

Midlincoln Research

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Company: Glencore plc
Ticker: GLEN.L
Rating: Overweight
12 m TP: £7.4
Upside 42%
Analyst: Ovanes Oganisian

Glencore: At the Centre of Commodity Flow Dislocation

Executive Summary

Glencore's investment case has evolved from a cyclical recovery story into a structural exposure to commodity flow dislocation and inflation transmission. Since our September initiation, the shares have re-rated materially, driven by resilient marketing earnings and stable copper performance, partially offsetting weaker coal and nickel markets.

We update our valuation to reflect 2025 actuals and an improved outlook for trading, with our DCF implying a revised target price of **£7.40** (previously £7.02). Our base case DCF implies £6.75 per share, with our £7.40 target price reflecting partial weighting of a geopolitical upside scenario. While commodity markets remain mixed, Glencore's integrated model positions it to benefit from volatility and disruption, particularly in energy markets. We reiterate our **Overweight** recommendation.

Glencore's 2025 results confirm the resilience of its diversified earnings base, with total EBITDA of £15.5bn modestly below expectations due to weaker thermal coal and nickel performance. Industrial EBITDA declined to £12.5bn, while marketing delivered a stronger-than-expected £3.0bn, highlighting the importance of trading in offsetting commodity cyclicality.

Copper remains the core earnings driver, generating £4.6bn EBITDA and underpinning stability, while coal continues to be a significant but declining contributor as prices normalize. Steelmaking coal outperformed, supported by the integration of EVR, improving the quality of the coal portfolio. Nickel and cobalt remained under pressure, reflecting oversupply and uneven energy transition demand.

Looking ahead, the key differentiator remains Glencore's marketing business. In an environment of rising geopolitical risk — including potential disruption to the Strait of Hormuz — earnings are increasingly driven by the dislocation of commodity flows rather than outright price levels. This positions Glencore as a leveraged play on volatility, with upside skewed to scenarios of supply disruption and tightening global inventories.

Metric	Value
Share Price	£5.21
Target Price	£7.40
Market Cap	~£62bn
Enterprise Value	~£95bn
Net Debt	£14.5bn
2025 EBITDA (Actual)	£15.5bn
2026 EBITDA (Forecast)	£15.8bn
EV/EBITDA (2025A)	~6.1x
EV/EBITDA (2026F)	~6.0x
EV/Revenue	

Materials
UK

Forecast Insights (2025–2030)

- Total EBITDA remains broadly stable in the range of **~£15.5–16.1bn**, reflecting resilience despite structural declines in thermal coal and weaker nickel markets.
- Industrial EBITDA growth is modest, driven primarily by copper and supported by gradual recovery in transition metals, partially offsetting declining coal contribution.
- Marketing EBITDA is modelled on a through-cycle basis at **~£3.0bn**, with upside potential in periods of heightened volatility and disruption in commodity flows, particularly in energy markets.

DCF Valuation and Target Price

- Our updated 5-year DCF implies an enterprise value of **£94.9bn** and equity value of **£80.4bn**, reflecting incorporation of 2025 actuals and revised commodity assumptions.
- We set a revised target price of **£7.40** (previously £7.02), incorporating a partial contribution from a geopolitical upside scenario, including potential disruption to key energy transit routes such as the Strait of Hormuz.
- Given earnings volatility and the limited visibility of net income, we place greater emphasis on **EV/EBITDA and cash flow metrics**, with P/E considered less meaningful in the current environment.

Investment Implications

- Glencore's diversified portfolio and integrated marketing business provide a natural hedge across commodity cycles, with trading earnings acting as a stabilizer in periods of market stress.
- The company is increasingly positioned as a **leveraged play on commodity flow dislocation**, with upside driven by volatility, geopolitical fragmentation and tightening inventories rather than outright price levels.
- Key risks include commodity price weakness, regulatory exposure in higher-risk jurisdictions (notably the DRC), coal transition pressures, and variability in marketing earnings under low-volatility conditions.
- Overall, the combination of resilient cash generation, exposure to structural copper demand, and asymmetric upside from trading supports a continued **Overweight recommendation**, with valuation supported despite a premium to peers.

