



Afrimat – FY24 Results

Key message: With Nkomati starting to contribute as planned and Lafarge integrated in April 2024, growth into FY25 should be achieved.

- Afrimat released FY24 results, with HEPS increasing 24% to 567.3c on a 24% increase in revenue and 20% increase in operating profit. The operating margin declined to 18.9% (from 19.6%) largely due to the weaker Industrial Minerals result. Cash flows remain strong with all capex and acquisitions (Lafarge) to be funded from internal resources.
- **Iron Ore:** Iron ore sales increased by 24% as local sales to AMSA increased by 82%, despite the poor domestic rail performance impacting sales (trucks were used to compensate for some lost tonnages). Export sales declined by 11% due to Transnet performance. Export sales are expected to be flat in FY25 before an expected Transnet recovery into FY26. There is some uncertainty over local sales volumes going forward as AMSA considers the closure of some capacity. The potential to gain more export capacity through allocation to smaller miners in 2027 could boost export volumes.
- **Nkomati:** Nkomati made a profit in 2H as ROM tonnages achieved 70kt at YE – the interim steady state tonnage (this can be increased to 90-100ktpm). The yield is better than expected. 15% of production is being exported (high phos. product that cannot be sold locally).
- **Glenover:** Expectations for Glenover have been scaled down with only Phase 1 of the development is underway with sales being generated from high-grade phosphate stockpile sales. Sales of phosphate concentrate and SSP will commence in FY25.
- **Construction Materials:** a strong recovery in demand driven mainly by roads (nationally) and ballast purchases by Transnet.
- **Industrial Minerals:** Loadshedding impacted production but curtailment agreements and gensets are now in place to mitigate this.
- **Lafarge:** the Lafarge acquisition was effective from 23 April 2024. The cement division is currently loss making and management are looking to move to breakeven in 1H FY25. The aggregates and ash operations are profitable.
- A period of consolidation is expected as Nkomati achieves initial production targets and Lafarge is integrated. We maintain our Target Price at R90.

Financial summary

ZARmn (year to February)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	4908	6083	9286	13215	14067
EBITDA	1328	3393	2345	2961	3094
Net income	661	782	1339	1776	1880
Headline EPS (diluted)	451	561	881	1168	1237
PE Ratio	13.7	12.1	7.7	5.8	5.5
Dividend	150	194	326	433	458
Dividend yield (%)			4.8%	6.4%	6.7%

Source: Factset, Company data, Chronux Research estimates

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Price (22/05/2024): R68.55
Target Price: R90.00
Dividend yield: 4.8%
Total return: 36%

Market cap R10.85bn
Shares in issue 150.7mn

Sponsored Research: Chronux Research is compensated by certain corporates to produce objective and impartial research. A Recommendation is not provided. Earnings forecasts and a Target Price are the independent view of the analyst, based on his/her view of all factors that could influence earnings and peer comparisons. Management has no editorial input.

Figure 1 Financial summary

Financial year to February	FY23A	FY24A	FY25E	FY26E	FY27E
ZAR/USD exchange rate	17.00	18.64	18.50	18.79	19.27
Iron ore price - fines spot China (\$/t)	120.00	121.00	110.00	105.00	105.00
Iron ore lump premium (\$/t)	15.00	20.00	20.00	20.00	20.00
Anthracite orice (R/t, contract)	1,552	1,933	2,100	2,200	2,200
Per share data					
Earnings (diluted)	450	514	881	1,168	1,237
Headline earnings (diluted)	451	561	881	1,168	1,237
NAV	24.15	28.48	33.83	41.10	48.81
Dividend	150	194	326	433	458
Valuation ratios					
P/E ratio	13.7	12.1	7.7	5.8	5.5
EV/EBITDA	6.3	3.0	4.4	3.5	3.3
P/B	2.42	2.26	1.92	1.59	1.34
Dividend yield			4.8%	6.4%	6.7%
Income Statement (ZARmn)					
Sales	4,908	6,083	9,286	13,215	14,067
<i>Sales growth</i>		23.9%	52.6%	42.3%	6.5%
Cost of sales	(3,208)	(4,002)	(5,852)	(8,545)	(9,137)
Gross Profit	1,700	2,081	3,434	4,670	4,930
<i>Gross margin</i>	34.6%	34.2%	37.0%	35.3%	35.0%
SG&A Expense	(794)	936	(1,483)	(2,111)	(2,247)
Other Operating Income/Expense	61	7	17	18	18
EBITDA	1,328	3,393	2,345	2,961	3,094
<i>EBITDA margin</i>	27.0%	55.8%	25.3%	22.4%	22.0%
Depreciation & Amortisation	(361)	(369)	(377)	(384)	(392)
EBIT (Operating Income)	967	3,023	1,968	2,577	2,702
<i>EBIT margin</i>	19.7%	49.7%	21.2%	19.5%	19.2%
Nonoperating Income - Net	(4)	0	0	0	0
Net Interest Expense	(27)	(41)	(24)	(0)	26
Equity in Earnings of Affiliates	0	2	0	0	0
PBT	936	2,984	1,944	2,577	2,728
Income Taxes	(269)	(325)	(544)	(721)	(764)
<i>Tax rate</i>	28.8%	10.9%	28.0%	28.0%	28.0%
Consolidated Net Income	665	789	1,400	1,855	1,964
Minority Interest	(4)	(7)	(60)	(79)	(84)
Net Income	661	782	1,339	1,776	1,880
Cash flow statement (ZARmn)					
Changes in working capital	207	44	(18)	(19)	(20)
Cash from operating activities	987	1,237	1,916	2,379	2,356
Capital expenditure	(811)	(695)	(1,171)	(929)	(563)
Other	(11)	49	32	32	32
Investing cash flow	(822)	(646)	(1,139)	(896)	(530)
Changes in borrowings	(485)	23	(7)	(200)	0
Dividend paid	(268)	(229)	(441)	(690)	(862)
Other	578	(159)	0	0	0
Financing cash flow	(175)	(366)	(448)	(890)	(862)
Change in cash	(10)	225	329	593	964
Balance sheet (ZARmn)					
Total assets	5,697	6,749	7,583	8,540	9,765
Cash and equivalents	281	505	833	1,427	2,391
Other current assets	1,215	1,550	1,612	1,677	1,745
Non-current assets	4,202	4,694	5,137	5,436	5,630
Total liabilities	1,850	2,185	2,197	2,039	2,083
Long-term liabilities	841	873	843	844	846
Current liabilities	1,009	1,312	1,354	1,195	1,237
Total shareholders' funds	3,847	4,563	5,386	6,501	7,683
Net debt/(cash)	42	62	(273)	(1,066)	(2,030)

Source: Factset, Company data, Chronux Research estimates

Valuation

- We value Afrimat using a Sum-of-the-Parts methodology. We value the mining assets (Demaneng, Jenkins, Nkomati, Glenover) using a DCF for the life-of-mine. The Lafarge acquisition is valued on an EBITDA multiple basis. Our base year for EBITDA is FY25.

Figure 2 Sum-of-the-Parts Valuation – FY25 EBITDA (Base Case)

ZARm	Multiple range	Comment	FY25 EBITDA	EV/EBITDA Multiple	Enterprise Value
Construction Materials	4-6x	Mid range multiple	709	4.0x	2,835
Industrial Minerals	4-6x	Mid range multiple	105	4.0x	421
Iron ore		DCF @ WACC (13.4%)			5,461
Anthracite - Nkomati		DCF @ 14%			4,263
Glenover - phosphate stockpile		DCF @ 16%			329
					13,310
Other assets		From balance sheet			148
Minorities		From balance sheet			-22
Net (debt)/cash		From balance sheet			273
Equity value					13,710
Number of shares ('m)					151,989
Valuation (ZAR per share)					90.20

Source: Company data, Chronux Research estimates

- On a PE basis Afrimat falls to an 8.5 times multiple in FY25. Based on the growth expected for existing and potential new acquisitions we do believe that a multiple of 7-9 times is justified.

