their core business. Being able to point to shale consolidation benefits for Exxon or growth from new resources is helpful.

But in Europe, where more capital is being poured into low-carbon, energy-transition businesses, the challenge to persuade investors that these have a profitable future just got more pressing still.

Springer Nature's IPO shows academic publishing's resilience

Not for the first time, Springer Nature is testing choppy waters. The private-equity-backed publisher of journals such as Nature and Scientific American called off flotations in 2018 and 2020. But the Berlin-based group is confident enough to plan Europe's first big IPO of the second half. It should fare better.

Volatility was not the only reason previous attempts stalled. In 2018, the only time it got as far as publishing a prospectus, investors balked at the high debt and price expectations amid concerns about the sustainability of the model. The 2018 prospectus suggested that Springer Nature's market capitalisation would be about €3.6bn.

This time round, the owners — BC Partners with a 47 per cent stake and Holtzbrinck Publishing Group, a privately owned company that has the remainder — may value the equity at least a quarter more highly. The group could fetch an enterprise value of about €6.5bn-€7.5bn. That estimate assumes a 10-20 per cent IPO discount to an EV/ebitda multiple of 11 times, based on analysts' assessment of peers such as Relx's Elsevier and Informa's Taylor & Francis.

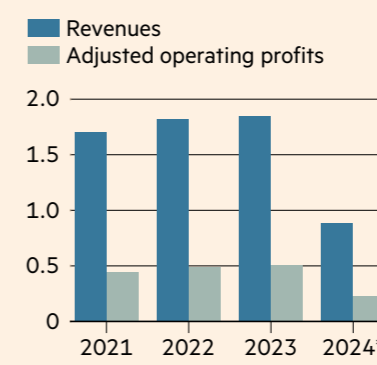
Springer Nature is a more attractive proposition than in 2018. Then, its post-transaction leverage was 3.5 times 2017 adjusted ebitda. This time, its debt-to-ebitda ratio would be about 2.4 times if the expected €200mn gross proceeds from the Frankfurt listing is put towards debt reduction.

It has also increasingly switched from a pay-to-read to a pay-to-publish model. This year, the number of "open access" articles is expected to rise from 44 per cent last year to half. The shift has not harmed profitability. In the four years to 2023, the adjusted operating profit margin grew an average of 0.9 per cent a year.

Its margins of 28 per cent are only three-quarters those of Relx's Elsevier, the market leader (which also has data analytics). Even so, they are a source of resentment for cash-strapped universities and funders. Some of the latter are stopping paying publication fees amid calls for a reform of grant criteria to reward publication in less expensive journals. But predicting the

Springer Nature is increasingly profitable

€bn



demise of academic publishers' high profit margins is a tradition nearly as old as the internet. So far, it has been greatly exaggerated.

The prestige of Springer Nature's top journals gives it leverage. As one of the largest academic publishers, it has the advantage of scale when it comes to spreading tech and marketing costs. With the research publishing market expanding at just over 3 per cent a year, Springer Nature should be capable of steady, if not spectacular, growth.

Boeing cruising towards a mega equity raising to shore up liquidity

A company whose credit rating falls from investment grade to junk status is known as a "fallen angel". Boeing's descent into this netherworld draws ever closer. Stalled jet deliveries along with a recent work stoppage will send cash flow even deeper into the red.

Yet, despite its parade of troubles, Boeing still boasts a backlog of 5,400 planes worth \$437bn. And that should be enough for equity investors to bite on an increasingly anticipated share offering of perhaps \$10bn.

Boeing management is trying to convince Wall Street it is just a matter of time until its cash machine is turned on again. The company's flagship 737 programme — paralysed by safety investigations — was just starting to ramp up again prior to the strike.

Separate problems with the 777 and 787 have arisen. Adding to the nightmare, Boeing's aerospace defence business is also flailing (its problems include two astronauts stuck in space).

But the planes waiting to be assembled and delivered are spoken for. The question it faces is for working capital needs, until deliveries can be made and paid for. Boeing says it likes to have around \$10bn in cash on hand. As of the last quarter, after a \$10bn bond issuance, cash was up to \$13bn, against \$58bn of total debt.

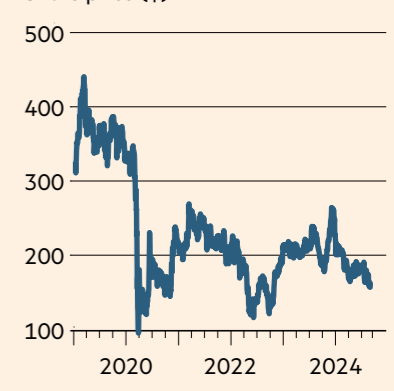
Boeing says it will defend its investment grade status — after Moody's last week put it on watch for a downgrade. Analysts at CreditSights research firm calculate an incremental \$400mn of interest expense from certain Boeing bonds that reset their coupon on a downgrade. In the secondary market, many mutual funds that hold high grade debt would be forced to sell Boeing securities if they no longer were appropriately rated.

