



Afrimat – Pre-Close Update

Date: 16 February 2022

Key message: Iron ore prices have recovered, and Nkomati mine is profitable. Acquisitions continue with the Glenover surface dump purchase.

- Afrimat continues to operate well and add new operations to its growing portfolio.
- **Iron Ore:** Low prices and lump premiums together with high shipping rates did impact the iron ore division for most of 3Q, but this turned around in December and 4Q revenues have recovered well. Sales to AMSA are progressing steadily towards the ultimate 1.25mtpa, with approx. 650kt to be sold in FY22.
- **Anthracite:** The Nkomati mine has continued its good turnaround and management continue to believe that the positive contribution in 2H should result in a breakeven for the full year. The high rainfall has not impacted production significantly. Anthracite prices are set annually in ZAR and are not linked to international prices.
- **Manganese:** Further drilling is being done on the deposit to confirm possible extra reserves, and this may delay the schedule as the mine plan may need to be adjusted. The Section 11 mining rights and WULA applications are expected to be finalised by March 2022.
- **Industrial Minerals:** growth on last year is expected.
- **Construction Materials:** This has been disappointing as demand has been weak (down on prior year.) Civil construction remains low, and the W Cape has seen minimal new projects.
- **Glenover acquisition:** Afrimat has purchased the surface phosphate stockpiles of the Glenover mine for R200m. The high-grade stockpile (approx. 15 yrs of sales) is being sold already, with beneficiation required to process the medium- and low-grade stockpiles (which contain rare-earth minerals as well). With the purchase of the mine itself vermiculite will be mined (from end CY22).
- Gearing is expected to peak at R600-700m including the Glenover purchase. Approx. R750m capital outlay will be required for the Gravenhage/Glenover acquisition and development.
- We increase our Sum-of-the-Parts valuation to R110 (from R88) as the iron ore volumes come through, pricing remains firm, and Nkomati is well on its way to a good recovery.

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Price (16/02/2022): R64.55

Target Price: 110.00

Market cap R9,270m

Shares in issue 142.5mn

Financial summary

ZARmn (year to February)	FY20	FY21A	FY22E	FY23E	FY24E
Revenue	3304	3694	6112	5828	8498
EBITDA	788	1290	2324	1667	2320
Net income	463	774	1489	907	1409
Headline EPS (diluted)	344	432	1048	637	989
PE Ratio	8.3	10.0	6.0	10.0	6.4
Dividend	36	148	175	159	366
Dividend yield (%)	4.1%	1.3%	2.8%	2.5%	5.8%

