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**Date:** 30 October 2020

## Afrimat – FY21 Interim Results

**Key message:** Two new acquisitions – and the cashflow from Demaneng will likely cover the acquisition costs within 2 years.

- Afrimat announced FY21 interim results, with HEPS up 1.1% to 183.9c off a 9.4% decrease in revenue and 11.0% increase in operating profit.
- **Bulk Commodities:** despite operating at 50% of workforce capacity in April, the Demaneng mine delivered a 135% increase in operating profit (R326m) – driven primarily by higher iron ore prices. Volumes declined by 10% due to the Covid-19 impact.
- **Industrial Minerals:** operating profit decreased by 61% to R24.6m due mainly to the Covid-19 lockdown. A potential acquisition is in the advanced stages of evaluation.
- **Construction Materials:** impacted by more severe Covid-19 restrictions within an already weak sector caused profitability to fall to almost breakeven. However, the division has recovered post-lockdown and is running in line or slightly ahead of the prior year from July onwards.
- Should the current acquisitions proceed, R550-600m will be required over the next 12 months for acquisitions costs and recapitalisation. The windfall from high iron ore prices should allow cashflow from Demaneng to cover these costs within 2 years.
  - **UCP and Nkomati:** R250m of working capital required to get the mine back to full production.
  - **Coza:** R300m acquisition price and a further R50m to get production going.
  - **Free cash flow from Demaneng:** we estimate Demaneng will generate FCF of over R500m in FY21.
- We update our FY21 and FY22 HEPS forecasts to 474c and 254c (we use a long-term USD65c price for iron ore from FY22). The Coza acquisition increases our Iron Ore valuation through the extension of the LOM from 10 to 20 years.
- We adjust our Target Price to R41.00 (from R34.00).

### Analyst

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Price (30/10/2020): R36.20

Target Price: R41.00

Market cap R5,071m

Shares in issue 139.3mn

### Financial summary

| ZARmn (year to February) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|------|------|-------|-------|-------|
| Revenue                  | 2966 | 3304 | 3507  | 3599  | 4265  |
| Ebitda                   | 626  | 771  | 913   | 549   | 751   |
| Net income               | 301  | 463  | 447   | 179   | 323   |
| Headline EPS (diluted)   | 2.34 | 3.48 | 4.57  | 2.56  | 3.63  |
| PE Ratio                 | 13.5 | 8.3  | 7.8   | 14.0  | 9.9   |
| Dividend                 | 0.81 | 0.36 | 1.67  | 0.93  | 1.33  |
| Dividend yield (%)       | 2.7  | 1.3  | 4.7   | 2.6   | 3.7   |

Source: Factset, Company data, Chronux Research estimates

Figure 1 Financial summary

| Financial year to February             | FY19         | FY20         | FY21E        | FY22E        | FY23E        |
|--|--------------|--------------|--------------|--------------|--------------|
| ZAR/USD exchange rate                  | 13.75        | 14.77        | 16.90        | 16.14        | 15.79        |
| Iron ore 62% Fe - fines spot (N.China) | 69.00        | 80.50        | 100.00       | 65.00        | 68.25        |
| <b>Per share data</b>                  |              |              |              |              |              |
| Earnings                               | 2.29         | 3.42         | 4.58         | 2.56         | 3.63         |
| <b>Headline earnings (diluted)</b>     | <b>2.33</b>  | <b>3.44</b>  | <b>4.51</b>  | <b>2.52</b>  | <b>3.58</b>  |
| NAV                                    | 10.30        | 12.46        | 15.99        | 17.09        | 19.30        |
| Dividend                               | 0.81         | 0.36         | 1.67         | 0.93         | 1.33         |
| <b>Valuation ratios</b>                |              |              |              |              |              |
| P/E ratio                              | 13.5         | 8.3          | 7.8          | 14.0         | 9.9          |
| EV/EBITDA                              | 7.0          | 5.2          | 5.4          | 9.0          | 6.6          |
| P/B                                    | 2.89         | 2.29         | 2.21         |              |              |
| Dividend yield                         | 2.7%         | 1.3%         | 4.7%         | 2.6%         | 3.7%         |
| <b>Income Statement (ZARmn)</b>        |              |              |              |              |              |
| Sales                                  | 2,966        | 3,304        | 3,507        | 3,599        | 4,265        |
| Operating costs                        | 2,487        | 2,710        | 2,776        | 3,238        | 3,707        |
| <b>EBIT</b>                            | <b>479</b>   | <b>594</b>   | <b>731</b>   | <b>361</b>   | <b>558</b>   |
| Net interest expense                   | 59           | 37           | 67           | 56           | 32           |
| Non-operating expenses                 | 34           | 32           | 27           | 17           | 24           |
| <b>Pretax profit</b>                   | <b>387</b>   | <b>525</b>   | <b>637</b>   | <b>288</b>   | <b>502</b>   |
| Tax                                    | (117)        | (108)        | (241)        | (139)        | (204)        |
| Minorities                             | (3)          | (3)          | (3)          | (5)          | (23)         |
| <b>Net income</b>                      | <b>301</b>   | <b>463</b>   | <b>447</b>   | <b>179</b>   | <b>323</b>   |
| <b>Cash flow statement (ZARmn)</b>     |              |              |              |              |              |
| Depreciation/amortisation              | 146          | 177          | 182          | 188          | 194          |
| <b>Cash from operations</b>            | <b>568</b>   | <b>750</b>   | <b>897</b>   | <b>646</b>   | <b>823</b>   |
| Changes in working capital             | (87)         | (32)         | (96)         | (101)        | (106)        |
| Other non-cash items                   | (70)         | (42)         | 0            | 0            | 0            |
| <b>Available cash</b>                  | <b>410</b>   | <b>677</b>   | <b>802</b>   | <b>545</b>   | <b>717</b>   |
| Capital expenditure                    | (89)         | (147)        | (527)        | (232)        | (222)        |
| Acquisitions/disposals                 | (0)          | 6            | (240)        | 0            | 0            |
| <b>Investing cash flow</b>             | <b>(89)</b>  | <b>(141)</b> | <b>(767)</b> | <b>(232)</b> | <b>(222)</b> |
| Changes in borrowings                  | (200)        | (282)        | 183          | (94)         | (193)        |
| Dividend paid                          | (86)         | (136)        | (49)         | (264)        | (183)        |
| <b>Financing cash flow</b>             | <b>(286)</b> | <b>(418)</b> | <b>134</b>   | <b>(357)</b> | <b>(377)</b> |
| Change in cash                         | 36           | 110          | 168          | (44)         | 118          |
| <b>Balance sheet (ZARmn)</b>           |              |              |              |              |              |
| <b>Total assets</b>                    | <b>2,687</b> | <b>2,795</b> | <b>3,610</b> | <b>3,749</b> | <b>3,887</b> |
| Cash and equivalents                   | 192          | 168          | 397          | 293          | 412          |
| Current assets                         | 902          | 909          | 1,274        | 1,206        | 1,361        |
| Fixed assets                           | 1,470        | 1,572        | 1,940        | 2,018        | 2,100        |
| <b>Total liabilities</b>               | <b>1,277</b> | <b>1,106</b> | <b>1,441</b> | <b>1,368</b> | <b>1,197</b> |
| Long-term liabilities                  | 591          | 507          | 769          | 669          | 470          |
| Current liabilities                    | 686          | 599          | 672          | 699          | 727          |
| <b>Total shareholders' funds</b>       | <b>1,410</b> | <b>1,689</b> | <b>2,182</b> | <b>2,386</b> | <b>2,694</b> |
| Net debt/(cash)                        | 415          | 326          | 160          | 170          | (142)        |
| <b>Key ratios</b>                      |              |              |              |              |              |
| Operating margin                       | 16.2%        | 18.0%        | 20.8%        | 10.0%        | 13.1%        |
| RoE                                    | 21%          | 27%          | 20%          | 8%           | 12%          |
| RoIC                                   | 18%          | 21%          | 20%          | 10%          | 14%          |
| Net debt/EBITDA                        | 0.66         | 0.42         | 0.17         | 0.31         | (0.19)       |
| Net debt/equity                        | 29%          | 19%          | 7%           | 7%           | -5%          |

Source: Factset, Company data, Chronux Research estimates

## Valuation

- We value Afrimat using a Sum-of-the-Parts methodology. We value the iron ore assets (Demaneng and Coza) using a DCF for the life-of-mine. We have added a valuation for the Nkomati anthracite mine. We apply a 5x PE multiple to the expected profit after tax for the operation (expected to contribute from 2H FY22).
- Our base year for EBITDA multiples is FY22 to remove the Covid impact expected for FY21.

**Figure 2 Sum-of-the-Parts Valuation – FY22 EBITDA (Base Case)**

| ZARm                             | Multiple range | Comment            | FY22 EBITDA | EV/EBITDA Multiple | Enterprise Value |
|----------------------------------|----------------|--------------------|-------------|--------------------|------------------|
| Construction Materials           | 4-6x           | Mid range multiple | 306         | 5.0x               | 1,529            |
| Iron ore                         |                | DCF @ WACC         |             |                    | 3,292            |
| Anthracite - Nkomati             | 5x             | PE                 |             |                    | 574              |
| Industrial Minerals              | 4-6x           | Mid range multiple | 119         | 4.0x               | 477              |
|                                  |                |                    |             |                    | <b>5,872</b>     |
| Other assets                     |                | From balance sheet |             |                    | 97               |
| Minorities                       |                | From balance sheet |             |                    | (94)             |
| Net (debt)/cash                  |                | From balance sheet |             |                    | (160)            |
| <b>Equity value</b>              |                |                    |             |                    | <b>5,715</b>     |
| Number of shares ('m)            |                |                    |             |                    | 139,610          |
| <b>Valuation (ZAR per share)</b> |                |                    |             |                    | <b>40.94</b>     |

Source: Company data, Chronux Research estimates

### Construction Materials

- We use a 5 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.