Glencore Oil Trading: Scale, Revenues and 2026 Outlook

Glencore's oil and products trading business has continued to recover in scale, with volumes increasing from approximately 3.7 million barrels per day in 2024 to around 4.2 million barrels per day in 2025, the highest level since the pandemic period. Using a more conservative pricing framework than headline spot levels, we estimate average realised prices of ~\$80/bbl in 2024 and ~\$70/bbl in 2025, reflecting weaker market conditions and normalization post-2022 volatility. On this basis, Glencore's oil trading flows imply gross annualised revenues of approximately \$108–110bn in 2024 (3.7m bpd × \$80) and \$105–110bn in 2025 (4.2m bpd × \$70). While these figures appear large, they represent turnover rather than profitability, with trading margins typically in the range of \$0.5–\$1.5/bbl. This translates into an energy trading EBIT contribution of roughly \$0.8–1.0bn in 2024, declining toward approximately \$0.6–0.8bn in 2025, consistent with the normalization in market volatility following the exceptional dislocation-driven profits seen in 2022–2023.

The key development through 2025 has been the divergence between rising volumes and declining profitability, as energy trading earnings continued to normalize from the exceptional dislocation-driven profits seen in 2022–2023

. This reflects a more stable market environment with narrower regional spreads and reduced arbitrage opportunities. Importantly, this dynamic reinforces the structural nature of Glencore's marketing business: it is not leveraged to outright oil prices, but rather to price dispersion, logistics constraints and flow dislocations. As such, lower oil prices do not necessarily reduce profitability — in fact, stable markets tend to compress margins more than declining prices per se.

Looking into 2026, geopolitical risk — particularly around Iran and the Strait of Hormuz — introduces a materially different setup. With approximately 20% of global oil flows transiting the Strait, even partial disruption would likely widen regional price spreads, increase freight costs and tighten physical availability. In such a scenario, while outright prices could rise toward \$85–95/bbl, the more important effect for Glencore would be an expansion in trading margins. Assuming volumes remain broadly stable at ~4.0–4.3m bpd, and margins expand toward the upper end of historical ranges (e.g. \$1.5–2.0/bbl), we estimate a potential uplift in energy trading earnings back toward \$1.5–2.5bn annualised, compared to the subdued levels seen in 2025. Crucially, this highlights that geopolitical disruption — rather than posing a direct risk to Glencore — may reinforce its role as an intermediary in global commodity flows and a beneficiary of inflation transmission through logistics and supply chain fragmentation.

2025 Commodity-Level Revenue & EBITDA (GBP bn)

Commodity	Revenue (Forecast)	Revenue (Actual)	EBITDA (Forecast)	EBITDA (Actual)	EBITDA Margin (Actual)
Copper	8.27	8.1	4.72	4.6	56.8%
Zinc	2.5	2.45	1.9	1.85	75.5%
Nickel	1.24	1.1	0.31	0.2	18.2%
Cobalt	1.48	1.3	0.74	0.6	46.2%
Ferrochrome	2.04	1.95	0.82	0.75	38.5%
Energy coal	10.02	8.7	3.24	2.4	27.6%
Steelmaking coal	4.01	4.3	1.71	1.9	44.2%
Oil (E&P entitlement)	0.28	0.3	0.15	0.18	60.0%
Industrial subtotal	29.84	28.2	13.59	12.48	44.3%
Marketing EBITDA	—	—	2.9	3	—
Total EBITDA	—	—	16.49	15.48	—

EBITDA Forecast 2026–2030 (GBP bn)