Source: Factset, Company data, Chronux Research estimates

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Figure 1 Financial summary

Financial year to February	FY20	FY21A	FY22E	FY23E	FY24E
ZAR/USD exchange rate	14.77	16.35	14.96	15.41	15.73
Iron ore price - fines spot China (\$/t)	80.50	125.00	146.00	95.00	90.00
Iron ore lump premium (\$/t)	15.00	28.80	38.00	18.00	18.00
Manganese price CIF China (c/mtu)				550	500
Per share data					
Earnings (diluted)	338	559	1,045	637	989
Headline earnings (diluted)	344	432	1,048	637	989
NAV	10.90	14.78	21.64	25.33	31.22
Dividend	36	148	175	159	366
Valuation ratios					
P/E ratio	8.3	10.0	6.0	10.0	6.4
EV/EBITDA	5.2	5.6	3.8	5.3	3.8
P/B	2.29	2.71	2.74	2.35	1.93
Dividend yield	4.1%	1.3%	2.8%	2.5%	5.8%
Income Statement (ZARmn)					
Sales	3,304	3,694	6,112	5,828	8,498
<i>Sales growth</i>		11.8%	65.5%	-4.6%	45.8%
Cost of sales	(2,239)	(2,235)	(3,165)	(3,685)	(5,330)
Gross Profit	1,065	1,459	2,946	2,143	3,168
<i>Gross margin</i>	32.2%	39.5%	48.2%	36.8%	37.3%
SG&A Expense	(478)	(571)	(865)	(825)	(1,203)
Other Operating Income/Expense	24	193	19	20	21
EBITDA	788	1,290	2,324	1,667	2,320
<i>EBITDA margin</i>	23.9%	34.9%	38.0%	28.6%	27.3%
Depreciation & Amortisation	(177)	(209)	(224)	(329)	(334)
EBIT (Operating Income)	611	1,081	2,100	1,338	1,986
<i>EBIT margin</i>	18.5%	29.3%	34.4%	23.0%	23.4%
Nonoperating Income - Net	(10)	(22)	0	0	0
Net Interest Expense	(28)	(17)	(25)	(49)	2
Equity in Earnings of Affiliates	0	0	0	0	0
PBT	573	1,042	2,075	1,289	1,988
Income Taxes	(108)	(265)	(581)	(361)	(557)
<i>Tax rate</i>	18.9%	25.5%	28.0%	28.0%	28.0%
Consolidated Net Income	465	776	1,494	928	1,432
Minority Interest	(3)	(3)	(5)	(21)	(22)
Net Income	463	774	1,489	907	1,409
Cash flow statement (ZARmn)					
Changes in working capital	(10)	(63)	318	(2)	(3)
Cash from operating activities	677	768	1,718	1,257	1,765
Capital expenditure	(154)	(189)	(1,877)	(350)	(510)
Other	24	(248)	(8)	(216)	9
Investing cash flow	(130)	(437)	(1,885)	(565)	(501)
Changes in borrowings	(250)	124	3	(598)	10
Dividend paid	(138)	(162)	(213)	(307)	(371)
Other	(49)	(23)	(7)	0	0
Financing cash flow	(437)	(60)	(218)	(905)	(361)
Change in cash	110	270	(384)	(213)	904
Balance sheet (ZARmn)					
Total assets	2,795	4,455	5,758	5,732	6,631
Cash and equivalents	168	871	104	(107)	799
Other current assets	742	980	876	911	948
Non-current assets	1,886	2,604	4,778	4,928	4,885
Total liabilities	1,106	2,197	2,457	1,897	1,948
Long-term liabilities	507	934	869	670	671
Current liabilities	599	1,263	1,588	1,228	1,277
Total shareholders' funds	1,689	2,258	3,300	3,834	4,683
Net debt/(cash)	128	77	847	460	(436)

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 Jenkins) using a DCF for the life-of-mine. We have added a valuation for the Nkomati anthracite and Gravenhage manganese mines. At present we do not put a value on the Glenover acquisition.
- Our base year for EBITDA multiples is FY23.

Figure 2 Sum-of-the-Parts Valuation – FY23 EBITDA (Base Case)

ZARm	Multiple range	Comment	FY22 EBITDA	EV/EBITDA Multiple	Enterprise Value
Construction Materials	4-6x	Mid range multiple	247	5.0x	1,234
Iron ore		DCF @ WACC (12.8%)			10,089
Manganese		DCF @ 20% (pre-development)			3,710
Anthracite - Nkomati		DCF @ 20% (difficult seam conditions)			908
Industrial Minerals	4-6x	Mid range multiple	136	4.0x	546
					16,487
Other assets		From balance sheet			81
Minorities		From balance sheet			-8
Net (debt)/cash		From balance sheet			-847
Equity value					15,712
Number of shares ('m)					142,496
Valuation (ZAR per share)					110.27

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.

Bulk Commodities

- We value the iron ore operation (Demaneng and Jenkins) 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.
- We now factor in the sale of 1.25mtpa of direct shipping ore (minimal processing required) to AMSA as a boost to earnings, with margins/t expected to be similar to export margins (AMSA will buy the product on an export parity pricing model).
- Sales from the iron ore division will more than double as a result at a similar profit margin. The Coza acquisition 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 30-40 years.
- We have added a valuation for Nkomati Anthracite – we use a high 20% discount rate for the DCF valuation to account for the difficult seam conditions.
- Nkomati has turned profitable in August 2021, and we expect the full year to be just over breakeven (after a R108m loss in 1H). Afrimat has greatly improved the geological model of the mine and, although mining conditions remain difficult, better mine planning should result in steadier production.
- An underground expansion is planned in FY23 to maintain production volumes.
- The contribution from Gravenhage (manganese) comes in from FY24. We use a DCF valuation for the operation at a relatively high 20% discount rate to account for the development risk of bringing the project into operation.