Figure 3 PE Valuation

	<u>FY24A</u>	<u>FY25E</u>	<u>FY26E</u>	<u>FY27E</u>
Diluted HEPS	561	881	1168	1237
AFT PE	12.2	7.8	5.8	5.5
TP exit PE	16.1	10.2	7.7	7.3

Source: Company data, Chronux Research

Construction Materials

- We use a 4 times EBITDA multiple to value this division. This is in line with how we value comparable company Raubex – the two companies have similar construction materials businesses with significant regional footprints.
- We have added the Lafarge acquisition and applied a 4 times multiple in line with our valuation of similar companies (PPC, Raubex).
- Activity levels have picked up in FY24 with multiple road projects starting across the country.

Industrial Minerals

- We use a 4 times EBITDA multiple to value this division. Afrimat has well-placed quarries close to market with high-grade material.

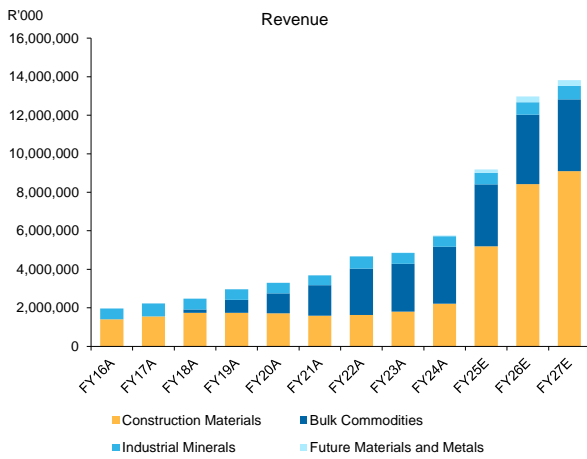
Bulk Commodities

- We value the iron ore operation (Demaneng and Jenkins) using a DCF methodology.

- **Iron Ore:** The Coza acquisition (Jenkins, Driehoekspan) provides more than 20 years of reserves for this expanded production – the iron ore division has moved from a limited-life small mine to a significant operation with reserves to maintain production for +20 years.
- **Nkomati:** Afrimat has greatly improved the geological model of the mine and, although mining conditions remain difficult, better mine planning should result in steadier production. Nkomati should deliver operating profit of >R500m per year with little variance (prices are set annually).
- **Gloverover:** The Gloverover acquisition contains several phases, with Phase 1 involving the sale of the high-grade phosphate stockpile. We value Phase 1 using a DCF valuation with a 16% discount rate.

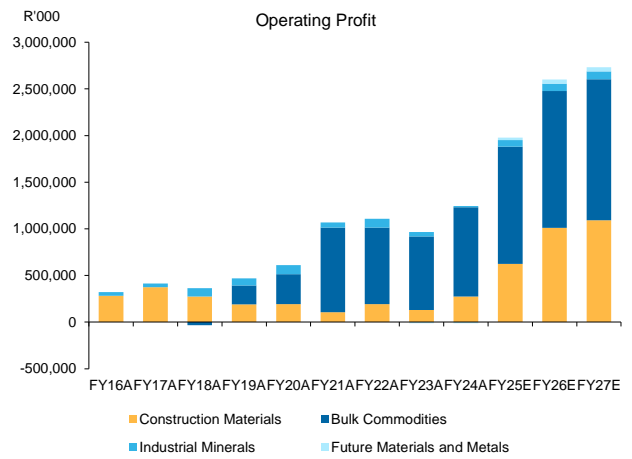
Group Forecast

Figure 4 Group Revenue



Source: Company data, Chronux Research

Figure 5 Group Operating Profit

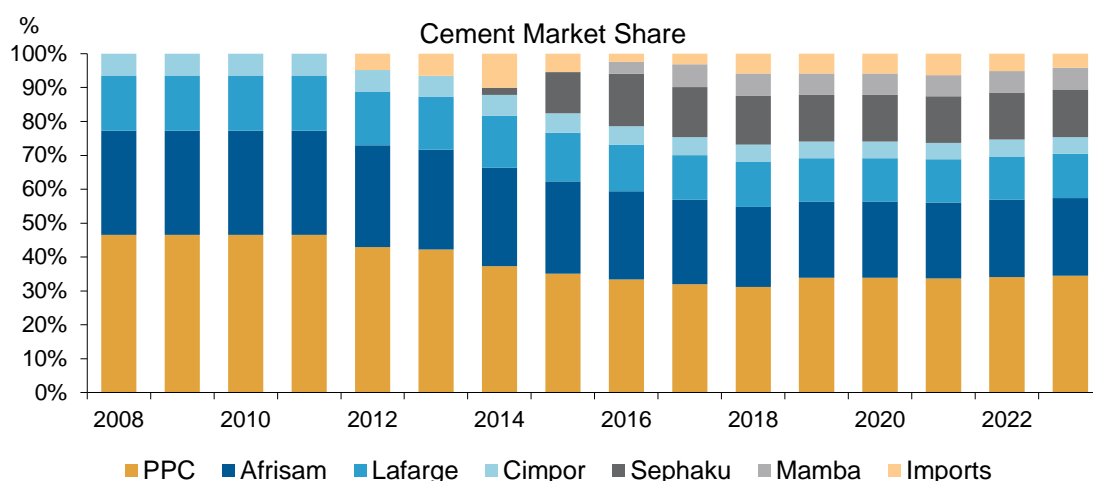


Source: Company data, Chronux Research

Lafarge Acquisition

- Afrimat announce the acquisition of Lafarge South Africa (comprising of aggregates, ash, cement and readymix businesses). The acquisition price will be US\$6m for the equity with R900m in debt taken over (R500m repayable on completion of the deal and R400m repayable within 12 months of closing date). R200m of net cash will remain in the business.
- The enterprise value paid is therefore approx. R800m. The deal is another Afrimat speciality – paying a very low price for good assets that can be improved at relatively low cost.
- Afrimat is more interested in Lafarge’s excellent aggregates (well positioned coastal plants, reserves +30 years) and ash business. The acquisition price implies that these businesses are bought for an approx. 3 times EBITDA multiple, with the cement businesses coming as a free option. There are interested buyers for the cement assets.
- The other way to look at the purchase would be a price of US\$23/t for the 2.2mtpa cement capacity – very low compared to cement replacement capex of US\$200/t and PPC’s valuation of approx. US\$50/t. This implies the aggregates and ash come for free.
- Lafarge consists of 18 quarries (11 operational), Ash Resources, 45 readymix plants and 2 cement kilns at Lichtenburg (approx. 2mtpa capacity). The cement assets include a modernised grinding and blending facility at Randfontein, a grinding plant at Richards Bay and a depot at Kaalfontein. Slag for extending is secured from AMSA. 3 quarries will be sold as part of the Competition Commission approval.
- The aggregates business will be producing approx. 3mtpa (post disposals) and the ash business approx. 1mtpa.
- The cement business is operating at 1-1.2mtpa and is at loss making at present. Energy costs are very high. Capex of R30-50m is required in the short-term to stabilise production, with R150-200m required to update the cement assets over the next three years, with maintenance capex of R200m/a (similar to PPC). The assets are good quality and there appears to be no major maintenance backlog.
- Payback for the acquisition looks to be 2-3 years, in line with recent Afrimat acquisitions and continuing the astute acquisition strategy.
- Lafarge has an approximate 15-20% market share with total capacity of 2.2mtpa.

Figure 6 South African Cement Market Share



Source: Company data, Chronux Research

- The following table shows our estimates of the Lafarge financial performance. We assume the acquisition is effective in FY25. We use an EBITDA margin of 10% for the cement business from FY26, in line with peers at present.
- EBITDA margins in the Aggregates and Ash business are assumed to be higher (25% and 27% respectively).