Commodity / Segment	2025 (Actual)	2026	2027	2028	2029	2030
Copper	4.6	4.7	4.85	5	5.15	5.3
Zinc	1.85	1.9	1.95	2	2.05	2.1
Nickel	0.2	0.25	0.3	0.32	0.34	0.35
Cobalt	0.6	0.65	0.7	0.74	0.78	0.8
Ferrochrome	0.75	0.78	0.82	0.85	0.88	0.9
Energy coal	2.4	2.3	2.2	2.1	2	1.9
Steelmaking coal	1.9	1.85	1.8	1.75	1.7	1.65
Oil (E&P)	0.18	0.2	0.2	0.2	0.2	0.2
Industrial EBITDA	12.48	12.63	12.82	12.96	13.1	13.2
Marketing EBITDA	3	3.2	3.1	3	3	2.9
Total EBITDA	15.48	15.83	15.92	15.96	16.1	16.1

Commodity Outlook: Supply Tightness and Flow Dislocation

Copper

Copper remains the core earnings driver, with 2025 EBITDA of £4.6bn broadly in line with expectations despite modest price pressure. Looking forward, gradual growth reflects tightening supply fundamentals, declining ore grades and structural demand from electrification. We expect copper to continue underpinning group earnings stability, with upside skewed to supply disruptions rather than demand surprises.

Zinc

Zinc delivered stable EBITDA of £1.85bn in 2025, reflecting relatively balanced market conditions. The outlook assumes modest recovery driven by supply discipline and steady industrial demand, with limited volatility compared to other base metals. Zinc remains a dependable but non-core contributor within the portfolio.

Nickel

Nickel was the weakest performer in 2025 (£0.20bn EBITDA), impacted by persistent oversupply from Indonesia. The forward profile assumes gradual normalization as high-cost supply exits the market, although recovery remains uncertain. Nickel highlights the risks embedded in energy transition commodities, where supply response has outpaced demand growth.

Cobalt

Cobalt EBITDA declined to £0.60bn in 2025, reflecting softer battery demand and price volatility. We assume a gradual recovery supported by EV demand normalization, although substitution risk and supply concentration (notably DRC) remain key uncertainties. Cobalt retains strategic importance but remains volatile.

Ferrochrome

Ferrochrome delivered £0.75bn EBITDA in 2025, supported by steady stainless steel demand. The outlook is broadly stable, with incremental improvements driven by cost control and moderate demand recovery. This remains a smaller but consistent earnings contributor.

Energy Coal

Energy coal EBITDA declined materially to £2.40bn in 2025, reflecting normalization from elevated 2022–2023 price levels. We forecast a gradual decline, driven primarily by pricing rather than volume, as global markets adjust. Despite this, coal remains a significant cash generator, albeit with increasing structural and ESG-related headwinds.

Steelmaking Coal

Steelmaking coal outperformed expectations in 2025 (£1.90bn EBITDA), supported by the contribution from EVR and resilient steel demand. Unlike thermal coal, this segment benefits from stronger structural demand and higher quality pricing, and we expect it to remain a key contributor within the coal portfolio.

Oil (E&P)

Oil contributes modestly at £0.18bn EBITDA, reflecting Glencore's limited upstream exposure. We assume a stable contribution, with potential upside in a higher price environment, although this remains non-core relative to trading activities.

Industrial EBITDA

Industrial EBITDA declined to £12.5bn in 2025, driven primarily by weaker coal and nickel performance. The forward trajectory assumes gradual recovery, led by copper and partial normalization in transition metals, offsetting continued coal decline.

Marketing EBITDA

Marketing delivered £3.0bn in 2025, slightly above expectations, reflecting resilient trading conditions. Looking ahead, we assume upside in 2026 driven by increased geopolitical volatility (including potential disruptions in key transit routes such as Hormuz), before normalizing thereafter. Marketing remains the key lever to monetize dislocation in commodity flows.

Total EBITDA

Total EBITDA of £15.5bn in 2025 came in below initial forecasts but remains robust. The outlook reflects a stable earnings base, with upside driven by copper and trading, and downside primarily linked to coal normalization. Overall, the earnings profile remains resilient, supported by diversification and the integrated marketing model.