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### Bulk Commodities

- We value the Demaneng iron ore mine using a DCF methodology.
- The Coza acquisition does allow for an extension of the LOM for iron ore exports from 10 years to +20 years (Coza should extend the LOM by more than 20 years). We have included this in our iron ore valuation.
- The opportunity to sell 1.25mtpa of direct shipping ore (minimal processing required) to AMSA is a potential boost to earnings, with margins/t expected to similar to export margins (AMSA will buy the product on an export parity pricing model). However, we have not included this in our model at this stage due to the uncertainty over the future of AMSA.
- We do add a value for the access to the rail line to Saldanha and allocated tonnage from Transnet – this allocation is valuable on a stand-alone basis to anyone who requires access to the export market.
- We have added a valuation for Nkomati Anthracite – we ascribe a 5x PE to the expected PAT of the mine.

### Industrial Minerals

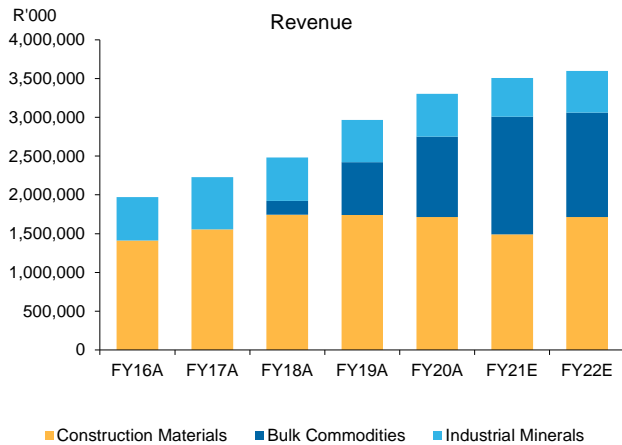
- We use a 4 times EBITDA multiple to value this division. Afrimat has well-placed quarries close to market with high-grade material.
- However, reliance on large industrial customers (Arcelor Mittal South Africa) does pose a potential risk – AMSA accounts for approx. 12-15% of revenue in this division.

### Overall Valuation

- The Coza acquisition adds R6-7 to our valuation (net of acquisition costs and WC). Nkomati adds R2-3 (net of R250 capital required) to our valuation of Afrimat, and we increase our Afrimat valuation to R41.00.

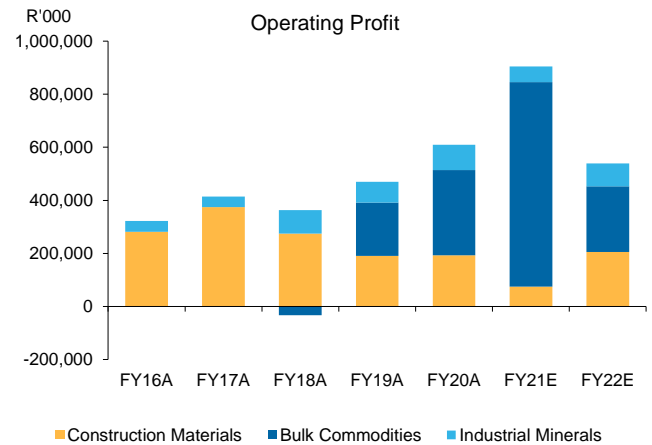
### Group Forecast

**Figure 3 Group Revenue**



Source: Company data, Chronux Research

**Figure 4 Group Operating Profit**



Source: Company data, Chronux Research

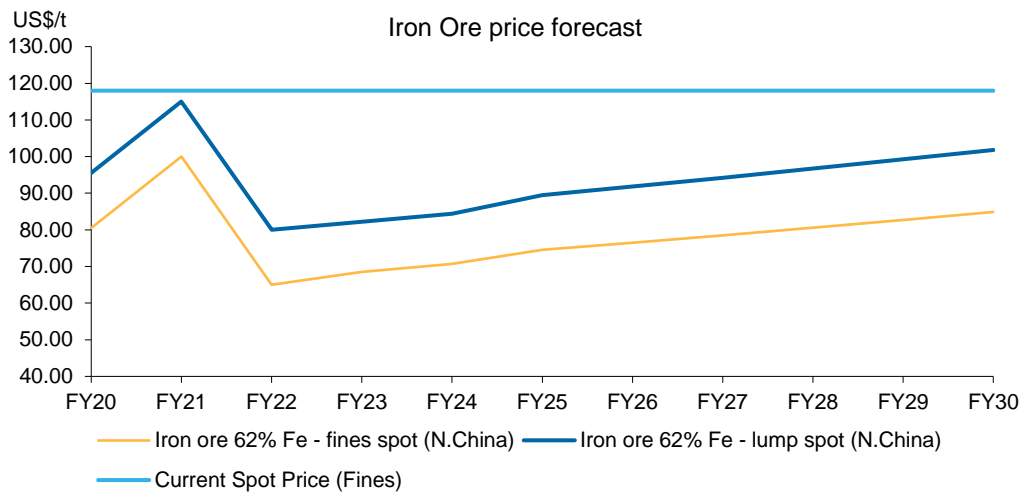
- High iron ore prices are forecast to boost the Bulk Commodities profitability in FY21, with a conservative view in FY22 of iron ore prices falling to a long-term value of US65c.
- The diversity of earnings is important for Afrimat, with the Bulk Commodities division enjoying bumper profits with a high iron ore price.
- However, long-term fundamentals point to lower sustainable iron ore prices and we retain a conservative outlook on this.
- We do expect the Construction Materials division to recover after a weak FY21 – impacted by weak activity levels in construction in South Africa and the Covid lockdowns.

### Mozambique growth

- Growth in Construction Materials could get a boost from Mozambique. Afrimat is well positioned for the LNG projects (better placed than competitors Raubex and WBHO in the region).
- Afrimat has 500kt of orders on the books in the region and is ramping production from the quarry from 18-20ktpm to 50ktpm. At a selling price of US\$30-40/t and a 25% operating margin the region could contribute an extra R72m of operating profit to the Construction Materials division.
- Demand for aggregates around the project site is likely to be high (for the LNG project, housing, roads etc) and aggregates may have to be imported/barged in over and above what Afrimat can supply.
- Afrimat is also looking at a block and readymix plant.

### Debt Levels

- The acquisition of Nkomati could bring up to R300m of existing debt onto the balance sheet, depending on the outcome of the business rescue process.
- Management believe that net debt: equity levels could reach 25% with the current and planned acquisitions. The ability to payback new debt and acquisitions within 2-3 years remains a core strategy and it does seem that Afrimat should be able to achieve this with the Coza and Nkomati acquisitions.

**Figure 5 Iron Ore Price Forecasts**

Source: Company data, Chronux Research

### Valuation using Spot Prices

- Should we use spot iron ore prices for Demaneng (US\$118/tonne for iron ore fines), our valuation increases to R62.95 per share.

**Figure 6 Sum-of-the-Parts Valuation – FY22 EBITDA (Spot Iron Ore Price)**

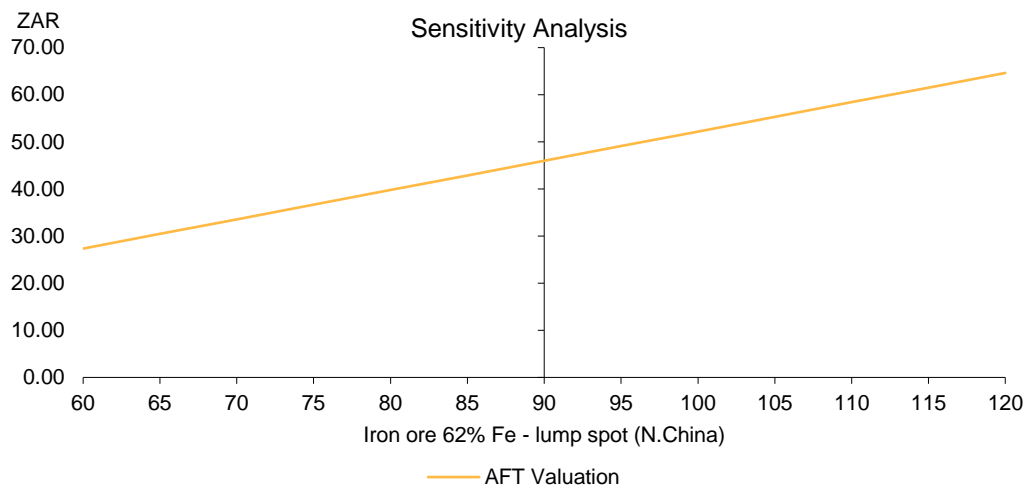
| ZARm                             | Multiple range | Comment            | FY22 EBITDA | EV/EBITDA Multiple | Enterprise Value |
|----------------------------------|----------------|--------------------|-------------|--------------------|------------------|
| Construction Materials           | 4-6x           | Mid range multiple | 306         | 5.0x               | 1,529            |
| Iron ore                         |                | DCF @ WACC         |             |                    | 6,343            |
| Anthracite - Nkomati             |                | PE                 |             |                    | 574              |
| Industrial Minerals              | 4-6x           | Mid range multiple | 119         | 4.0x               | 477              |
|                                  |                |                    |             |                    | <b>8,924</b>     |
| Other assets                     |                | From balance sheet |             |                    | 97               |
| Minorities                       |                | From balance sheet |             |                    | (94)             |
| Net (debt)/cash                  |                | From balance sheet |             |                    | (160)            |
| <b>Equity value</b>              |                |                    |             |                    | <b>8,767</b>     |
| Number of shares ('m)            |                |                    |             |                    | 139,610          |
| <b>Valuation (ZAR per share)</b> |                |                    |             |                    | <b>62.79</b>     |

Source: Company data, Chronux Research estimates

## Sensitivity

- Our valuation is most sensitive to the iron ore price and currency – the most volatile variables for Afrimat. The following chart shows the AFT valuation sensitivity to the iron ore price.