Figure 7 Lafarge Model

Group	1H25	2H25	FY25E	1H26	2H26	FY26E	1H27	2H27	FY27E
Revenue	1373	1393	2767	1393	1413	2806	1403	1403	2806
EBITDA	99	183	283	203	209	412	206	206	412
EBITDA margin	7.2%	13.2%	10.2%	14.6%	14.8%	14.7%	14.7%	14.7%	14.7%
Cement	1H25	2H25	FY25E	1H26	2H26	FY26E	1H27	2H27	FY27E
Capacity									
Lichtenburg 3									
<u>Clinker</u>									
Tons/day	3000	3000	3000	3000	3000	3000	3000	3000	3000
Capacity factor	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tons/annum ('000)	0	0	0	0	0	0	0	0	0
<u>Cement</u>									
Extension	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Tons/annum ('000)	0	0	0	0	0	0	0	0	0
Lichtenburg 4									
<u>Clinker</u>									
Tons/day	2500	2500	2500	2500	2500	2500	2500	2500	2500
Capacity factor	90%	90%	90%	90%	90%	90%	90%	90%	90%
Tons/annum ('000)	411	411	821	410.625	410.625	821.25	410.625	410.625	821.25
<u>Cement</u>									
Extension	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Tons/annum ('000)	579	579	1158	579	579	1158	579	579	1158
Cement price (R/ton)	1700	1700	1700	1700	1700	1700	1700	1700	1700
Cost/t									
Revenue (Rm)	984	984	1969	984	984	1969	984	984	1969
EBITDA	0	79	79	98	98	197	98	98	197
EBITDA margin	0%	8%	4%	10%	10%	10%	10%	10%	10%
Aggregates	1H25	2H25	FY25E	1H26	2H26	FY26E	1H27	2H27	FY27E
Tons/month ('000)	250	250	250	250	250	250	250	250	250
Tons/annum ('000)	1500	1500	3000	1500	1500	3000	1500	1500	3000
Price/t	200	200	200	200	200	200	200	200	200
Revenue	300	300	600	300	300	600	300	300	600
Cost/t	150	150	150	150	150	150	150	150	150
Costs	225	225	450	225	225	450	225	225	450
EBITDA	75	75	150	75	75	150	75	75	150
EBITDA margin	25%	25%	25%	25%	25%	25%	25%	25%	25%
Ash	1H25	2H25	FY25E	1H26	2H26	FY26E	1H27	2H27	FY27E
Tons/month ('000)	90	100	100	110	120	120	120	120	120
Tons/annum ('000)	540	660	1200	660	780	1440	720	720	1440
Price/t	165	165	165	165	165	165	165	165	165
Revenue	89.1	108.9	198	108.9	128.7	237.6	118.8	118.8	237.6
Cost/t	120	120	120	120	120	120	120	120	120
Costs	64.8	79.2	144	79.2	93.6	172.8	86.4	86.4	172.8
EBITDA	24.3	29.7	54	29.7	35.1	64.8	32.4	32.4	64.8
EBITDA margin	27%	27%	27%	27%	27%	27%	27%	27%	27%

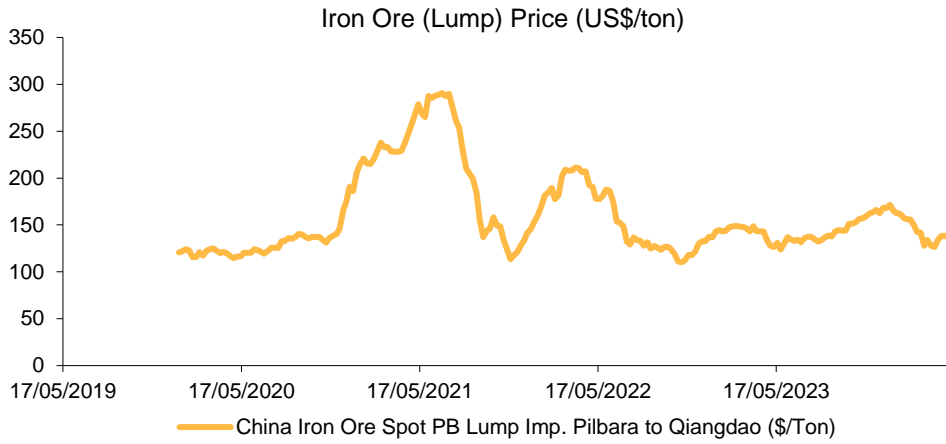
Source: Company data, Chronux Research

Iron Ore

Iron Ore forecasts

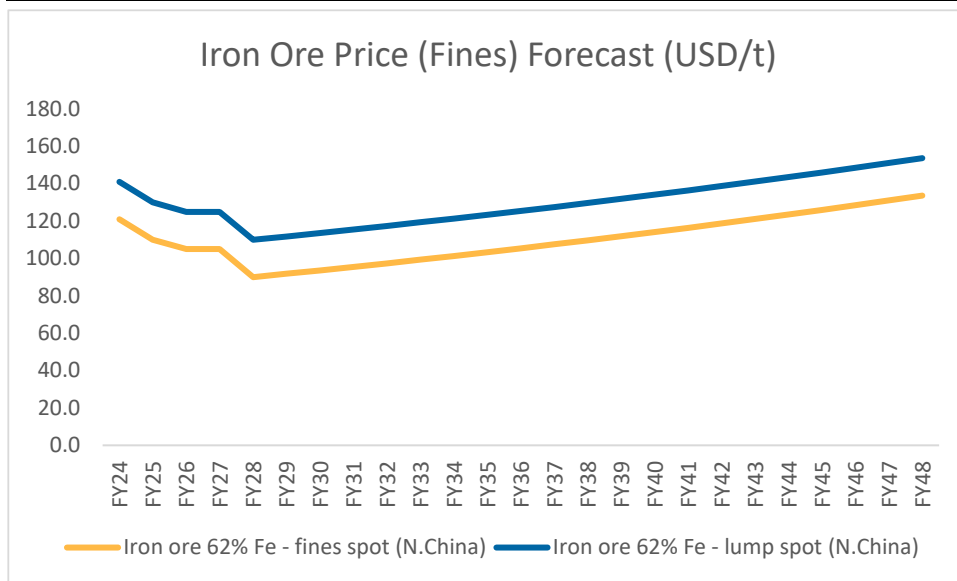
- We forecast iron ore prices to average US\$110 in FY25.

Figure 8 Iron Ore Price



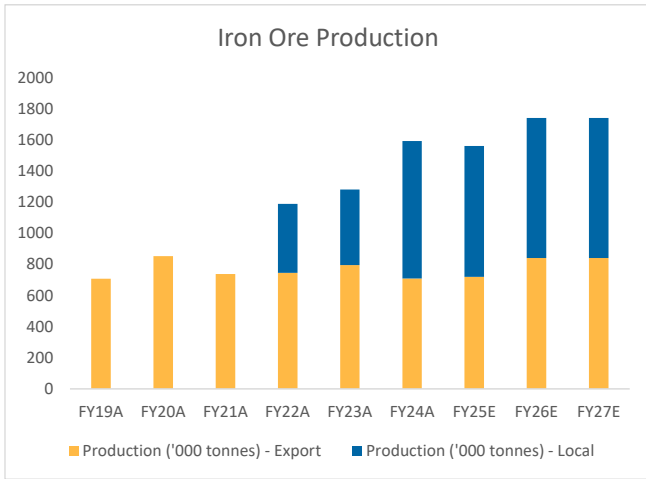
Source: Company data, Chronux Research

Figure 9 Iron Ore Fines Price Forecasts (US\$/t)