Failed Consolidation Highlights Strategic Value of Commodity Flows

- The attempted Rio–Glencore combination underscores the increasing strategic importance of controlling commodity supply chains.
- While the deal failed on valuation and structural grounds, the underlying rationale — consolidation around copper and supply chain control — remains intact.
- We view the transaction attempt as validation that commodity flow control is becoming a source of pricing power in an inflationary regime.

5-Year DCF (2026–2030) — Base Case

Following the incorporation of 2025 actual results and updated commodity assumptions, our DCF valuation implies an enterprise value of £94.9bn and equity value of £80.4bn, corresponding to a revised target price of £6.75 (previously £7.02). The reduction reflects weaker-than-expected coal and nickel performance in 2025, partially offset by resilience in copper and an improved outlook for marketing earnings. Despite this adjustment, the investment case remains intact, supported by stable cash generation and leverage to commodity flow dislocations

DCF Table

Year	Total EBITDA (£bn)	EBIT (£bn)	NOPAT (£bn)	Depreciation (£bn)	Capex (£bn)	FCF (£bn)	PV Factor	PV of FCF (£bn)
2025	15.48	11.08	7.76	4.4	5.5	6.66	1	6.66
2026	15.83	11.43	8	4.4	5.5	6.9	0.926	6.39
2027	15.92	11.52	8.06	4.4	5.5	6.96	0.857	5.96
2028	15.96	11.56	8.09	4.4	5.5	6.99	0.794	5.55
2029	16.1	11.7	8.19	4.4	5.5	7.09	0.735	5.21

Assumptions:

- Depreciation: £4.4bn
- Capex: £5.5bn
- Tax: 30%
- WACC: 8%

DCF Summary

Sum of PV of FCFs (2025–2029): **£29.8bn** (previously £31.6bn)

Terminal Value

2029 EBITDA: **£16.10bn**

Exit multiple: **5.5x**

Terminal EV: **£88.6bn**

Present value factor: **0.735**

PV of Terminal Value: **£65.1bn**

Valuation

Enterprise Value (EV): **£94.9bn**

Net debt: **£14.5bn**

Equity Value: **£80.4bn**

Target Price

Assuming ~11.86bn shares outstanding:

Target Price: **£6.75** (previously £7.02)

Bull Case: Strait of Hormuz Disruption

Scenario

In a disruption scenario, Glencore's marketing business captures value from widening regional spreads and logistical constraints, rather than outright price direction. This makes the company structurally leveraged to geopolitical volatility, with earnings upside driven by dislocation in commodity flows rather than commodity prices themselves.

Scenario assumptions (2026–2027)

- Partial disruption to **Strait of Hormuz** (not full closure)
- ~15–20% of global oil flows affected
- Oil price rises to **\$85–95/bbl**
- Freight rates and insurance costs increase materially
- Regional price spreads widen significantly
- Commodity volatility increases across oil, coal, and metals

Impact on Glencore

1. Marketing EBITDA upside

Base case:

- 2026: **£3.2bn**

Bull case:

- Margin expansion from:
 - wider spreads
 - arbitrage opportunities
 - logistics dislocation

Revised:

- **£4.0 – £4.5bn**

2. Oil trading uplift

- Volumes stable (~4.0–4.3m bpd)
- Margins expand to:
 - **\$1.5–2.0/bbl**

Energy trading EBIT:

- Base: ~\$0.6–0.8bn
- Bull: ~\$1.5–2.5bn

3. Coal & LNG spillover

- Energy substitution effects:
 - LNG constrained → coal demand ↑
- Thermal coal prices supported

Energy coal EBITDA:

- Base: £2.30bn
- Bull: **£2.6–2.8bn**

4. Copper (secondary effect)

- Supply disruptions + cost inflation
- Limited immediate upside, but:
 - supportive pricing

Slight uplift:

- +£0.1–0.2bn vs base

Bull Case EBITDA (2026)

Segment	Base Case	Bull Case
Industrial EBITDA	£12.63bn	£13.2–13.5bn
Marketing EBITDA	£3.20bn	£4.0–4.5bn
Total EBITDA	£15.83bn	£17.2–18.0bn

Bull Case Valuation Impact

Using midpoint EBITDA (£17.6bn):

- Exit multiple: 5.5x
Terminal EV ≈ **£96.8bn**

Higher FCF → higher PV:

- PV of FCFs: ~**£32–34bn**
- PV of Terminal Value: ~**£71–73bn**

Revised valuation

- **Enterprise Value:** ~£103–107bn
- Net debt: £14.5bn

Equity Value: ~£88–92bn

Bull Case Target Price

- Shares: ~11.86bn

Target Price: £7.50 – £7.80

While not our base case, a disruption to key energy transit routes such as the Strait of Hormuz represents a meaningful upside risk to earnings, with potential for marketing EBITDA to expand materially and drive valuation toward the upper end of our range.

Comparable Companies (2025 Actual / Current Multiples)

Company	EV/	EV/	P/E Ratio
	EBITDA	Revenue	
Glencore	10.5x	0.4–0.5x	N/M / high (volatile earnings)
BHP Group	6.0–6.5x	1.1–1.3x	15–17x
Anglo American	8.0–9.0x	1.0–1.2x	N/M (negative / depressed)
Rio Tinto	6.5–7.0x	1.2–1.4x	13–16x
Vale S.A.	4.5–5.5x	0.8–1.0x	8–11x

Glencore continues to trade at a premium to diversified mining peers on an EV/EBITDA basis, reflecting the market's valuation of its marketing business and exposure to commodity trading flows. However, this premium is partially offset by earnings volatility and lower visibility at the net income level, limiting the relevance of P/E as a valuation metric.

Methodology & Key Risks

- EBITDA model based on a bottom-up approach incorporating production volumes, realised commodity prices, and unit cash cost assumptions, calibrated to 2025 actual performance and adjusted for asset mix (including EVR) and commodity-specific dynamics.
- Marketing EBITDA modelled on a through-cycle basis, with a base case reflecting normalized trading conditions and an explicit upside scenario capturing increased volatility and dislocation in commodity flows, particularly under geopolitical stress (e.g. Middle East / Hormuz disruption).
- Valuation based on a DCF framework (8% WACC, 5.5x exit multiple), cross-checked against peer EV/EBITDA multiples. Target price incorporates a partial contribution from a geopolitical upside scenario, reflecting the asymmetric earnings potential of the marketing business.

Key Risks

- **Commodity price volatility:** Earnings remain sensitive to movements in coal, copper and

- transition metals, with downside risk from weaker global demand, particularly in China.
- **Geopolitical and flow disruption risk:** Escalation in key regions (notably the Middle East and potential disruption to the Strait of Hormuz) may impact commodity flows. While this presents upside through trading margins, it also introduces logistical, counterparty and operational risks.
 - **Regulatory and jurisdictional exposure:** Operations in high-risk regions, particularly the DRC, create uncertainty around taxation, royalties and political stability.
 - **Coal transition and ESG pressure:** Structural decline in thermal coal demand and ongoing ESG constraints may impact long-term valuation and capital allocation.
 - **Marketing earnings variability:** Trading performance is inherently volatile and dependent on market dislocation; periods of low volatility may compress margins, while extreme disruption may increase operational complexity.
 - **Operational and cost risks:** Input cost inflation, execution risks and integration of acquired assets (including EVR) may affect margins and returns.
 - **Impairments and legacy liabilities:** Risk of further asset write-downs and residual legal or regulatory exposure following prior investigations.
 - **FX and macroeconomic factors:** Exposure to currency fluctuations, interest rates and broader macro conditions affecting industrial demand.

Sources – Mdlincoln estimates

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