The implication is that Boeing will choose to sell equity as the way to shore up liquidity to avoid credit market chaos. That choice, however, would be a painful one. Shares are 65 per cent off their 2019 peak. A \$10bn offering — which Boeing's cash burn rate and balance sheet preferences suggest — would imply selling a little more than a tenth of the company, an absolute and relative size not often seen in capital markets.

The case against Boeing is that its problems will persist despite its insistence that better days are just around the corner. Still, the order book is full, suggesting a staying power that should prove tempting to bet on.

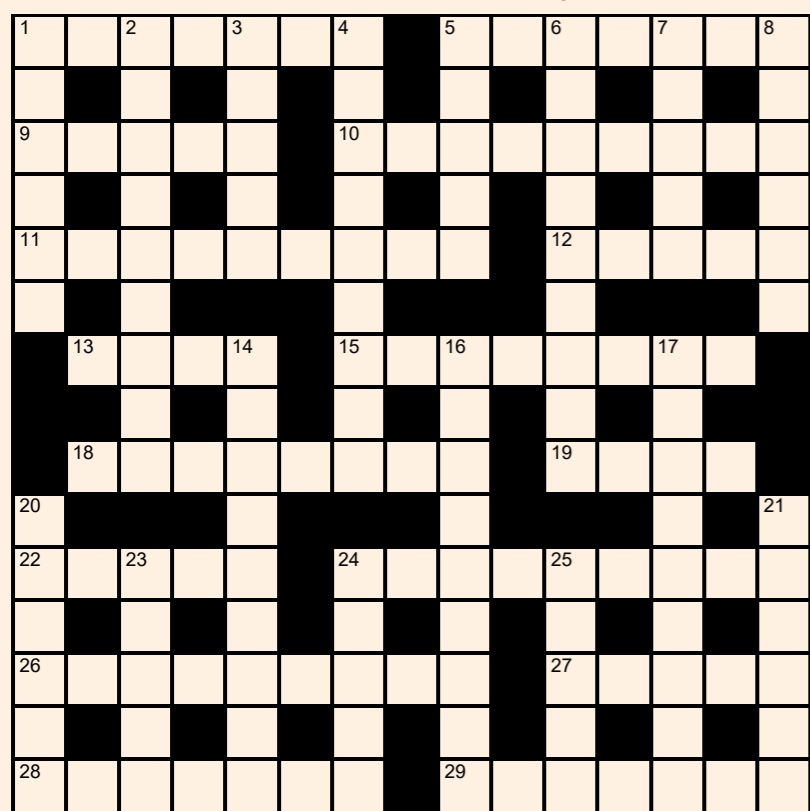
Slowed plane deliveries have hit Boeing shares

Share price (\$)



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ACROSS

- Magnificent items referring to type of melon (7)
- Skilled worker in braggart is a narcissist (7)
- Move round across a step (5)
- Party where nice toper gets sozzled (9)
- A walkover for Oscar nominees? (3,6)
- Eight nos. cut, lest odds cut (5)
- One swimmer from Dover? (4)
- Apathetic when register lost? (8)
- Disgusted by seed in cherry (8)
- Exercise on theological teachings is ready (4)
- Flowing locks are down idle teenager's back, initially (5)
- Vital thing in contract handed over (9)
- Dying of cold? (9)
- Masquerade chaps discussed? (5)
- Substitute hit tennis ball again? (7)
- Brown kissing bloke — that's just touching (7)

DOWN

- Blackpool, say, put in order again? (6)
- Noble ignored, as vulgar (9)
- Grub with last of pepper in very hot stuff (5)
- Athenian building a farm store up having gathered in harvest (9)
- Meeting place in coast's 1 down? (5)
- Very high price to model in standard measure (3,6)
- Cracking author (5)
- Scratching head, one tiny bewildered figure (6)
- Ultimately all square ie, producing — this? (9)
- Vicious, say, figure punched by left getting shiner (9)
- Watch over vipers, use snakes (9)
- State of shock seeing leader of union in terrible strop (6)
- Plug over hole is coming (6)
- Board game is 7 down (5)
- Spin right amid plummet (5)
- One certainly won't have animals for example transported in commercial vehicle (5)

Solution 17,843



JOTTER PAD



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