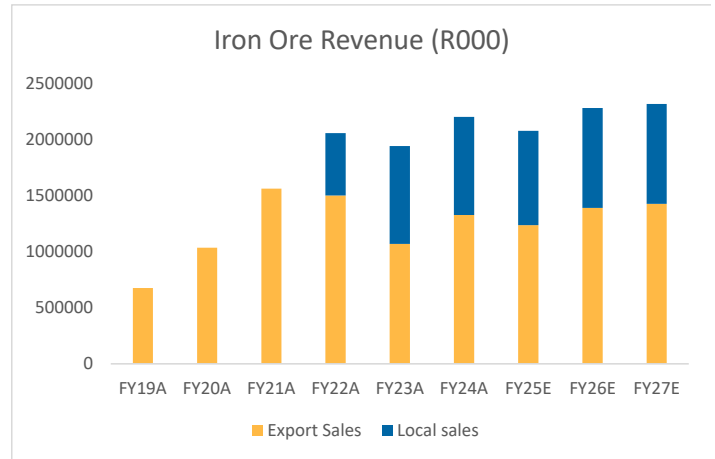
Source: Company data, Chronux Research

Figure 10 Iron Ore - Production



Source: Company data, Chronux Research

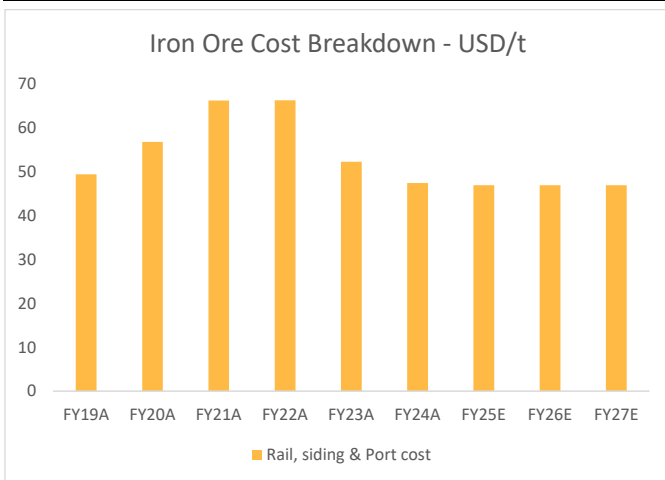
Figure 11 Iron Ore - Revenue



Source: Company data, Chronux Research

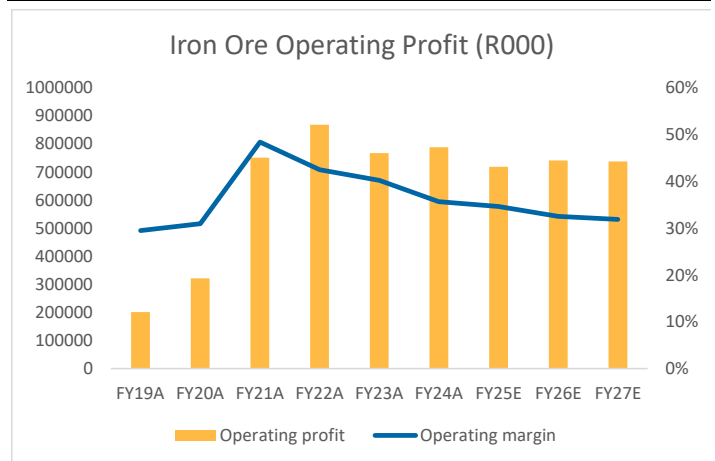
- We have been conservative on local sales going forward with the uncertainty around AMSA’s future production profile. Export volumes are expected to be flat in FY25 with a recovery in FY26 as Transnet is assumed to be able to improve its performance.
- The potential to gain more export capacity through allocation to smaller miners in 2027 could boost export volumes.

Figure 12 Iron Ore - Cost breakdown



Source: Company data, Chronux Research

Figure 13 Iron Ore – Operating Profit



Source: Company data, Chronux Research

Figure 14 Iron Ore Model

		FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Production (ktpm) - Export		60.0	71.0	61.5	62.2	66.3	59.1	60.0	70.0	70.0
Production (ktpm) - Local					36.9	40.4	73.5	70.0	75.0	75.0
Production ('000 tonnes) - Export		707.1	852.2	737.8	746.0	795.5	709.7	720.0	840.0	840.0
Production ('000 tonnes) - Local					443.0	484.5	882.2	840.0	900.0	900.0
Production ('000 tonnes)		707.1	852.2	737.82	1189.0	1280.0	1591.9	1560.0	1740.0	1740.0
<i>Production increase</i>		<i>207%</i>	<i>21%</i>	<i>-13%</i>	<i>61%</i>	<i>8%</i>	<i>24%</i>	<i>-2%</i>	<i>12%</i>	<i>0%</i>
ZAR/USD		13.75	14.77	16.35	14.89	17.00	18.64	18.50	18.79	19.27
<i>% change</i>		<i>5%</i>	<i>7%</i>	<i>11%</i>	<i>-9%</i>	<i>14%</i>	<i>10%</i>	<i>-1%</i>	<i>2%</i>	<i>3%</i>
Sales										
Export		527	852	738	746	795	710	720	840	840
<i>% change</i>		<i>276%</i>	<i>62%</i>	<i>-13%</i>	<i>1%</i>	<i>7%</i>	<i>-11%</i>	<i>1%</i>	<i>17%</i>	<i>0%</i>
Domestic		180	0	0	443	485	882	840	900	900
<i>% change</i>		<i>100%</i>	<i>-100%</i>	<i>#DIV/0!</i>	<i>#DIV/0!</i>	<i>9%</i>	<i>82%</i>	<i>-5%</i>	<i>7%</i>	<i>0%</i>
Export Sales										
Iron ore 62% Fe - fines spot (N.China)	US\$/t	77.00	93.00	144.00	145.00	120.00	121.00	110.00	105.00	105.00
Lump premium		35.00	29.00	34.00	49.00	15.00	20.00	20.00	20.00	20.00
Iron ore 62% Fe - lump spot (N.China)	US\$/t	112.00	122.00	178.00	194.00	135.00	141.00	130.00	125.00	125.00
Fines adjustment (FE content, Si,Al)		0%	0%	0%	0%	0%	0%	0%	0%	0%
Lump adjustment (FE content, Si,Al)		0%	0%	0%	0%	0%	0%	0%	0%	0%
Adjusted fines - 62% Fe and other (Si)	US\$/t	77.00	93.00	144.00	145.00	120.00	121.00	110.00	105.00	105.00
Adjusted lump - 65.3% Fe and other (Si)	US\$/t	112.00	122.00	178.00	194.00	135.00	141.00	130.00	125.00	125.00
Sth Africa to China		24.00	22.00	25.00	30.00	45.00	28.00	25.00	25.00	25.00
Rail, siding & port cost	ZAR/t	215	235	235	235	235	244	254	264	275
Transport	ZAR/t	55	55	55	55	55	55	57	59	62
One mine costs	ZAR/t	410	530	510	620	500	500	510	520	531
	<i>Fixed (60%)</i>		318	306	372	300	300	306	312	318
	<i>Variable (40%)</i>		212	204	248	200	200	204	208	212
On mine costs	USD/t		35.88	31.20	41.64	29.41	26.83	27.56	27.68	27.54
Balancing cost		30	30	300	280	100	100	100	100	100
Sales ('000t)		707	852	738	746	795	710	720	840	840
Lump	70%	495	597	516	522	557	497	504	588	588
Fines	30%	212	256	221	224	239	213	216	252	252
Lump ore - revenue		762328	1074931	1502984	1508614	1278173	1305493	1212361	1381349	1416208
Fines ore - revenue		224614	351178	521099	483245	486923	480136	439647	497286	509835
Revenue pre shipping		986942	1426109	2024083	1991860	1765095	1785628	1652008	1878635	1926043
Shipping cost		233366	276914	301562	333273	608654	370353	333066	394671	404631
Marketing cost (5% of CFR price)		78955	114089	161927	159349	88255	89281	82600	93932	96302
Revenue post shipping		674621	1035106	1560594	1499238	1068187	1325994	1236341	1390032	1425110
Reported Revenue		682198	1037513	1551661	1487559	1034560	1336588			
Revenue/t (ZAR)		954	1215	2115	2010	1343	1868	1717	1655	1697
Revenue/t (USD)		69	82	129	135	79	100	93	88	88
<i>% change</i>			<i>19%</i>	<i>57%</i>	<i>4%</i>	<i>-41%</i>	<i>27%</i>	<i>-7%</i>	<i>-5%</i>	<i>0%</i>
Rail, siding & Port cost		152027	200267	173388	175318	186937	173453	183007	222048	230930
Transport		38891	46871	40580	41032	43751	39034	41184	49970	51969
On-mine profit		483704	787968	1346626	1282888	837498	1113507	1012151	1118014	1142211
On-mine costs		311124	477232	597637	671432	477287	425825	439200	520968	529707
Operating profit		172580	310736	748989	611457	360212	687682			
Reported operating profit		201329	321665	751539	604821	369321				
Operating margin		30%	31%	48%	40%	35%				
Total cost		480869	715848	800122	882738	665239				
Total cost/t (ZAR)		680	840	1084	1183	836				
Total cost/t (USD)		49.45	56.87	66.33	79.46	49.18				
<i>% change</i>			<i>15%</i>	<i>17%</i>	<i>20%</i>	<i>-38%</i>				