**Figure 7 Sensitivity Analysis**



Source: Company data, Chronux Research

## Coza Mining acquisition

- Afrimat has announced the acquisition of 100% of Coza Mining (Pty) Ltd for R300m. Coza owns adjacent properties to Demaneng with iron ore and manganese resources.
- The price paid works out to less than US\$1/ton direct shipping ore – with further resources still to be explored. Management have previously been wary of reserves for sale at around US\$1/ton, considering that too expensive (Demaneng was purchased at US\$0.33/ton).
- Coza has three iron ore projects that would be able to extend the life of the iron ore export operation of Demaneng, where reserves are limited, and the current mine life is approx. 10 years.
- Coza has reserves 20mt of high-quality direct shipping ore (minimal beneficiation required). This deposit is earmarked for sale to AMSA. Further deposits are present for the future extension of iron ore exports when the Demaneng deposit is exhausted. Management believe that the resources will extend the LOM for exporting iron ore by at least 20 years.
- Arcelor Mittal South Africa (AMSA) is part of the selling group and a sales agreement to AMSA may be negotiated. This would entail AMSA purchasing 1.25mtpa of direct shipping ore. Should this occur the mine would be opened when all licenses are in place – expected by March 2021. Margins per ton are expected to be similar to export margins (AMSA will buy the product on an export parity pricing model).
- The purchase is conditional on the DMRE granting mining rights for iron ore and manganese on the three farms involved in the transaction.
- Working capital requirements of R50m is expected to start mining operations.
- While separate mining operations would be established, the proximity of the Coza reserves would allow the relatively easy transfer of mining assets as new reserves are exploited. The processing plant on the Demaneng property would be used for ongoing mineral processing.

## Unicorn Capital Partners acquisition

- Afrimat has announced the acquisition of the remaining 72.73% Unicorn Capital Partners (UCP) shares that it does not own. A 27.27% stake was previously purchased for R16m at 5c/share. The remaining stake will be purchased by issuing 1 Afrimat share for every outstanding 280 UCP shares, which values the offer at approx. R85m at R29/Afrimat share. Afrimat will issue 3.02m shares, approx. 2.2% of shares in issue.
- This means that Afrimat will be purchasing the full share capital of UCP for approx. R100m, of which only R16m is cash. Outstanding debt for UCP and Nkomati is approx. R300m.
- UCP owns 60% of Nkomati Anthracite (Pty) Ltd, the ultimate asset Afrimat is interested in. The resolution of the business rescue process together with the working capital extended to Nkomati would probably dilute the other shareholders should they not contribute their portion. Afrimat is aiming at a 15% local community involvement.
- Nkomati Anthracite Mine consists of an opencast and underground operation, with a second opencast mine planned. The resource estimate is 41.3mt, giving a life of well over 20 years. ROM production should be 70ktpm, with sales of 40ktpm. The mine has open pit reserves for approx. two years and then the underground operation will take over.
- Afrimat advanced working capital to Nkomati at the request of UCP during Covid-19 due to cash constraints. Nkomati has been unable to settle these loans and had requested an additional R20m – at which stage Afrimat decided to apply for business rescue for Nkomati to protect its interests.
- Management believe that a further 250m (R170m for the open pit, R80m for the underground operation) of working capital is required to stabilise the operation, bringing the effective purchase price to R350m.
- The open pit mine requires overburden stripping to access reserves. The underground mine has collapsed, and a new decline shaft needs to be opened to access these reserves.
- 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.
- The mine should be able to generate approx. R135m PAT, according to our calculations (this assumes a net profit of R287/sales ton). The payback period for the purchase could be as short as 2-3 years.
- Management expect the mine to be cash flow positive from July/August 2021.

**Figure 8 Nkomati Model**

| ZAR000's                | 1H22      | 2H22       | FY22E      | 1H23       | 2H23       | FY23E      |
|-------------------------|-----------|------------|------------|------------|------------|------------|
| Production ('000tpm)    | 35        | 35         | 35         | 70         | 70         | 70         |
| Yield                   | 56%       | 56%        | 56%        | 56%        | 56%        | 56%        |
| Sales ('000tpm)         | 19.6      | 19.6       | 19.6       | 39.2       | 39.2       | 39.2       |
| Sales ('000t)           | 117.6     | 117.6      | 235.2      | 235.2      | 235.2      | 470.4      |
| Anthracite price (R/t)  | 1800      | 1800       | 1800       | 1800       | 1800       | 1800       |
| Revenue                 | 211680    | 211680     | 423360     | 423360     | 423360     | 846720     |
| Operating profit        | 0         | 42336      | 42336      | 105840     | 105840     | 211680     |
| <i>Operating margin</i> | <i>0%</i> | <i>20%</i> | <i>10%</i> | <i>25%</i> | <i>25%</i> | <i>25%</i> |
| Finance costs           | 12000     | 12000      | 24000      | 12000      | 12000      | 24000      |
| PBT                     | -12000    | 30336      | 18336      | 93840      | 93840      | 187680     |
| Tax                     | -3360     | 8494       | 5134       | 26275      | 26275      | 52550      |
| PAT                     | -8640     | 21842      | 13202      | 67565      | 67565      | 135130     |
| Profit/ton (ZAR/t)      |           |            | 56         |            |            | 287        |
| Debt (Rm)               |           |            | 300        |            |            |            |

Source: Company data, Chronux Research estimates

- 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.
- 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.
- Management may look to offload the remaining businesses in UCP (Ritchie Crane Hire, JEF Drill & Blast, Geosearch Group) in the medium-term.

## Divisional Forecast

Figure 9 Divisional Forecast

| ZAR000's                       | FY16A            | FY17A            | FY18A            | FY19A            | FY20A            | FY21E            | FY22E            | FY23E            |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Revenue</b>                 | <b>1,969,786</b> | <b>2,228,157</b> | <b>2,481,231</b> | <b>2,966,399</b> | <b>3,304,376</b> | <b>3,506,545</b> | <b>3,599,475</b> | <b>4,265,017</b> |
| Construction Materials         | 1,409,937        | 1,553,285        | 1,745,489        | 1,739,496        | 1,714,180        | 1,491,337        | 1,715,037        | 1,886,541        |
| Bulk Commodities               |                  |                  | 175,985          | 682,198          | 1,037,513        | 1,517,794        | 1,347,230        | 1,798,291        |
| - Demaneng                     |                  |                  | 175,985          | 682,198          | 1,037,513        | 1,517,794        | 923,870          | 951,571          |
| - Nkomati                      |                  |                  |                  |                  |                  |                  | 423,360          | 846,720          |
| Industrial Minerals            | 559,849          | 674,872          | 559,757          | 544,705          | 552,683          | 497,415          | 537,208          | 580,185          |
| <b>Revenue growth</b>          |                  | <b>13.1%</b>     | <b>11.4%</b>     | <b>19.6%</b>     | <b>11.4%</b>     | <b>6.1%</b>      | <b>2.7%</b>      | <b>18.5%</b>     |
| Construction Materials         |                  | 10.2%            | 12.4%            | -0.3%            | -1.5%            | -13.0%           | 15.0%            | 10.0%            |
| Bulk Commodities               |                  |                  |                  | 287.6%           | 52.1%            | 46.3%            | -11.2%           | 33.5%            |
| - Demaneng                     |                  |                  |                  |                  |                  | 46.3%            | -39.1%           | 3.0%             |
| - Nkomati                      |                  |                  |                  |                  |                  |                  |                  | 100.0%           |
| Industrial Minerals            |                  | 20.5%            | -17.1%           | -2.7%            | 1.5%             | -10.0%           | 8.0%             | 8.0%             |
| <b>Operating profit</b>        | <b>321,688</b>   | <b>405,601</b>   | <b>350,399</b>   | <b>471,152</b>   | <b>600,952</b>   | <b>900,056</b>   | <b>533,871</b>   | <b>735,423</b>   |
| Construction Materials         | 281,838          | 374,986          | 274,580          | 190,182          | 192,438          | 74,567           | 205,804          | 226,385          |
| Bulk Commodities               |                  |                  | -33,443          | 201,329          | 321,665          | 770,800          | 247,113          | 421,208          |
| - Demaneng                     |                  |                  | -33,443          | 201,329          | 321,665          | 770,800          | 204,777          | 209,528          |
| - Nkomati                      |                  |                  |                  |                  |                  |                  | 42,336           | 211,680          |
| Industrial Minerals            | 40,878           | 39,238           | 88,393           | 78,012           | 95,568           | 59,690           | 85,953           | 92,830           |
| Other                          | -1,028           | -8,623           | 20,869           | 1,629            | -8,719           | -5,000           | -5,000           | -5,000           |
| <b>Margin</b>                  | <b>16.3%</b>     | <b>18.2%</b>     | <b>14.1%</b>     | <b>15.9%</b>     | <b>18.2%</b>     | <b>25.7%</b>     | <b>14.8%</b>     | <b>17.2%</b>     |
| Construction Materials         | 20.0%            | 24.1%            | 15.7%            | 10.9%            | 11.2%            | 5.0%             | 12.0%            | 12.0%            |
| Bulk Commodities               |                  |                  | -19.0%           | 29.5%            | 31.0%            | 50.8%            | 18.3%            | 23.4%            |
| - Demaneng                     |                  |                  | -19.0%           | 29.5%            | 31.0%            | 50.8%            | 22.2%            | 22.0%            |
| - Nkomati                      |                  |                  |                  |                  |                  |                  | 10.0%            | 25.0%            |
| Industrial Minerals            | 7.3%             | 5.8%             | 15.8%            | 14.3%            | 17.3%            | 12.0%            | 16.0%            | 16.0%            |
| <b>Operating profit growth</b> |                  | <b>26.1%</b>     | <b>-13.6%</b>    | <b>34.5%</b>     | <b>27.5%</b>     | <b>49.8%</b>     | <b>-40.7%</b>    | <b>37.8%</b>     |
| Construction Materials         |                  | 33.1%            | -26.8%           | -30.7%           | 1.2%             | -61.3%           | 176.0%           | 10.0%            |
| Bulk Commodities               |                  |                  |                  | -702.0%          | 59.8%            | 139.6%           | -67.9%           | 70.5%            |
| - Demaneng                     |                  |                  |                  | -702.0%          | 59.8%            | 139.6%           | -73.4%           | 2.3%             |
| - Nkomati                      |                  |                  |                  |                  |                  |                  |                  | 400.0%           |
| Industrial Minerals            |                  | -4.0%            | 125.3%           | -11.7%           | 22.5%            | -37.5%           | 44.0%            | 8.0%             |