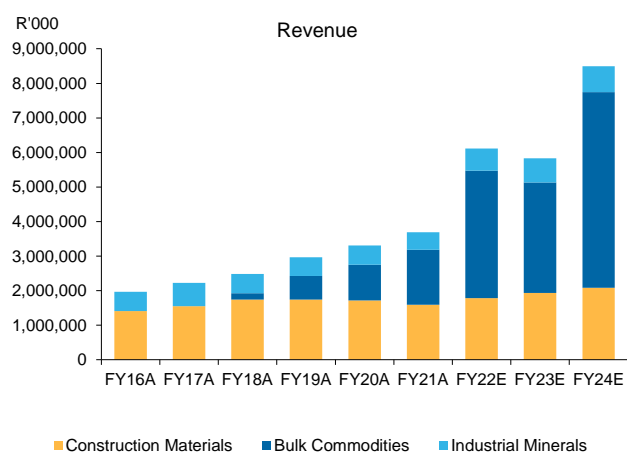
- Outstanding conditions precedent to finalise the purchase of the deposit include the water use licence and Section 11 transfer of mining rights. Management believe that this could be in place by March 2022.
- The development of the mine will start when these conditions are met, and a development phase of 12 months is expected before first revenue. This is likely to occur only in FY24 at development cost of approx. R600m.
- The mine will initially produce 750ktpa and will ramp up to 1.5mtpa using internal cashflows.
- A purchase consideration of US\$30m is payable on the conditions being met, with a further US\$15m 12 months after the first revenue is produced.
- The Gravenhage deposit will produce oxide grade manganese ore, which trades at a premium to the normal carbonate ore. Demand is not expected to be a limiting factor.

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.
- Margins are under pressure in this division as major customers have faced difficult financial conditions. An improvement in 2H is expected.

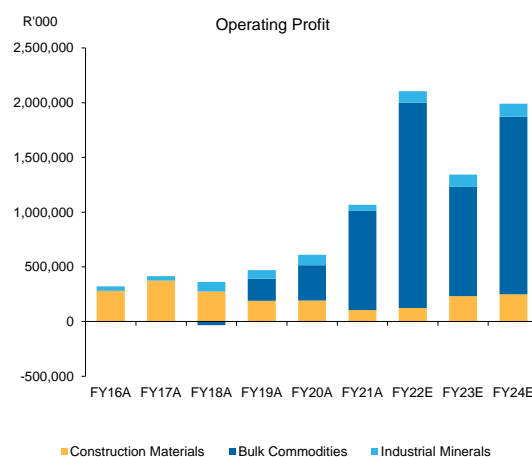
Group Forecast

Figure 3 Group Revenue

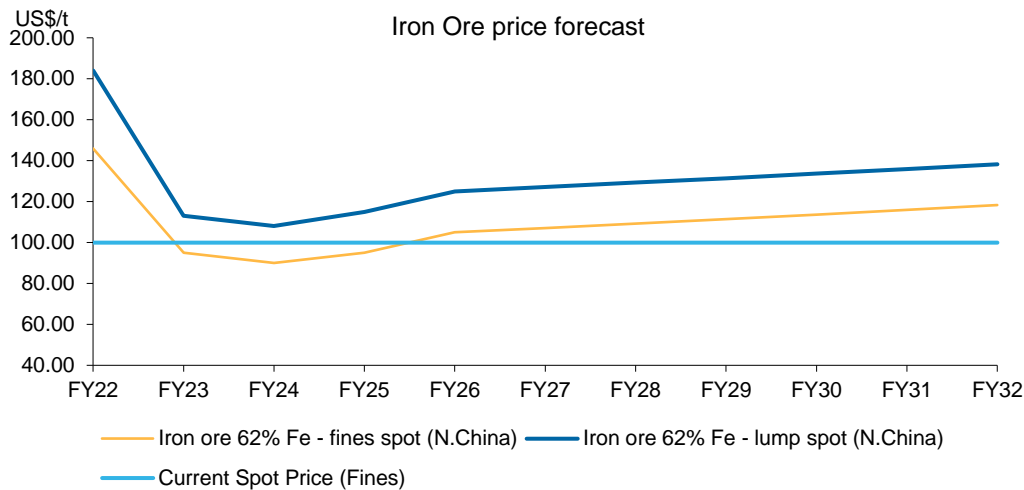


Source: Company data, Chronux Research

Figure 4 Group Operating Profit



Source: Company data, Chronux Research

Figure 5 Iron Ore Fines Price Forecasts (US\$/t)