Source: Company data, Chronux Research estimates

Figure 15 Iron Ore Model

Local sales		FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales					443.0	484.5	882.2	840.0	900.0	900.0
Reported revenue					557099	872127				
Revenue					557099	872127	874578	840000	889200	889200
Revenue/t (ZAR)					1258	1800	991	1000	988	988
Revenue/t (USD)					84	106	53	54	53	51
% change						25%	-50%	2%	-3%	-2%
Reported operating profit					264820	398578				
Operating profit					264820	398578	521711	504000	529200	529200
Margin					48%	46%	60%	60%	60%	60%
Total cost					292279	473549	352867	336000	360000	360000
Total cost/t (ZAR)					660	977	400	400	400	400
Total cost/t (USD)					44.31	57.48	21.46	21.62	21.28	20.76
% change						30%				
Total Iron Ore										
Total reported revenue		682,198	1,037,513	1,551,661	2,044,658	1,906,687	2,211,166	2,076,341	2,279,232	2,314,310
Total Revenue					2056337	1940314	2200572	2076341	2279232	2314310
Total cost		480869	715848	800122	1175017	1138788	1422118	1356689	1536963	1575749
Total cost/t (ZAR)		680	840	1084	988	890	893	870	883	906
Total cost/t (USD)		49.45	56.87	66.33	66.36	52.32	47.50	47.00	47.00	47.00
% change						-21%	-9%	-1%	0%	0%
Reported operating profit		201329	321665	751539	869641	767899	789048	719652	742270	738562
Operating profit					881320	801526	778454	719652	742270	738562
Operating margin		30%	31%	48%	43%	40%	36%	35%	33%	32%

Source: Company data, Chronux Research estimates

Iron Ore DCF Valuations

Figure 16 Iron Ore DCF Model

Table with columns for years (FY24-FY43) and various financial metrics including production, sales, costs, and profit. It details production volumes in kt/pm and '000 tonnes, sales in ZAR/USD, and various cost components like transport, on-mine, and balancing costs.

Source: Company data, Chronux Research estimates

Nkomati

- Nkomati mines high grade anthracite, which is in high demand from South Africa's ferro alloy producers. The ferrous metals producers are dependent upon high grade anthracite with low impurities, such as low volatile matter (<9%), low sulphur (<1.0%) and low phosphorus (<0.03%) to produce quality ferro steel and ferro chrome. Glencore is a key local customer, with anthracite prices set on an annual basis giving some stability to pricing. Current prices are approx. R1800/t.
- Nkomati's anthracite has the lowest sulphur impurities (<0.5%) of all anthracite producers in South Africa, while its phosphorus levels are on par (<0.03%) with the best producing mines. The combination of very low sulphur and phosphorous content of Nkomati's deposit makes it sought after and positions the mine as a key supplier to the local market.

Notes from the results and previous site visit to Nkomati

- Nkomati mine started in the 1980's and has been operated intermittently under various owners.
- The mine is situated in a relatively densely populated area, with the surface rights owned by three tribal trusts. The local community will ultimately own 16% of the mining right under the current BEE plans.
- The anthracite product is sold to a single customer – Glencore. The price is set under a fixed contract and Glencore has the right to all product from the mine under the contract.
 - A possible increase to the current R1800/t is being negotiated.
- The anthracite is trucked to the Glencore ferro-alloy operations (return haul from trucks bringing ferrochrome to ports). Glencore purchases the anthracite Free on Truck (i.e.at the mine gate) and Afrimat takes no logistics role or cost.
- Loadshedding has not impacted Glencore as their operations are exempt from loadshedding up to Stage 4.
- There is a rail siding 20km away, although this is not currently used. This would be used for exports (the line runs to Maputo).
- However, sales of a secondary product into the export market have occurred and this will boost earnings. Pricing has been above the Glencore offtake price (R2200-R3100/t).

Mine operations

- The mine has two open pits and an underground mine (in development, due to be operational in 2Q CY23).
- The base case production plan is to get to 100ktpm of ROM product to the plant.
 - The initial plan was 65ktpm, this has been increased as it has turned out to be relatively cheap and easy to plan for 100ktpm.
 - The yield is 50-58% to get to sellable product. Yields have been better than expected and 65% yield is now anticipated.
- Management expects to get to 70ktpm in the next few months and then push to 100ktpm.
- The waste stripping ratio is 10-15 times (LT 10-12 times).
- The mine has probably 100 years of resources – this is not a finite life operation.
- The limiting factor is market demand.
- The mine has had a stop/start history, driven mostly by bad mine planning and community unrest.
- Mining conditions are difficult as anthracite seams (there are 5 seams in the area, one is prime product) are discontinuous with dolerite intrusions and faults throwing out mine plans.
 - The mine plan is for 10% geological losses.
 - The seams are complex and dipping.
- Flexibility is required for the mining operations and more drilling data does improve mine planning.

- Since Afrimat took over 26 386m of drilling has been done on the resource – prior to 2015 only a total of 21 605m had been drilled.
- Horizontal drilling is planned underground to improve mine planning.
- There is a move from contract mining to owner mining, mainly to keep experienced skills inhouse.
- Selective mining is also underway – high phos product that can be accessed through mining operations targeting low phos product will be mined and stockpiled (new markets will be explored).
 - This product can be sold into the export market as a thermal coal or to metallurgical customers locally (who take the low-grade product when high grade is not available).
- The mine has submitted an EIA proposal to allow mining operations throughout the mining licence area (at present expansion is done through Basic Assessments for the individual expansion areas).
 - This will allow more flexibility to better deal with the variable seam conditions.
- The mine will run three operations from March 2023 (2 open-cast and one underground).
 - The production split will be 75% opencast, 25% underground.
 - The new open-cast operation, Block L, will have a low stripping ratio and drilling has revealed more reserves.
- The underground operation has a planned life of 10 years.
 - 2.3mt mineable product (resources are 13.2mt).
 - ROM 240ktpa.
 - Bord and pillar mining.
 - Seam thickness 6.5m (much thicker than N KZN anthracite seams). The top 3m will be removed.
 - Risks include faults and horizontal dolerites and water accumulation.
 - The previous underground operation had a roof collapse, caused by poor mine planning/lack of drilling data.
 - An underground operation was not planned when Nkomati was purchased, but it has turned out to be a crucial part of planned production. There is a slight cost benefit relative to open-cast mining.

Costs

- Overall mining costs are R1200-1400/t, with the ability to get down to R1000/t.

Sales

- Final product sales expectations
 - Steady state production is expected by 3Q CY23.
- The product sizes are nuts (-50+15) and duff (-15).
- Various quality grades are produced.
 - Low ash, low phos
 - High ash, low phos
 - Low ash, high phos (not desired)
- The selling price in FY24 was R2200/t and this has increased by mining inflation (5.9%) in FY25. The price is set in ZAR on an annual basis.
- Secondary product has been sold into the export thermal market (but very small volumes).
 - There will be a build-up of secondary stock in FY24.
 - This is sold at 50% of prime product price in normal times (but at present can be sold at similar prices).
 - The process plant is being upgraded to allow a secondary stream to be processed.

Capex

- Purchase price R127m.
- Capex R600m to re-develop mine (underground and open cast).

Loadshedding

- Loadshedding is an issue for the mine as it is on the municipal grid and subject to normal loadshedding schedules.
- Generators are used and the cost of fuel is low compared to mining costs – loadshedding is not a major cost issue.

Community relations

- The mine is situated in a relatively densely populated area, with the surface rights owned by three tribal trusts. The local community will ultimately own 16% of the mining right under the current BEE plans.
- Graves have been moved as mining operations have expanded, and resettlement is also required in some areas.
- Afrimat employs a single Community Manager who has been able to improve relations considerably compared to the history (there has been significant community unrest linked to broken promises of previous owners).

Tax loss

- Nkomati was purchased with a R750 assessed tax loss and a further R200m in capital expenditure tax credits are secured. This means that there is an approx. R1bn tax loss to work through.
- Total capital spend for Nkomati to get up to full production is approx. R740m (including the purchase price).
- This is in the form of a shareholder loan to Nkomati, which must be repaid before any dividend to minorities are paid.