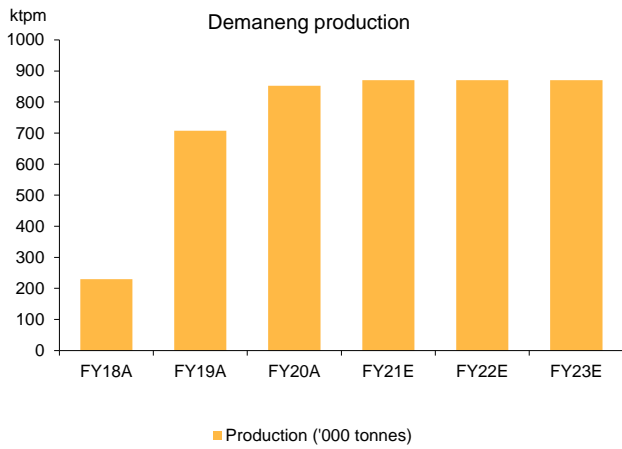
Source: Company data, Chronux Research estimates



**Demaneng forecasts**

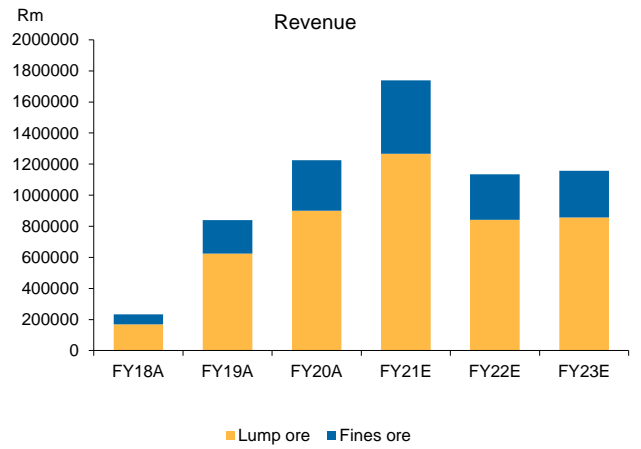
■ Our forecasts for Demaneng are shown in the following charts.