Source: Company data, Chronux Research

Figure 6 Macquarie Commodity Price Forecasts

commodity	unit	LT price 2020\$ real	Sep-21 est.	Dec-21 est.	Mar-22 est.	Jun-22 est.	Sep-22 est.	2021 est.	2022 est.	2023 est.	2024 est.	2025 est.	2026 est.
copper	\$/tonne	7,500	9,400	9,000	8,750	8,750	8,500	9,149	8,563	8,000	8,250	8,750	9,250
aluminium	\$/tonne	2,250	2,650	3,000	2,850	2,750	2,650	2,535	2,713	2,650	2,700	2,600	2,600
zinc	\$/tonne	2,250	2,985	3,000	2,850	2,750	2,600	2,912	2,675	2,400	2,450	2,500	2,550
nickel	\$/tonne	17,000	19,150	18,750	18,500	18,000	17,500	18,195	17,750	16,500	17,000	18,500	19,500
lead	\$/tonne	1,820	2,360	2,075	1,900	1,900	1,900	2,144	1,900	1,850	1,875	1,900	1,950
tin	\$/tonne	26,000	34,712	36,000	35,000	32,000	32,000	31,820	32,750	29,000	28,000	31,000	34,000
gold	\$/oz	1,400	1,790	1,725	1,700	1,650	1,600	1,781	1,625	1,500	1,600	1,650	1,700
silver	\$/oz	20.0	24.30	21.00	20.00	20.00	19.00	24.55	19.50	19.50	21.25	23.00	24.50
platinum	\$/oz	1,050	1,025	1,000	1,050	1,050	1,100	1,093	1,100	1,275	1,200	1,275	1,300
palladium	\$/oz	1,000	2,450	2,050	2,150	2,250	2,200	2,424	2,175	1,850	1,500	1,250	1,200
rhodium	\$/oz	2,000	17,000	15,000	17,000	15,000	12,000	20,294	13,500	8,000	5,000	3,000	2,750
iron ore, spot fines	\$/tonne, cif China	80	160	100	135	120	110	157	120	95	90	95	105
iron ore, spot lump	\$/tonne, cif China	96	172	108	150	144	132	178	141	113	108	115	125
hard coking coal	US\$/tonne, fob Aust	145	270	320	250	220	175	214	205	150	200	175	165
LV-PCI	US\$/tonne, fob Aust	106	185	224	160	150	119	157	137	113	147	130	124
semi-soft coking coal	US\$/tonne, fob Aust	97	188	224	143	134	107	154	123	102	133	117	107
manganese ore	\$/mtu, cif China	4.70	5.20	5.50	5.50	5.50	5.50	5.18	5.50	5.00	5.50	5.00	5.30
steel (avg HRC)	\$/tonne	457	1,281	1,114	895	755	720	1,115	769	604	619	650	675
steel scrap (avg #1HMS)	\$/tonne	230	468	400	496	442	417	434	447	360	345	360	398
thermal coal, spot	US\$/tonne, fob Aust	58	165	210	185	165	140	142	153	80	68	66	66
thermal coal, JFY	US\$/tonne, fob Aust	58	110	110	110	160	160	100	147	123	80	68	68
EU carbon	EUR/t, spot	80	60	60	65	65	65	52	65	70	80	70	75
alumina	US\$/tonne, spot fob Aust	288	320	440	420	380	350	334	370	320	325	337	340
ferrochrome	c/lb, EU	130	156	170	170	160	155	150	154	134	143	150	155
molybdenum	\$/lb	11.00	19.09	17.00	15.00	14.00	13.00	15.30	13.50	12.00	12.00	12.00	13.00
cobalt	\$/lb (99.8%)	28.5	24.50	24.00	23.00	23.00	23.00	22.83	23.50	25.50	26.25	27.00	27.00
lithium	\$/tonne, Asia Carbonate	13,000	11,677	13,500	15,000	20,000	20,000	11,072	18,500	17,750	16,125	15,250	14,500
crude oil - Brent	\$/bbl	56.00	72.00	72.00	68.00	65.00	60.00	68.60	62.75	58.00	59.50	61.03	62.60
crude oil - WTI	\$/bbl	52.00	68.00	67.50	63.50	60.50	55.50	64.94	58.25	53.85	55.25	56.67	58.13
natural gas - HH	\$/mmBtu	2.60	4.40	4.80	4.40	3.65	3.40	3.77	3.71	2.69	2.76	2.83	2.91