Figure 17 Nkomati Model

ZAR000's	1H22	2H22	FY22A	1H23	2H23	FY23E	1H24	2H24	FY24A	1H25	2H25	FY25E	1H26	2H26	FY26E	1H27	2H27	FY27E
Production ('000tpm)	16.1	50.6	33.3	55.0	55.0	55.0	36.8	62.2	49.5	70.0	70.0	70.0	85.0	85.0	85.0	90.0	90.0	90.0
Yield	56%	56%	56%	56%	56%	56%	64%	65%	65%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Sales ('000tpm)	9.0	28.3	18.3	30.8	30.8	30.8	23.5	40.5	32.2	49.0	49.0	49.0	59.5	59.5	59.5	63.0	63.0	63.0
Sales ('000t)	54.0	165.9	219.845	184.8	184.8	369.6	141.2	245.0	386.2	294	294	588	357	357	714	378	378	756
Anthracite price (R/t)	1129	1827	1656	1865	1239	1552	1746	2041	1933	2100	2100	2100	2200	2200	2200	2200	2200	2200
<i>Reported revenue</i>	<i>60,924</i>	<i>303,128</i>	<i>364,052</i>	<i>344,631</i>	<i>229,037</i>	<i>573,668</i>	<i>246,557</i>	<i>500,093</i>	<i>746,650</i>	<i>617,400</i>	<i>617,400</i>	<i>1,234,800</i>	<i>785,400</i>	<i>785,400</i>	<i>1,570,800</i>	<i>831,600</i>	<i>831,600</i>	<i>1,663,200</i>
Revenue	60924	303128	364052	344631	229037	573668	246557	500093	746650	617400	617400	1234800	785400	785400	1570800	831600	831600	1663200
<i>Reported OP</i>	<i>-107,876</i>	<i>58,445</i>	<i>-49,431</i>	<i>20,567</i>	<i>-813</i>	<i>19,754</i>	<i>-21,114</i>	<i>189,841</i>	<i>168,727</i>	<i>246,960</i>	<i>284,004</i>	<i>530,964</i>	<i>353,430</i>	<i>353,430</i>	<i>706,860</i>	<i>374,220</i>	<i>374,220</i>	<i>748,440</i>
Operating profit	-107876	58445	-49431	20567	-813	19754	-21114	189841	168727	246960	284004	530964	353430	353430	706860	374220	374220	748440
<i>Operating margin</i>	<i>-177%</i>	<i>19%</i>	<i>-14%</i>	<i>6%</i>	<i>0%</i>	<i>3%</i>	<i>-9%</i>	<i>38%</i>	<i>23%</i>	<i>40%</i>	<i>46%</i>	<i>43%</i>	<i>45%</i>	<i>45%</i>	<i>45%</i>	<i>45%</i>	<i>45%</i>	<i>45%</i>
PBT	-107876	58445	-49431	20567	-813	19754	-21114	189841	168727	246960	284004	530964	353430	353430	706860	374220	374220	748440
Tax	-30205	16365	-13841	5759	-228	5531	-5912	53155	47244	69149	79521	148670	98960	98960	197921	104782	104782	209563
PAT	-77671	42080	-35590	14808	-585	14223	-15202	136686	121483	177811	204483	382294	254470	254470	508939	269438	269438	538877
Profit/ton (ZAR/t)			-162			38			315			650			713			713

Source: Company data, Chronux Research estimates

Figure 18 Nkomati DCF Model

Nkomati Mine	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
ZAR000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43
Production (000tpm)	33.3	55.0	49.5	70.0	85.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Yield	56%	56%	65%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Sales (000tpm)	18.3	30.8	32.2	49.0	59.5	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0
Sales (000t)	220	370	386	588	714	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756
Anthracite price (R/t)	1656	1552	1933	2100	2200	2200	2310	2426	2547	2674	2808	2948	3096	3250	3413	3584	3763	3951	4148	4356	4574	4802
Revenue	364052	573668	746650	1234800	1570800	1663200	1746360	1833678	1925362	2021630	2122711	2228847	2340289	2457304	2580169	2709178	2844636	2986868	3136212	3293022	3457673	3630557
Operating profit	-49431	19754	168727	530964	706860	748440	785862	825155.1	866412.9	909733.5	955220.2	1002981	1053130	1105787	1161076	1219130	1280086	1344091	1411295	1481860	1555953	1633751
Operating margin	-14%	3%	23%	43%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
PBT	-49431	19754	168727	530964	706860	748440	785862	825155.1	866412.9	909733.5	955220.2	1002981	1053130	1105787	1161076	1219130	1280086	1344091	1411295	1481860	1555953	1633751
Tax	-13841	5531	47244	148670	197921	209563	220041	231043	242596	254725	267462	280835	294876	309620	325101	341356	358424	376345	395163	414921	435667	457450
PAT	-35590	14223	121483	382294	508939	538877	565821	594112	623817	650008	687759	722146	758254	796186	835975	877774	921662	967745	1016133	1066939	1120286	1176300
Free cash flow																						
Operating profit	-49431	19754	168727	530964	706860	748440	785862	825155	866413	909733	955220	1002981	1053130	1105787	1161076	1219130	1280086	1344091	1411295	1481860	1555953	1633751
Tax	-13841	5531	47244	0	209563	220041	231043	242596	254725	267462	280835	294876	309620	325101	341356	358424	376345	395163	414921	435667	457450	
Depreciation&Amortisation	39185	39969	40768	41584	42415	43264	44129	45011	45912	46830	47766	48722	49696	50690	51704	52738	53793	54869	55966	57085	58227	59392
Expansion capex																						
Maintenance capex	4%	-14562	-22947	-29866	-49392	-62832	-66528	-69854	-73347	-77014	-80865	-84908	-89154	-93612	-98292	-103207	-108367	-113785	-119475	-125448	-131721	-138307
FCF		-10967	31245	132386	523156	686443	515612	540095	565776	592714	620973	650616	681714	714338	748564	784472	822144	861669	903139	946650	992304	1040206
DCF @ WACC (Rm)																						
WACC																						

Source: Company data, Chronux Research estimates

Glenover

- Glenover is a mine 90km NW of Thabazimbi. It has been mined for phosphate from 1963 to 1982. It has several phosphate-bearing stockpiles (high, medium, and low-grade phosphate) which did not fulfil the original grade requirements.
- Afrimat has purchased the phosphate stockpiles and the right to mine vermiculite in a Sale of Asset agreement (R250m). An option to buy 100% of the Glenover Mine (R300m) was also exercised.
- Stage 1 of the project includes the production and sale of High Grade (HG) Phosphate and Single Super Phosphate (SSP). The plan to mining and process vermiculite has been dropped as it is not economical. The expected capex for Stage 1 is R300m.
- Afrimat is currently selling HG Phosphate. The SSP plant is in commissioning and ramp-up and should start to contribute in FY25. While there is not offtake agreement for the SSP product, there is demand in the local spot market.
- Rare earth elements from the low-grade stockpile are part of the Phase 2 planning. Testwork is being performed on the rare earth elements.
- There are approx. 7 years of stockpiled material available before actual mining recommences. The life of mine is approx. 20 years.
- The overall plans for Glenover have been scaled back. Management do believe that they investment will be recovered but not at the high return that is normally expected.