**Figure 10 Demaneng - Production**



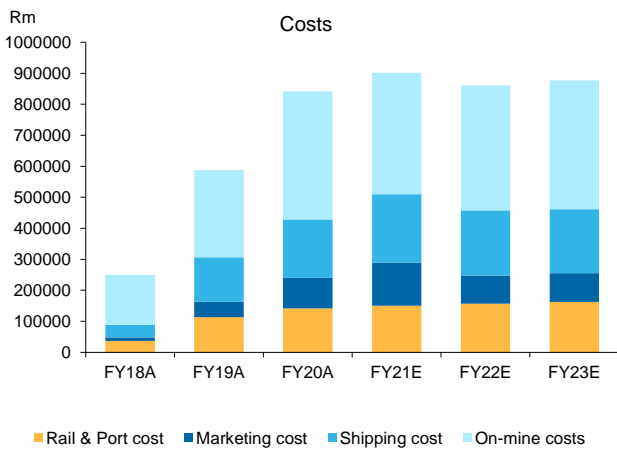
Source: Company data, Chronux Research

**Figure 11 Demaneng - Revenue**



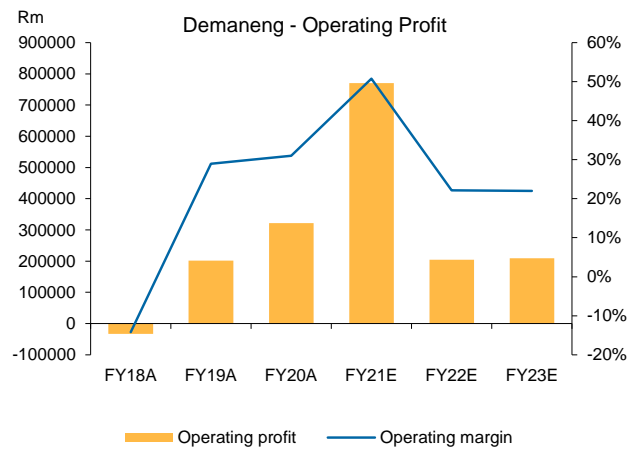
Source: Company data, Chronux Research

**Figure 12 Demaneng - Cost breakdown**



Source: Company data, Chronux Research

**Figure 13 Demaneng - Operating Profit**



Source: Company data, Chronux Research

## Demaneng DCF Valuations

Figure 14 Demaneng DCF Model

| Life of mine                                   |           | 1              | 2                | 3                | 4                | 5                | 6                | 7                | 8                | 9                | 10               | 11               | 12               |
|--|-----------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | FY18A     | FY19           | FY20             | FY21             | FY22             | FY23             | FY24             | FY25             | FY26             | FY27             | FY28             | FY29             | FY30             |
| Production (ktpm)                              | 40        | 53             | 71.0166667       | 72.5             | 72.5             | 72.5             | 72.5             | 72.5             | 72.5             | 72.5             | 72.5             | 72.5             | 72.5             |
| Production ('000 tonnes)                       | 320       | 636            | 852.2            | 870              | 870              | 870              | 870              | 870              | 870              | 870              | 870              | 870              | 870              |
| Lump ore ('000 tonnes)                         | 224       | 445            | 596.54           | 609              | 609              | 609              | 609              | 609              | 609              | 609              | 609              | 609              | 609              |
| Fine ore ('000 tonnes)                         | 96        | 191            | 255.66           | 261              | 261              | 261              | 261              | 261              | 261              | 261              | 261              | 261              | 261              |
| Lump ore %                                     | 70%       | 70%            | 0.7              | 0.7              | 0.7              | 70%              | 70%              | 70%              | 70%              | 70%              | 70%              | 70%              | 70%              |
| Fine ore %                                     | 30%       | 30%            | 0.3              | 0.3              | 0.3              | 30%              | 30%              | 30%              | 30%              | 30%              | 30%              | 30%              | 30%              |
| ZAR/USD  |           | 13.75          | 14.77            | 16.90            | 16.14            | 16.79            | 17.46            | 18.16            | 18.88            | 19.64            | 20.43            | 21.24            | 22.09            |
| Iron ore 62% Fe - fines spot (N.China) US\$/t  |           | 69.00          | 80.50            | 100.00           | 65.00            | 68.47            | 70.74            | 74.56            | 76.51            | 78.52            | 80.59            | 82.70            | 84.87            |
| Lump premium                                   |           | 16.60          | 15.00            | 15.00            | 15.00            | 13.69            | 13.69            | 14.91            | 15.30            | 15.70            | 16.12            | 16.54            | 16.97            |
| Iron ore 62% Fe - lump spot (N.China) US\$/t   |           | 85.60          | 95.50            | 115.00           | 80.00            | 82.16            | 84.42            | 89.47            | 91.82            | 94.23            | 96.70            | 99.24            | 101.85           |
| Fines premium                                  |           | 3%             | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               |
| Lump premium                                   |           | 5%             | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               | 7%               |
| Adjusted fines - 62% Fe and other (Si) US\$/t  |           | 71.07          | 86.14            | 107.00           | 69.55            | 73.26            | 75.69            | 79.78            | 81.87            | 84.02            | 86.23            | 88.49            | 90.81            |
| Adjusted lump - 65.3% Fe and other (Si) US\$/t |           | 89.88          | 102.19           | 123.05           | 85.60            | 87.91            | 90.33            | 95.73            | 98.24            | 100.82           | 103.47           | 106.19           | 108.98           |
| Sth Africa to China                            |           | 14.70          | 15.00            | 15.00            | 15.00            | 12.88            | 16.07            | 16.49            | 16.92            | 17.37            | 17.82            | 18.29            | 18.77            |
| Western Australia to North China US\$/t        |           | 5.65           | 7.54             | 7.73             | 7.93             | 7.93             | 9.89             | 10.15            | 10.41            | 10.69            | 10.97            | 11.26            | 11.55            |
| Brazil to North China US\$/t                   |           | 14.32          | 16.98            | 17.40            | 17.83            | 17.83            | 22.25            | 22.83            | 23.43            | 24.05            | 24.68            | 25.33            | 25.99            |
| Rail & port cost ZAR/t                         |           | 160            | 166.4            | 173              | 180              | 187              | 195              | 202              | 211              | 219              | 228              | 237              | 246              |
| Transport & siding costs ZAR/t                 |           | 70             | 72.8             | 76               | 79               | 82               | 85               | 89               | 92               | 96               | 100              | 104              | 108              |
| One mine costs ZAR/t                           |           | 398            | 485              | 450              | 464              | 487              | 511              | 537              | 563              | 592              | 621              | 652              | 685              |
| Fixed (60%)                                    |           |                | 291              | 270              | 278              | 292              | 307              | 322              | 338              | 355              | 373              | 391              | 411              |
| Variable (40%)                                 |           |                | 194              | 180              | 185              | 195              | 204              | 215              | 225              | 237              | 248              | 261              | 274              |
| <b>Sales</b>                                   |           |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Via Kumba                                      |           | 456            | 852.2            | 870              | 870              | 870              | 870              | 870              | 870              | 870              | 870              | 870              | 870              |
| AMSA   |           | 180            | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>Revenue</b>                                 | R'000     | <b>736,724</b> | <b>1,225,598</b> | <b>1,738,329</b> | <b>1,134,526</b> | <b>1,219,829</b> | <b>1,305,400</b> | <b>1,436,686</b> | <b>1,533,383</b> | <b>1,636,587</b> | <b>1,746,738</b> | <b>1,864,303</b> | <b>1,989,780</b> |
| Lump ore                                       |           | 550,254        | 900,343          | 1,266,384        | 841,503          | 898,824          | 960,494          | 1,058,611        | 1,129,861        | 1,205,907        | 1,287,070        | 1,373,697        | 1,466,154        |
| Fines ore                                      |           | 186,470        | 325,255          | 471,944          | 293,023          | 321,005          | 344,906          | 378,075          | 403,522          | 430,681          | 459,668          | 490,606          | 523,626          |
| Rail & Port cost                               |           | 101,760        | 141,806          | 150,559          | 156,581          | 162,844          | 169,358          | 176,132          | 183,178          | 190,505          | 198,125          | 206,050          | 214,292          |
| Transport & siding costs                       |           | 44,520         | 62,040           | 65,869           | 68,504           | 71,244           | 74,094           | 77,058           | 80,140           | 83,346           | 86,680           | 90,147           | 93,753           |
| Marketing cost                                 |           | 42,257         | 98,048           | 139,066          | 90,762           | 97,586           | 104,432          | 114,935          | 122,671          | 130,927          | 139,739          | 149,144          | 159,182          |
| Shipping cost                                  |           | 128,564        | 188,805          | 220,535          | 210,657          | 188,130          | 244,063          | 260,489          | 278,022          | 296,734          | 316,706          | 338,021          | 360,772          |
| On-mine profit                                 |           | 419,623        | 734,898          | 1,162,300        | 608,022          | 700,024          | 713,453          | 808,072          | 869,373          | 935,076          | 1,005,489        | 1,080,940        | 1,161,781        |
| On-mine costs                                  |           | 253,128        | 413,317          | 391,500          | 403,245          | 423,407          | 444,578          | 391,500          | 490,147          | 514,654          | 403,245          | 567,406          | 595,777          |
| Operating profit                               |           | 166,495        | 321,581          | 770,800          | 204,777          | 276,616          | 268,875          | 416,572          | 379,226          | 420,422          | 602,244          | 513,534          | 566,004          |
| Operating margin                               |           | 23%            | 26%              | 44%              | 18%              | 23%              | 21%              | 29%              | 25%              | 26%              | 34%              | 28%              | 28%              |
| On-mine profit (ZAR/t)                         |           | 660            | 862              | 1,336            | 699              | 805              | 820              | 929              | 999              | 1,075            | 1,156            | 1,242            | 1,335            |
| On-mine profit (USD/t)                         |           | 48             | 58               | 79               | 43               | 48               | 47               | 51               | 53               | 55               | 57               | 58               | 60               |
| Off-mine costs (USD/t)                         |           | 36             | 39               | 39               | 37               | 36               | 39               | 40               | 40               | 41               | 42               | 42               | 43               |
| On-mine costs (USD/t)                          |           | 29             | 33               | 27               | 29               | 29               | 29               | 25               | 30               | 30               | 23               | 31               | 31               |
| <b>Free cash flow</b>                          |           |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Operating profit                               |           | 166,495        | 321,581          | 770,800          | 204,777          | 276,616          | 268,875          | 416,572          | 379,226          | 420,422          | 602,244          | 513,534          | 566,004          |
| Tax  |           | -32,444        | -75,868          | -201,649         | -43,163          | -63,278          | -61,110          | -102,465         | -92,008          | -103,543         | -154,453         | -129,615         | -144,306         |
| Depreciation&Amortisation                      |           | 32,656         | 34,289           | 36,003           | 37,803           | 39,694           | 41,678           | 43,762           | 45,950           | 48,248           | 50,660           | 53,193           | 55,853           |
| Maintenance capex                              | 3%        | -22,102        | -36,768          | -52,150          | -34,036          | -36,595          | -39,162          | -43,101          | -46,001          | -49,098          | -52,402          | -55,929          | -59,693          |
| FCF  |           | 144,605        | 243,235          | 553,004          | 165,382          | 216,437          | 210,282          | 314,768          | 287,166          | 316,029          | 446,049          | 381,184          | 417,858          |
| DCF @ WACC (Rm)                                | 2,680,800 |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Terminal value (present value)                 | 200,000   |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| WACC   | 12.8%     |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Value of rail access</b>                    |           |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| % of revenue                                   | 5%        | 36,836         | 61,280           | 86,916           | 56,726           | 60,991           | 65,270           | 71,834           | 76,669           | 81,829           | 87,337           | 93,215           | 99,489           |
| DCF @ WACC (Rm)                                | 410,901   |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| WACC   | 12.8%     |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |

Source: Company data, Chronux Research estimates

Figure 15 Demaneng DCF Model (Spot)