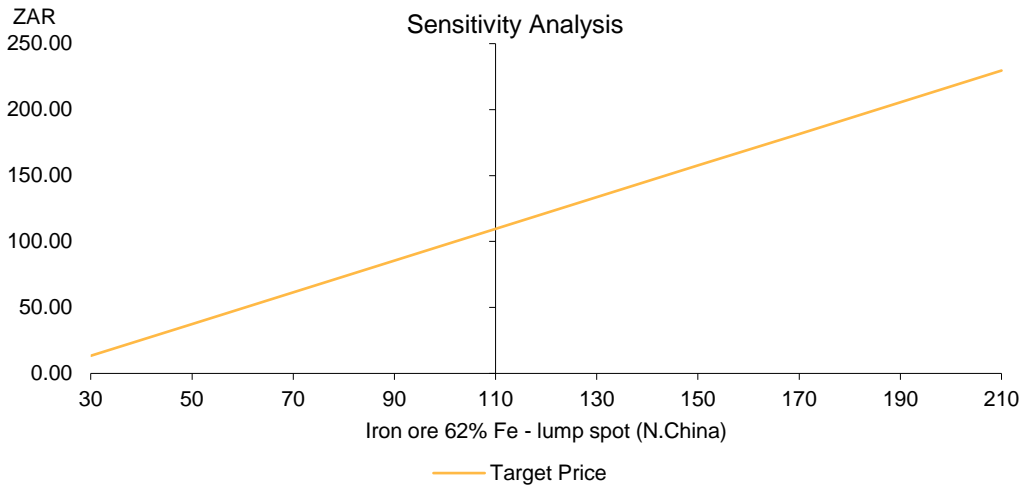
Source: Macquarie Commodity Strategy, LME, CME, ICE, Bloomberg, Platts, (i.e. 2021\$ real, active from 2026), Sept 2021

Source: Macquarie Commodity Strategy, Chronux Research

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 to Iron Ore Prices

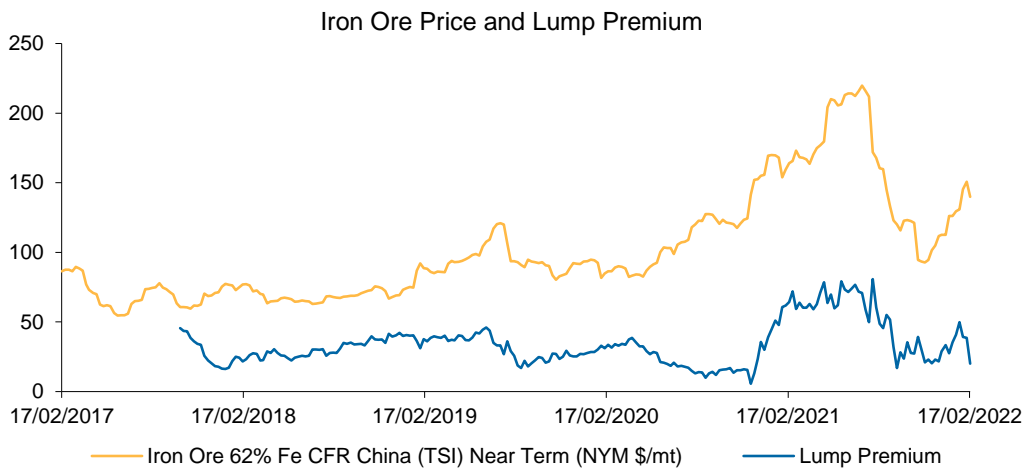


Source: Company data, Chronux Research

Iron Ore forecasts

- Iron ore prices and the lump premium have enjoyed a spike over the recent year, followed by a sharp pullback in late CY21. prices have recovered well since then and are back at approx. USD150/t.