Figure 19 Glenover Product Suite

Project	Product	Planned steady state production	Current indicative market pricing	Operational commencement (est. 6 month ramp up)
High Grade Phosphate	HG Phosphate	30 000 tpa (Sellable)	>R2000 per ton	H1 Y2022 (operational)
Single Super Phosphate	SSP Fertilizer	30 000 tpa (Sellable)	>R8000 per ton	H2 Y2023

Source: Company data, Chronux Research estimates

Divisional Forecast

Figure 22 Divisional Forecast

ZAR000's	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	1,969,786	2,228,157	2,481,231	2,966,399	3,304,376	3,693,759	4,680,078	4,908,238	6,083,280	9,285,968	13,214,581	14,067,223
Construction Materials	1,409,937	1,553,285	1,745,489	1,739,496	1,714,180	1,595,055	1,626,221	1,809,333	2,212,760	5,195,917	8,417,727	9,091,145
Industrial Minerals	559,849	674,872	559,757	544,705	552,683	514,291	632,544	553,889	554,546	598,910	646,822	698,568
Bulk Commodities			175,985	682,198	1,037,513	1,584,413	2,408,710	2,480,355	2,957,816	3,311,141	3,850,032	3,977,510
Iron Ore			175,985	682,198	1,037,513	1,551,661	2,044,658	1,906,687	2,211,166	2,076,341	2,279,232	2,314,310
- Iron ore - Export			175,985	682,198	1,037,513	1,551,661	1,487,559	1,034,560	1,336,588	1,236,341	1,390,032	1,425,110
- Iron ore - Local							557,099	872,127	874,578	840,000	889,200	889,200
- Nkomati						32,752	364,052	573,668	746,650	1,234,800	1,570,800	1,663,200
Future Materials and Metals								25,215	31,266	180,000	300,000	300,000
Services							12,603	39,446	326,892			
Revenue growth		13.1%	11.4%	19.6%	11.4%	11.8%	26.7%	4.9%	23.9%	52.6%	42.3%	6.5%
Construction Materials		10.2%	12.4%	-0.3%	-1.5%	-6.9%	2.0%	11.3%	22.3%	8.0%	8.0%	8.0%
Industrial Minerals		20.5%	-17.1%	-2.7%	1.5%	-6.9%	23.0%	-12.4%	0.1%	8.0%	8.0%	8.0%
Bulk Commodities				287.6%	52.1%	52.7%	52.0%	3.0%	19.2%	11.9%	16.3%	3.3%
Iron Ore					52.1%	49.6%	31.8%	-6.7%	16.0%	-6.1%	9.8%	1.5%
- Iron ore - Export					52.1%	49.6%	-4.1%	-30.5%	29.2%	-7.5%	12.4%	2.5%
- Iron ore - Local								56.5%	0.3%	-4.0%	5.9%	0.0%
- Nkomati							1011.5%	57.6%	30.2%	65.4%	27.2%	5.9%
Future Materials and Metals									24.0%	475.7%	66.7%	0.0%
Operating profit	321,688	405,601	350,399	471,152	600,952	1,058,901	1,108,911	961,561	1,152,365	1,967,995	2,576,875	2,701,767
Construction Materials	281,838	374,986	274,580	190,182	192,438	104,906	192,480	129,603	273,448	623,510	1,010,127	1,090,937
Industrial Minerals	40,878	39,238	88,393	78,012	95,568	55,481	94,427	49,387	13,803	71,869	77,619	83,828
Bulk Commodities			-33,443	201,329	321,665	907,285	820,210	787,653	957,775	1,250,616	1,449,130	1,487,002
Iron Ore			-33,443	201,329	321,665	751,539	869,641	767,899	789,048	719,652	742,270	738,562
- Iron ore - Export			-33,443	201,329	321,665	751,539	604,821	369,321				
- Iron ore - Local							264,820	398,578				
- Nkomati						155,746	-49,431	19,754	168,727	530,964	706,860	748,440
Future Materials and Metals								-11,437	-12,851	27,000	45,000	45,000
Other	-1,028	-8,623	20,869	1,629	-8,719	-8,771	1,794	6,355	-79,810	-5,000	-5,000	-5,000
Margin	16.3%	18.2%	14.1%	15.9%	18.2%	28.7%	23.7%	19.6%	18.9%	21.2%	19.5%	19.2%
Construction Materials	20.0%	24.1%	15.7%	10.9%	11.2%	6.6%	11.8%	7.2%	12.4%	12.0%	12.0%	12.0%
Industrial Minerals	7.3%	5.8%	15.8%	14.3%	17.3%	10.8%	14.9%	8.9%	2.5%	12.0%	12.0%	12.0%
Bulk Commodities			-19.0%	29.5%	31.0%	57.3%	34.1%	31.8%	32.4%	37.8%	37.6%	37.4%
Iron Ore			-19.0%	29.5%	31.0%	48.4%	42.5%	40.3%	35.7%	34.7%	32.6%	31.9%
- Iron ore - Export			-19.0%	29.5%	31.0%	48.4%	40.7%	35.7%				
- Iron ore - Local							47.5%	45.7%				
- Nkomati						475.5%	-13.6%	3.4%	22.6%	43.0%	45.0%	45.0%
Future Materials and Metals								-45.4%	-41.1%	15.0%	15.0%	15.0%
Operating profit growth		26.1%	-13.6%	34.5%	27.5%	76.2%	4.7%	-13.3%	19.8%	70.8%	30.9%	4.8%
Construction Materials		33.1%	-26.8%	-30.7%	1.2%	-45.5%	83.5%	-32.7%	111.0%	128.0%	62.0%	8.0%
Industrial Minerals		-4.0%	125.3%	-11.7%	22.5%	-41.9%	70.2%	-47.7%	-72.1%	420.7%	8.0%	8.0%
Bulk Commodities				-702.0%	59.8%	182.1%	-9.6%	-4.0%	21.6%	30.6%	15.9%	2.6%
Iron Ore							133.6%	15.7%	-11.7%	-8.8%	3.1%	-0.5%
- Iron ore - Export							133.6%	-19.5%	-38.9%			
- Iron ore - Local								50.5%				
- Nkomati								-140.0%	754.1%	214.7%	33.1%	5.9%
Future Materials and Metals									12.4%	-310.1%	66.7%	0.0%

Source: Company data, Chronux Research estimates

Figure 23 Income Statement - Forecast

Afrimat Limited	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026	02/2027
Sales	1901	1999	1970	2228	2457	2966	3304	3694	4680	4908	6083	9286	13215	14067
Cost of Goods Sold (COGS) incl. D&A	1450	1483	1363	1476	1709	2055	2260	2235	3022	3278	4002	5852	8545	9137
Gross Income	451	516	607	752	748	912	1044	1459	1658	1630	2081	3434	4670	4930
SG&A Expense	221	247	290	346	392	439	458	571	650	744	-936	1483	2111	2247
Other Operating Expense	0	0	0	5	0	-7	-8	-7	-8	-11	-7	-17	-18	-18
EBIT (Operating Income)	230	269	317	401	356	479	594	896	1015	897	3023	1968	2577	2702
Nonoperating Income - Net	15	24	23	40	27	16	24	-4	101	80	36	36	35	61
Interest Expense	23	19	18	36	53	59	37	27	39	41	77	61	35	35
Unusual Expense - Net	1	-1	2	3	6	18	8	-4	11	1	0	3	6	6
Income Taxes	58	73	91	123	79	117	108	265	291	269	325	544	721	764
Equity in Earnings of Affiliates	0	-1	-4	1	0	2	0	0	0	0	2	0	0	0
Consolidated Net Income	163	200	224	279	245	304	465	604	775	665	2660	1397	1849	1958
Minority Interest	8	2	2	2	0	3	3	3	2	4	7	60	79	84
Net Income	155	198	222	278	246	301	463	601	773	661	2653	1336	1770	1874
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	3	6	6
Net Income available to Common	155	198	222	278	246	301	463	601	773	661	2653	1333	1764	1868
Per Share														
EPS (recurring)	1.06	1.36	1.55	1.96	1.82	2.29	3.42	4.33	5.52	4.51	5.20	8.91	11.82	12.52
EPS (diluted)	1.06	1.36	1.54	1.94	1.79	2.20	3.38	4.35	5.47	4.50	5.14	8.81	11.68	12.37
Earnings Persistence	81.32	85.54	93.24	72.97	80.23	90.93	89.56	78.24	73.03	81.39				
Dividends per Share	0.50	0.57	0.70	0.62	0.81	1.17	1.48	1.86	1.50	1.94	1.94	3.26	4.33	4.58
EBITDA														
EBITDA	329	349	403	502	480	626	771	1105	1328	1276	3393	2345	2961	3094

All figures in millions of South African Rand except per share items.

Afrimat Limited	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026	02/2027
Rental Expense	61	74	63	82	77	138	176	148	383	493				
Stock Option Comp Exp (Net of Tax)	3	8	3	5	4	5	11	14	21	25				
Foreign Currency Translation Gains/Losses	-	-	-	-	-	1	6	-18	16	40				
Tax Rate	26.3	26.6	28.5	30.6	24.2	28.0	18.9	30.5	27.3	28.8	27.5	28.0	28.0	28.0
Headline EPS	1.09	1.36	1.57	1.96	1.81	2.34	3.48	4.42	5.43	4.58	5.67	8.91	11.82	12.52
Headline EPS (diluted)	1.06	1.33	1.54	1.94	1.79	2.33	3.44	4.32	5.29	4.51	5.61	8.81	11.68	12.37

All figures in millions of South African Rand except per share items.