| Life of mine                            |                | 1       | 2          | 3         | 4         | 5         | 6         | 7         | 8         | 9         | 10        | 11        | 12        |
|---|----------------|---------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | FY18A          | FY19    | FY20       | FY21      | FY22      | FY23      | FY24      | FY25      | FY26      | FY27      | FY28      | FY29      | FY30      |
| Production (ktpm)                       | 40             | 53      | 71.0166667 | 72.5      | 72.5      | 72.5      | 72.5      | 72.5      | 72.5      | 72.5      | 72.5      | 72.5      | 72.5      |
| Production ('000 tonnes)                | 320            | 636     | 852.2      | 870       | 870       | 870       | 870       | 870       | 870       | 870       | 870       | 870       | 870       |
| Lump ore ('000 tonnes)                  | 224            | 445     | 596.54     | 609       | 609       | 609       | 609       | 609       | 609       | 609       | 609       | 609       | 609       |
| Fine ore ('000 tonnes)                  | 96             | 191     | 255.66     | 261       | 261       | 261       | 261       | 261       | 261       | 261       | 261       | 261       | 261       |
| Lump ore %                              | 70%            | 70%     | 0.7        | 0.7       | 0.7       | 0.7       | 0.7       | 0.7       | 0.7       | 0.7       | 0.7       | 0.7       | 0.7       |
| Fine ore %                              | 30%            | 30%     | 0.3        | 0.3       | 0.3       | 0.3       | 0.3       | 0.3       | 0.3       | 0.3       | 0.3       | 0.3       | 0.3       |
| ZAR/USD                                 |                | 13.75   | 14.77      | 16.90     | 16.14     | 16.79     | 17.46     | 18.16     | 18.88     | 19.64     | 20.43     | 21.24     | 22.09     |
| Iron ore 62% Fe - fines spot (N.China)  | US\$/t         | 69.00   | 118.00     | 118.00    | 118.00    | 118.00    | 118.00    | 118.00    | 118.00    | 118.00    | 118.00    | 118.00    | 118.00    |
| Lump premium                            |                | 16.60   | 15.00      | 15.00     | 15.00     | 15.00     | 15.00     | 15.00     | 15.00     | 15.00     | 15.00     | 15.00     | 15.00     |
| Iron ore 62% Fe - lump spot (N.China)   | US\$/t         | 85.60   | 133.00     | 133.00    | 133.00    | 133.00    | 133.00    | 133.00    | 133.00    | 133.00    | 133.00    | 133.00    | 133.00    |
| Fines premium                           |                | 3%      | 7%         | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        |
| Lump premium                            |                | 5%      | 7%         | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        | 7%        |
| Adjusted fines - 62% Fe and other (Si)  | US\$/t         | 71.07   | 126.26     | 126.26    | 126.26    | 126.26    | 126.26    | 126.26    | 126.26    | 126.26    | 126.26    | 126.26    | 126.26    |
| Adjusted lump - 65.3% Fe and other (Si) | US\$/t         | 89.88   | 142.31     | 142.31    | 142.31    | 142.31    | 142.31    | 142.31    | 142.31    | 142.31    | 142.31    | 142.31    | 142.31    |
| Sth Africa to China                     | US\$/t         | 14.70   | 15.00      | 15.00     | 15.00     | 12.88     | 16.07     | 16.49     | 16.92     | 17.37     | 17.82     | 18.29     | 18.77     |
| Western Australia to North China        | US\$/t         | 5.65    | 7.54       | 7.73      | 7.93      | 7.93      | 9.89      | 10.15     | 10.41     | 10.69     | 10.97     | 11.26     | 11.55     |
| Brazil to North China                   | US\$/t         | 14.32   | 16.98      | 17.40     | 17.83     | 17.83     | 22.25     | 22.83     | 23.43     | 24.05     | 24.68     | 25.33     | 25.99     |
| Rail & port cost                        | ZAR/t          | 160     | 166.4      | 173       | 180       | 187       | 195       | 202       | 211       | 219       | 228       | 237       | 246       |
| Transport & siding costs                | ZAR/t          | 70      | 72.8       | 76        | 79        | 82        | 85        | 89        | 92        | 96        | 100       | 104       | 108       |
| One mine costs                          | ZAR/t          | 398     | 485        | 450       | 464       | 487       | 511       | 537       | 563       | 592       | 621       | 652       | 685       |
|   | Fixed (60%)    |         | 291        | 270       | 278       | 292       | 307       | 322       | 338       | 355       | 373       | 391       | 411       |
|   | Variable (40%) |         | 194        | 180       | 185       | 195       | 204       | 215       | 225       | 237       | 248       | 261       | 274       |
| <b>Sales</b>                            |                |         |            |           |           |           |           |           |           |           |           |           |           |
| Via Kumba                               |                | 456     | 852.2      | 870       | 870       | 870       | 870       | 870       | 870       | 870       | 870       | 870       | 870       |
| AMSA                                    |                | 180     | 0          | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| <b>Revenue</b>                          | R'000          | 736,724 | 1,730,652  | 2,021,496 | 1,930,949 | 2,008,187 | 2,088,514 | 2,172,055 | 2,258,937 | 2,349,295 | 2,443,266 | 2,540,997 | 2,642,637 |
| Lump ore                                |                | 550,254 | 1,253,881  | 1,464,601 | 1,398,999 | 1,454,959 | 1,513,157 | 1,573,683 | 1,636,631 | 1,702,096 | 1,770,180 | 1,840,987 | 1,914,626 |
| Fines ore                               |                | 186,470 | 476,771    | 556,894   | 531,950   | 553,228   | 575,357   | 598,372   | 622,306   | 647,199   | 673,087   | 700,010   | 728,010   |
| Rail & Port cost                        |                | 101,760 | 141,806    | 150,559   | 156,581   | 162,844   | 169,358   | 176,132   | 183,178   | 190,505   | 198,125   | 206,050   | 214,292   |
| Transport & siding costs                |                | 44,520  | 62,040     | 65,869    | 68,504    | 71,244    | 74,094    | 77,058    | 80,140    | 83,346    | 86,680    | 90,147    | 93,753    |
| Marketing cost                          |                | 42,257  | 138,452    | 161,720   | 154,476   | 160,655   | 167,081   | 173,764   | 180,715   | 187,944   | 195,461   | 203,280   | 211,411   |
| Shipping cost                           |                | 128,564 | 188,805    | 220,535   | 210,657   | 188,130   | 244,063   | 260,489   | 278,022   | 296,734   | 316,706   | 338,021   | 360,772   |
| On-mine profit                          |                | 419,623 | 1,199,548  | 1,422,813 | 1,340,731 | 1,425,313 | 1,433,918 | 1,484,611 | 1,536,883 | 1,590,766 | 1,646,295 | 1,703,499 | 1,762,409 |
| On-mine costs                           |                | 253,128 | 413,317    | 391,500   | 403,245   | 423,407   | 444,578   | 391,500   | 490,147   | 514,654   | 403,245   | 567,406   | 595,777   |
| Operating profit                        |                | 166,495 | 786,231    | 1,031,313 | 937,486   | 1,001,906 | 989,341   | 1,093,111 | 1,046,736 | 1,076,112 | 1,243,050 | 1,136,093 | 1,166,633 |
| Operating margin                        |                | 23%     | 45%        | 51%       | 49%       | 50%       | 47%       | 50%       | 46%       | 46%       | 51%       | 45%       | 44%       |
| On-mine profit (ZAR/t)                  |                | 660     | 1,408      | 1,635     | 1,541     | 1,638     | 1,648     | 1,706     | 1,767     | 1,828     | 1,892     | 1,958     | 2,026     |
| On-mine profit (USD/t)                  |                | 48      | 95         | 97        | 95        | 98        | 94        | 94        | 94        | 93        | 93        | 92        | 92        |
| Off-mine costs (USD/t)                  |                | 36      | 42         | 41        | 42        | 40        | 43        | 44        | 44        | 44        | 45        | 45        | 46        |
| On-mine costs (USD/t)                   |                | 29      | 33         | 27        | 29        | 29        | 29        | 25        | 30        | 30        | 23        | 31        | 31        |
| <b>Free cash flow</b>                   |                |         |            |           |           |           |           |           |           |           |           |           |           |
| Operating profit                        |                | 166,495 | 786,231    | 1,031,313 | 937,486   | 1,001,906 | 989,341   | 1,093,111 | 1,046,736 | 1,076,112 | 1,243,050 | 1,136,093 | 1,166,633 |
| Tax                                     |                | -32,444 | -205,970   | -274,593  | -248,321  | -266,359  | -262,840  | -291,896  | -278,911  | -287,136  | -333,879  | -303,931  | -312,482  |
| Depreciation&Amortisation               |                | 32,656  | 34,289     | 36,003    | 37,803    | 39,694    | 41,678    | 43,762    | 45,950    | 48,248    | 50,660    | 53,193    | 55,853    |
| Maintenance capex                       | 3%             | -22,102 | -51,920    | -60,645   | -57,928   | -60,246   | -62,655   | -65,162   | -67,768   | -70,479   | -73,298   | -76,230   | -79,279   |
| FCF                                     |                | 144,605 | 562,631    | 732,079   | 669,040   | 714,995   | 705,523   | 779,815   | 746,007   | 766,745   | 886,533   | 809,125   | 830,724   |
| DCF @ WACC (Rm)                         | 5,539,860      |         |            |           |           |           |           |           |           |           |           |           |           |
| Terminal value (present value)          | 200,000        |         |            |           |           |           |           |           |           |           |           |           |           |
| WACC                                    | 12.8%          |         |            |           |           |           |           |           |           |           |           |           |           |
| <b>Value of rail access</b>             |                |         |            |           |           |           |           |           |           |           |           |           |           |
| % of revenue                            | 5%             | 36,836  | 86,533     | 101,075   | 96,547    | 100,409   | 104,426   | 108,603   | 112,947   | 117,465   | 122,163   | 127,050   | 132,132   |
| DCF @ WACC (Rm)                         | 603,309        |         |            |           |           |           |           |           |           |           |           |           |           |
| WACC                                    | 12.8%          |         |            |           |           |           |           |           |           |           |           |           |           |