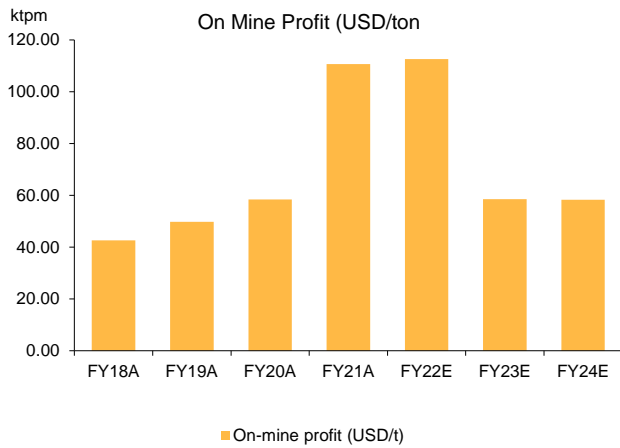
Figure 8 Iron Ore Price



Source: Company data, Chronux Research

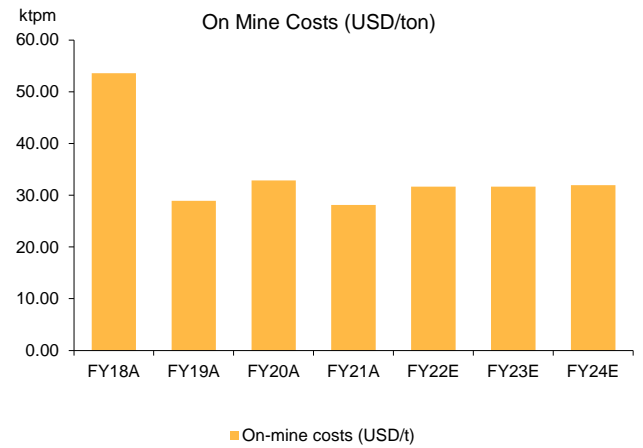
- The revenue per ton for the division has also experienced a spike. We do see iron ore prices settling to below USD100/t in the forecast period.

Figure 9 On Mine Profit (USD/ton)



Source: Company data, Chronux Research

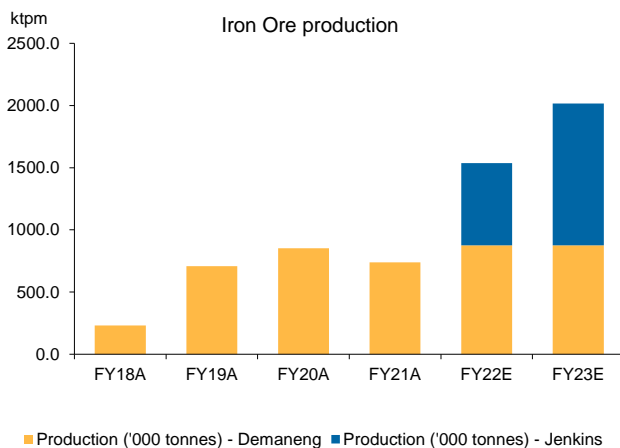
Figure 10 On Mine Costs (USD/ton)



Source: Company data, Chronux Research

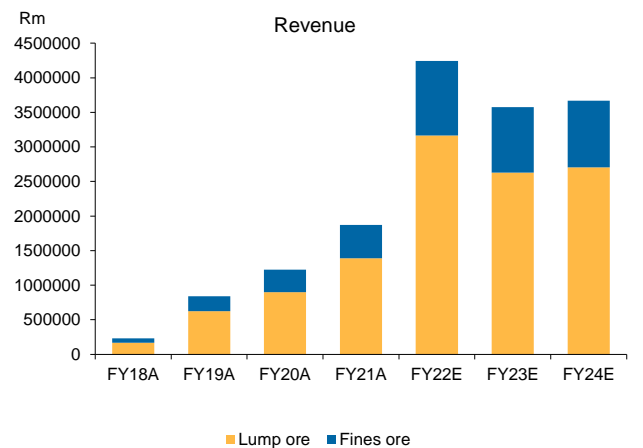
- Afrimat has used the opportunity to increase the stripping ratio while iron ore prices were very high and on-mine costs have increased as a result. We do expect the on-mine costs to return to historic levels now that iron ore prices have normalised.
- Off-mine costs also spiked in recent periods, mainly due to significantly increased freight rates.