Afrimat Limited	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026	02/2027
Price / Sales	1.3	1.8	2.2	1.9	1.7	1.3	1.8	2.5	1.6	1.9	1.7	1.1	0.8	0.7
Price / Earnings	15.3	17.4	19.5	14.8	16.5	12.9	13.0	15.0	9.6	13.7	12.1	7.7	5.8	5.5
Price / Book Value	2.9	3.7	4.2	3.3	3.3	2.8	3.6	4.1	2.5	2.4	2.3	1.9	1.6	1.3
Price / Tangible Book Value	3.5	4.4	4.9	3.8	4.4	3.3	4.1	4.5	2.7	2.6	2.4	2.0	1.7	1.4
Price / Cash Flow	9.9	13.5	13.7	10.2	20.4	9.5	9.0	12.0	10.3	9.3				
Price / Free Cash Flow	19.8	35.5	23.2	15.3	49.9	12.4	11.6	15.9	55.2	52.1				
Dividend Yield (%)	3.0	2.4	2.3	2.1	2.7	4.1	3.3	2.8	2.8	3.1	2.9	4.8	6.4	6.7
Enterprise Value / EBIT	8.6	9.2	10.9	10.8	12.3	9.1	6.7	6.9	9.4	8.9	3.4	5.2	4.0	3.8
Enterprise Value / EBITDA	6.0	7.1	8.6	8.7	9.1	7.0	5.2	5.6	7.2	6.3	3.0	4.4	3.5	3.3
Enterprise Value / Sales	1.0	1.2	1.8	2.0	1.8	1.5	1.2	1.7	2.0	1.6	1.7	1.1	0.8	0.7
EBIT / Interest Expense (Int. Coverage)	9.9	14.0	17.2	11.1	6.8	8.2	15.9	33.7	26.3	22.0	39.3	32.5	73.6	77.2

Source: Factset, Company data, Chronux Research estimates

Figure 24 Balance Sheet and Cash Flow - Forecast

	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026	02/2027
Assets														
Cash & Short-Term Investments	92	79	118	245	112	192	168	871	292	290	505	841	1456	2441
Short-Term Receivables	310	288	298	335	401	449	481	701	803	749	785	817	850	884
Inventories	113	127	133	163	242	261	261	279	568	461	614	639	665	692
Other Current Assets	4	9	6	7	-	-	-	-	-	-	150	156	162	169
Total Current Assets	519	503	554	750	755	902	909	1851	1664	1500	2054	2453	3133	4186
Net Property, Plant & Equipment	662	725	763	1058	1418	1470	1572	2247	2696	3326	3898	4056	4219	4390
Total Investments and Advances	28	17	19	33	54	60	72	81	92	122	2	2	2	2
Long-Term Note Receivable	110	144	141	247	8	0	-	-	-	-	0	0	0	0
Intangible Assets	156	153	150	148	300	222	210	216	213	260	235	244	254	264
Deferred Tax Assets	5	25	21	30	55	34	32	60	361	261	198	158	127	101
Other Assets	0	0	0	0	0	0	0	0	20	213	147	499	678	733
Total Assets	1479	1568	1648	2266	2591	2687	2795	4455	5046	5681	6533	7412	8412	9676
Liabilities & Shareholders' Equity														
ST Debt & Curr. Portion LT Debt	128	119	105	351	255	282	157	647	496	146	347	350	150	150
Accounts Payable	174	155	164	145	202	181	194	264	382	400	941	979	1018	1059
Income Tax Payable	6	6	3	9	11	4	11	11	7	16	15	15	16	17
Other Current Liabilities	91	109	119	250	282	219	237	341	290	440	10	10	10	11
Total Current Liabilities	399	388	391	754	751	686	599	1263	1174	1003	1312	1354	1195	1237
Long-Term Debt	95	57	47	95	272	236	139	301	149	166	210	200	200	200
Provision for Risks & Charges	56	67	76	96	130	141	153	239	265	291	280	291	303	315
Deferred Tax Liabilities	92	106	108	114	208	215	216	394	450	367	363	352	341	331
Other Liabilities	0	0	0	0	0	0	0	0	0	5	0	0	0	0
Total Liabilities	641	618	623	1059	1361	1277	1106	2197	2039	1832	2166	2197	2039	2083
Common Equity	824	937	1018	1199	1219	1398	1682	2250	2998	3835	4541	5365	6489	7682
Total Shareholders' Equity	824	937	1018	1199	1219	1398	1682	2250	2998	3835	4541	5365	6489	7682
Accumulated Minority Interest	14	12	7	8	10	11	7	8	9	14	22	22	22	22
Total Equity	838	949	1025	1207	1229	1410	1689	2258	3007	3849	4563	5387	6511	7704
Total Liabilities & Shareholders' Equ	1479	1568	1648	2266	2591	2687	2795	4455	5046	5681	6729	7585	8550	9787
Per Share														
Book Value per Share	5.79	6.56	7.20	8.81	8.93	10.30	12.46	16.35	21.70	25.91	30.02	35.44	42.84	50.69
Tangible Book Value per Share	4.70	5.49	6.15	7.73	6.73	8.67	10.90	14.78	20.16	24.15	28.48	33.84	41.17	48.95
Operating Activities														
Net Income / Starting Line	221	273	315	402	324	422	573	869	1066	935	824	1562	2028	2003
Depreciation, Depletion & Amortization	97	77	82	101	124	146	177	209	297	379	369	377	384	392
Other Funds	-69	-87	-78	-134	-114	-70	-42	-205	-280	-259	0	0	0	0
Funds from Operations	249	263	319	368	334	498	709	874	1083	1056	1193	1939	2412	2395
Changes in Working Capital	-5	-1	1	38	-133	-87	-32	-106	-346	-68	44	-18	-19	-20
Net Operating Cash Flow	244	262	320	406	201	410	677	768	737	987	1237	1920	2394	2376
Investing Activities														
Capital Expenditures	-121	-162	-131	-135	-119	-94	-154	-190	-604	-811	-695	-1168	-919	-553
Net Assets from Acquisitions	-70	-8	-4	-280	-38	-9	-27	-1	-15	-29	-7	0	0	0
Sale of Fixed Assets & Businesses	17	34	14	27	27	14	34	54	26	21	69	32	32	32
Purchase/Sale of Investments	9	-18	-2	-116	-68	0	6	-17	-9	-25	-4	0	0	0
Other Funds	-1	0	0	0	0	0	0	-283	0	23	-12	0	0	0
Net Investing Cash Flow	-166	-155	-123	-504	-197	-89	-141	-437	-601	-820	-650	-1135	-886	-520
Financing Activities														
Cash Dividends Paid	-45	-59	-76	-88	-96	-86	-136	-160	-214	-266	-229	-442	-693	-869
Change in Capital Stock	-27	-15	-60	-18	-14	-31	-29	-13	-16	465	-32	0	0	0
Issuance/Reduction of Debt, Net	-50	-47	-23	293	180	-165	-250	124	-37	-485	23	-7	-200	0
Other Funds	0	0	0	38	-25	-3	-3	-2	-3	118	-1278	0	0	0
Net Financing Cash Flow	-122	-121	-158	225	45	-286	-426	-60	-284	-175	-1516	-449	-893	-869
Exchange Rate Effect	-	-	-	-	-	0	-	-	-	-	0	0	0	0
Net Change in Cash	-44	-14	39	127	49	36	110	270	-148	-8	-929	336	614	986
Free Cash Flow														
Free Cash Flow per Share	0.84	0.68	1.31	1.90	0.60	2.31	3.82	4.17	0.98	1.20	3.57	4.95	9.70	11.99
Free Cash Flow Yield (%)	5.1	2.8	4.3	6.5	2.0	8.1	8.6	6.3	1.8	1.9	5.3	7.3	14.3	17.7

Source: Factset, Company data, Chronux Research estimates

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