Source: Company data, Chronux Research estimates

Figure 16 Income Statement - Forecast

| Afrimat Limited                     | 02/2011 | 02/2012 | 02/2013 | 02/2014 | 02/2015 | 02/2016 | 02/2017 | 02/2018 | 02/2019 | 02/2020 | 02/2021 | 02/2022 | 02/2023 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Sales</b>                        | 854     | 996     | 1338    | 1901    | 1999    | 1970    | 2228    | 2457    | 2966    | 3304    | 3507    | 3599    | 4265    |
| Cost of Goods Sold (COGS) incl. D&A | 649     | 750     | 1026    | 1450    | 1483    | 1363    | 1476    | 1709    | 2055    | 2260    | 2254    | 2704    | 3073    |
| <b>Gross Income</b>                 | 206     | 246     | 312     | 451     | 516     | 607     | 752     | 748     | 912     | 1044    | 1252    | 896     | 1192    |
| SG&A Expense                        | -       | 124     | 157     | 221     | 247     | 290     | 346     | 392     | 439     | 458     | 528     | 542     | 642     |
| Other Operating Expense             | 100     | 0       | 0       | 0       | 0       | 0       | 5       | 0       | -7      | -8      | -7      | -8      | -8      |
| <b>EBIT (Operating Income)</b>      | 106     | 123     | 155     | 230     | 269     | 317     | 401     | 356     | 479     | 594     | 731     | 361     | 558     |
| Nonoperating Income - Net           | 13      | 17      | 8       | 15      | 24      | 23      | 40      | 27      | 16      | 24      | 27      | 17      | 24      |
| Interest Expense                    | 10      | 9       | 14      | 23      | 19      | 18      | 36      | 53      | 59      | 37      | 67      | 56      | 32      |
| Unusual Expense - Net               | 1       | 0       | 5       | 1       | -1      | 2       | 3       | 6       | 18      | 8       | 0       | 0       | 0       |
| Income Taxes                        | 32      | 39      | 41      | 58      | 73      | 91      | 123     | 79      | 117     | 108     | 241     | 139     | 204     |
| Equity in Earnings of Affiliates    | 0       | 0       | 0       | 0       | -1      | -4      | 1       | 0       | 2       | 0       | 0       | 0       | 0       |
| <b>Consolidated Net Income</b>      | 77      | 91      | 104     | 163     | 200     | 224     | 279     | 245     | 304     | 465     | 450     | 184     | 346     |
| Minority Interest                   | 0       | 1       | 1       | 8       | 2       | 2       | 2       | 0       | 3       | 3       | 3       | 5       | 23      |
| <b>Net Income</b>                   | 76      | 90      | 103     | 155     | 198     | 222     | 278     | 246     | 301     | 463     | 447     | 179     | 323     |
| Discontinued Operations             | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Net Income available to Common      | 76      | 90      | 103     | 155     | 198     | 222     | 278     | 246     | 301     | 463     | 447     | 179     | 323     |
| <b>Per Share</b>                    |         |         |         |         |         |         |         |         |         |         |         |         |         |
| EPS (recurring)                     | 0.55    | 0.64    | 0.72    | 1.06    | 1.36    | 1.55    | 1.96    | 1.82    | 2.29    | 3.42    | 4.58    | 2.56    | 3.63    |
| EPS (diluted)                       | 0.54    | 0.64    | 0.70    | 1.06    | 1.36    | 1.54    | 1.94    | 1.79    | 2.20    | 3.38    | 4.52    | 2.52    | 3.58    |
| Earnings Persistence                | 90.13   | 95.44   | 77.71   | 81.32   | 85.54   | 93.24   | 72.97   | 80.23   | 90.93   | 89.56   |         |         |         |
| Dividends per Share                 | 0.17    | 0.19    | 0.28    | 0.39    | 0.50    | 0.57    | 0.70    | 0.62    | 0.81    | 0.36    | 1.67    | 0.93    | 1.33    |
| <b>EBITDA</b>                       |         |         |         |         |         |         |         |         |         |         |         |         |         |
| EBITDA                              | 152     | 169     | 213     | 329     | 349     | 403     | 502     | 480     | 626     | 771     | 913     | 549     | 751     |

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

| Afrimat Limited                           | 02/2011 | 02/2012 | 02/2013 | 02/2014 | 02/2015 | 02/2016 | 02/2017 | 02/2018 | 02/2019 | 02/2020 | 02/2021 | 02/2022 | 02/2023 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Rental Expense                            | 41      | 50      | 58      | 61      | 74      | 63      | 82      | 77      | 138     | 176     |         |         |         |
| Stock Option Comp Exp (Net of Tax)        | 0       | 2       | 2       | 3       | 8       | 3       | 5       | 4       | 5       | 11      |         |         |         |
| Foreign Currency Translation Gains/Losses | 0       | 0       | 0       | -       | -       | -       | -       | -       | 1       | 6       |         |         |         |
| Tax Rate                                  | 29.3    | 30.0    | 28.2    | 26.3    | 26.6    | 28.5    | 30.6    | 24.2    | 28.0    | 18.9    | 28.0    | 28.0    | 28.0    |
| Headline EPS                              | 0.53    | 0.63    | 0.77    | 1.09    | 1.36    | 1.57    | 1.96    | 1.81    | 2.34    | 3.48    | 4.57    | 2.56    | 3.63    |
| Headline EPS (diluted)                    | 0.53    | 0.61    | 0.75    | 1.06    | 1.33    | 1.54    | 1.94    | 1.79    | 2.33    | 3.44    | 4.51    | 2.52    | 3.58    |

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

| Afrimat Limited                         | 02/2011 | 02/2012 | 02/2013 | 02/2014 | 02/2015 | 02/2016 | 02/2017 | 02/2018 | 02/2019 | 02/2020 | 02/2021 | 02/2022 | 02/2023 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Price / Sales                           | 0.5     | 0.8     | 0.9     | 1.0     | 1.2     | 1.8     | 2.0     | 1.6     | 1.4     | 1.2     | 1.4     | 1.3     | 1.1     |
| Price / Earnings                        | 6.0     | 8.8     | 11.7    | 11.9    | 11.9    | 15.5    | 15.5    | 16.1    | 13.5    | 8.3     | 7.8     | 14.0    | 9.9     |
| Price / Book Value                      | 0.7     | 1.2     | 1.6     | 2.2     | 2.5     | 3.4     | 3.5     | 3.3     | 2.9     | 2.3     | 2.2     | 2.1     | 1.8     |
| Price / Tangible Book Value             | 0.9     | 1.4     | 2.0     | 2.7     | 3.0     | 3.9     | 3.9     | 4.3     | 3.4     | 2.6     | 2.5     | 2.3     | 2.0     |
| Price / Cash Flow                       | 3.5     | 5.5     | 7.3     | 7.7     | 9.2     | 10.9    | 10.7    | 19.8    | 10.0    | 5.8     |         |         |         |
| Price / Free Cash Flow                  | 5.5     | 10.9    | 14.3    | 15.4    | 24.3    | 18.5    | 16.0    | 48.6    | 12.9    | 7.5     |         |         |         |
| Dividend Yield (%)                      | 5.2     | 3.3     | 3.3     | 3.0     | 3.0     | 2.4     | 2.3     | 2.1     | 2.7     | 1.3     | 4.7     | 2.6     | 3.7     |
| Enterprise Value / EBIT                 | 4.6     | 6.2     | 8.0     | 8.6     | 9.2     | 10.9    | 10.8    | 12.3    | 9.1     | 6.7     | 6.8     | 13.7    | 8.9     |
| Enterprise Value / EBITDA               | 3.2     | 4.5     | 5.9     | 6.0     | 7.1     | 8.6     | 8.7     | 9.1     | 7.0     | 5.2     | 5.4     | 9.0     | 6.6     |
| Enterprise Value / Sales                | 0.6     | 0.8     | 0.9     | 1.0     | 1.2     | 1.8     | 2.0     | 1.8     | 1.5     | 1.2     | 1.4     | 1.4     | 1.2     |
| EBIT / Interest Expense (Int. Coverage) | 10.5    | 13.5    | 10.9    | 9.9     | 14.0    | 17.2    | 11.1    | 6.8     | 8.2     | 15.9    | 10.9    | 6.5     | 17.2    |

Source: Factset, Company data, Chronux Research estimates

Figure 17 Balance Sheet and Cash Flow - Forecast

|  | 02/2011    | 02/2012     | 02/2013     | 02/2014     | 02/2015     | 02/2016     | 02/2017     | 02/2018     | 02/2019     | 02/2020     | 02/2021     | 02/2022     | 02/2023     |
|--|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Assets</b>                                    |            |             |             |             |             |             |             |             |             |             |             |             |             |
| Cash & Short-Term Investments                    | 87         | 133         | 134         | 92          | 79          | 118         | 245         | 112         | 192         | 168         | 397         | 293         | 412         |
| Short-Term Receivables                           | 156        | 161         | 199         | 310         | 288         | 298         | 335         | 401         | 449         | 481         | 542         | 564         | 587         |
| Inventories                                      | 76         | 72          | 89          | 113         | 127         | 133         | 163         | 242         | 261         | 261         | 292         | 304         | 317         |
| Other Current Assets                             | 7          | 6           | 2           | 4           | 9           | 6           | 7           | -           | -           | -           | 43          | 44          | 46          |
| <b>Total Current Assets</b>                      | <b>325</b> | <b>371</b>  | <b>425</b>  | <b>519</b>  | <b>503</b>  | <b>554</b>  | <b>750</b>  | <b>755</b>  | <b>902</b>  | <b>909</b>  | <b>1274</b> | <b>1206</b> | <b>1361</b> |
| Net Property, Plant & Equipment                  | 404        | 426         | 504         | 662         | 725         | 763         | 1058        | 1418        | 1470        | 1572        | 1940        | 2018        | 2100        |
| Total Investments and Advances                   | 14         | 13          | 14          | 28          | 17          | 19          | 33          | 54          | 60          | 72          | 17          | 18          | 18          |
| Long-Term Note Receivable                        | 70         | 70          | 102         | 110         | 144         | 141         | 247         | 8           | 0           | -           | 0           | 0           | 0           |
| Intangible Assets                                | 115        | 114         | 154         | 156         | 153         | 150         | 148         | 300         | 222         | 210         | 214         | 222         | 231         |
| Deferred Tax Assets                              | 5          | 5           | 3           | 5           | 25          | 21          | 30          | 55          | 34          | 32          | 40          | 41          | 43          |
| Other Assets                                     | 21         | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 125         | 244         | 133         |
| <b>Total Assets</b>                              | <b>953</b> | <b>1000</b> | <b>1201</b> | <b>1479</b> | <b>1568</b> | <b>1648</b> | <b>2266</b> | <b>2591</b> | <b>2687</b> | <b>2795</b> | <b>3610</b> | <b>3749</b> | <b>3887</b> |
| <b>Liabilities &amp; Shareholders' Equity</b>    |            |             |             |             |             |             |             |             |             |             |             |             |             |
| ST Debt & Curr. Portion LT Debt                  | 67         | 55          | 112         | 128         | 119         | 105         | 351         | 255         | 282         | 157         | 157         | 164         | 170         |
| Accounts Payable                                 | 75         | 77          | 78          | 174         | 155         | 164         | 145         | 202         | 181         | 194         | 476         | 496         | 516         |
| Income Tax Payable                               | 3          | 10          | 3           | 6           | 6           | 3           | 9           | 11          | 4           | 11          | 29          | 30          | 31          |
| Other Current Liabilities                        | 42         | 40          | 73          | 91          | 109         | 119         | 250         | 282         | 219         | 237         | 9           | 9           | 10          |
| <b>Total Current Liabilities</b>                 | <b>187</b> | <b>182</b>  | <b>266</b>  | <b>399</b>  | <b>388</b>  | <b>391</b>  | <b>754</b>  | <b>751</b>  | <b>686</b>  | <b>599</b>  | <b>672</b>  | <b>699</b>  | <b>727</b>  |
| Long-Term Debt                                   | 52         | 45          | 59          | 95          | 57          | 47          | 95          | 272         | 236         | 139         | 400         | 300         | 100         |
| Provision for Risks & Charges                    | 29         | 31          | 34          | 56          | 67          | 76          | 96          | 130         | 141         | 153         | 161         | 167         | 174         |
| Deferred Tax Liabilities                         | 69         | 70          | 81          | 92          | 106         | 108         | 114         | 208         | 215         | 216         | 208         | 202         | 196         |
| Other Liabilities                                | 0          | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Total Liabilities</b>                         | <b>337</b> | <b>328</b>  | <b>439</b>  | <b>641</b>  | <b>618</b>  | <b>623</b>  | <b>1059</b> | <b>1361</b> | <b>1277</b> | <b>1106</b> | <b>1441</b> | <b>1368</b> | <b>1197</b> |
| Common Equity                                    | 613        | 668         | 758         | 824         | 937         | 1018        | 1199        | 1219        | 1398        | 1682        | 2173        | 2378        | 2686        |
| Total Shareholders' Equity                       | 613        | 668         | 758         | 824         | 937         | 1018        | 1199        | 1219        | 1398        | 1682        | 2173        | 2378        | 2686        |
| Accumulated Minority Interest                    | 3          | 4           | 4           | 14          | 12          | 7           | 8           | 10          | 11          | 7           | 8           | 8           | 8           |
| Total Equity                                     | 616        | 672         | 762         | 838         | 949         | 1025        | 1207        | 1229        | 1410        | 1689        | 2182        | 2386        | 2694        |
| <b>Total Liabilities &amp; Shareholders' Equ</b> | <b>953</b> | <b>1000</b> | <b>1201</b> | <b>1479</b> | <b>1568</b> | <b>1648</b> | <b>2266</b> | <b>2591</b> | <b>2687</b> | <b>2795</b> | <b>3623</b> | <b>3754</b> | <b>3891</b> |
| <b>Per Share</b>                                 |            |             |             |             |             |             |             |             |             |             |             |             |             |
| Book Value per Share                             | 4.43       | 4.87        | 5.29        | 5.79        | 6.56        | 7.20        | 8.81        | 8.93        | 10.30       | 12.46       | 15.99       | 17.09       | 19.30       |
| Tangible Book Value per Share                    | 3.60       | 4.03        | 4.22        | 4.70        | 5.49        | 6.15        | 7.73        | 6.73        | 8.67        | 10.90       | 14.42       | 15.50       | 17.64       |
|  | 02/2011    | 02/2012     | 02/2013     | 02/2014     | 02/2015     | 02/2016     | 02/2017     | 02/2018     | 02/2019     | 02/2020     | 02/2021     | 02/2022     | 02/2023     |
| <b>Operating Activities</b>                      |            |             |             |             |             |             |             |             |             |             |             |             |             |
| Net Income / Starting Line                       | 108        | 130         | 144         | 221         | 273         | 315         | 402         | 324         | 422         | 573         | 715         | 458         | 629         |
| Depreciation, Depletion & Amortization           | 46         | 46          | 58          | 97          | 77          | 82          | 101         | 124         | 146         | 177         | 182         | 188         | 194         |
| Other Funds                                      | -30        | -28         | -37         | -69         | -87         | -78         | -134        | -114        | -70         | -42         | 0           | 0           | 0           |
| <b>Funds from Operations</b>                     | <b>124</b> | <b>149</b>  | <b>165</b>  | <b>249</b>  | <b>263</b>  | <b>319</b>  | <b>368</b>  | <b>334</b>  | <b>498</b>  | <b>709</b>  | <b>897</b>  | <b>646</b>  | <b>823</b>  |
| Changes in Working Capital                       | 6          | -2          | 5           | -5          | -1          | 1           | 38          | -133        | -87         | -32         | -96         | -101        | -106        |
| <b>Net Operating Cash Flow</b>                   | <b>131</b> | <b>146</b>  | <b>170</b>  | <b>244</b>  | <b>262</b>  | <b>320</b>  | <b>406</b>  | <b>201</b>  | <b>410</b>  | <b>677</b>  | <b>802</b>  | <b>545</b>  | <b>717</b>  |
| <b>Investing Activities</b>                      |            |             |             |             |             |             |             |             |             |             |             |             |             |
| Capital Expenditures                             | -46        | -72         | -83         | -121        | -162        | -131        | -135        | -119        | -94         | -154        | -510        | -266        | -256        |
| Net Assets from Acquisitions                     | -36        | -           | -87         | -70         | -8          | -4          | -280        | -38         | -9          | -27         |             |             |             |
| Sale of Fixed Assets & Businesses                | 7          | 17          | 7           | 17          | 34          | 14          | 27          | 27          | 14          | 34          | 34          | 34          | 34          |
| Purchase/Sale of Investments                     | -5         | 0           | -32         | 9           | -18         | -2          | -116        | -68         | 0           | 6           | -240        | 0           | 0           |
| Other Funds                                      | 0          | 0           | 0           | -1          | 0           | 0           | 0           | 0           | 0           | 0           | -51         | 0           | 0           |
| <b>Net Investing Cash Flow</b>                   | <b>-80</b> | <b>-54</b>  | <b>-194</b> | <b>-166</b> | <b>-155</b> | <b>-123</b> | <b>-504</b> | <b>-197</b> | <b>-89</b>  | <b>-141</b> | <b>-767</b> | <b>-232</b> | <b>-222</b> |
| <b>Financing Activities</b>                      |            |             |             |             |             |             |             |             |             |             |             |             |             |
| Cash Dividends Paid                              | -22        | -24         | -30         | -45         | -59         | -76         | -88         | -96         | -86         | -136        | -49         | -264        | -183        |
| Change in Capital Stock                          | -6         | -4          | -7          | -27         | -15         | -60         | -18         | -14         | -31         | -29         | -12         | 0           | 0           |
| Issuance/Reduction of Debt, Net                  | 12         | -19         | 32          | -50         | -47         | -23         | 293         | 180         | -165        | -250        | 261         | -94         | -193        |
| Other Funds                                      | 0          | 0           | 0           | 0           | 0           | 0           | 38          | -25         | -3          | -3          | -66         | 0           | 0           |
| <b>Net Financing Cash Flow</b>                   | <b>-16</b> | <b>-47</b>  | <b>-5</b>   | <b>-122</b> | <b>-121</b> | <b>-158</b> | <b>225</b>  | <b>45</b>   | <b>-286</b> | <b>-426</b> | <b>134</b>  | <b>-357</b> | <b>-377</b> |
| Exchange Rate Effect                             | -          | -           | -           | -           | -           | -           | -           | -           | 0           | -           | 0           | 0           | 0           |
| Net Change in Cash                               | 34         | 45          | -29         | -44         | -14         | 39          | 127         | 49          | 36          | 110         | 168         | -44         | 118         |
| <b>Free Cash Flow</b>                            | <b>85</b>  | <b>74</b>   | <b>87</b>   | <b>123</b>  | <b>99</b>   | <b>189</b>  | <b>272</b>  | <b>82</b>   | <b>317</b>  | <b>523</b>  | <b>291</b>  | <b>279</b>  | <b>461</b>  |
| Free Cash Flow per Share                         | 0.60       | 0.53        | 0.59        | 0.84        | 0.68        | 1.31        | 1.90        | 0.60        | 2.31        | 3.82        | 2.13        | 2.00        | 3.30        |
| Free Cash Flow Yield (%)                         | 18.3       | 9.2         | 7.0         | 6.5         | 4.1         | 5.4         | 6.2         | 2.1         | 7.7         | 13.4        | 6.0         | 5.6         | 9.3         |

Source: Factset, Company data, Chronux Research estimates

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