Figure 11 Iron Ore - Production



Source: Company data, Chronux Research

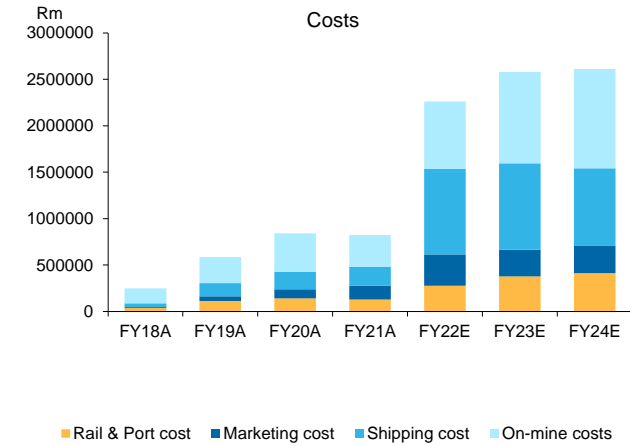
Figure 12 Iron Ore - Revenue



Source: Company data, Chronux Research

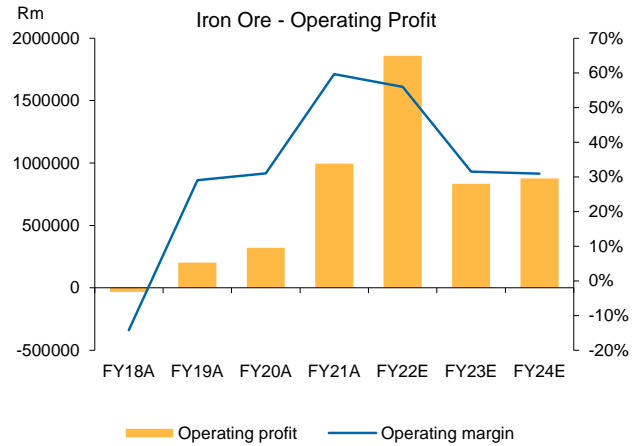
- Jenkins has come into operation and should ramp up to full production in FY24. This should result in continued revenue growth for the iron ore division for the next few years.

Figure 13 Iron Ore - Cost breakdown



Source: Company data, Chronux Research

Figure 14 Iron Ore – Operating Profit



Source: Company data, Chronux Research

Iron Ore DCF Valuations

Figure 15 Iron Ore DCF Model

Life of mine		FY18A	FY19	FY20	FY21	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Production (ktpm)		40	53	71.02	61.49	128.00	163.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00
Iron ore 62% Fe - fines spot (N.China)	US\$/t	69.00	80.50	125.00	146.00	95.00	90.00	95.00	105.00	107.10	109.24	111.43	113.66	115.93	118.25	120.61	123.02	125.48	127.99	130.50
Production (000 tonnes)		320	636	852	738	1536	2016	2126	2076	2076	2076	2076	2076	2076	2076	2076	2076	2076	2076	2076
Lump ore (000 tonnes)		224	445	597	516.5	1075.2	1411.2	1488.2	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453
Fine ore (000 tonnes)		96	191	256	221.3	460.8	604.8	637.8	623	623	623	623	623	623	623	623	623	623	623	623
Lump ore %		70%	70%	0.7	0.7	0.7	0.7	0.7	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Fine ore %		30%	30%	0.3	0.3	0.3	0.3	0.3	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
ZAR/USD		13.75	14.77	16.35	14.96	15.41	15.73	16.12	16.52	16.94	17.36	17.79	18.24	18.69	19.16	19.64	20.13	20.63	21.15	21.68
Iron ore 62% Fe - fines spot (N.China)	US\$/t	69.00	80.50	125.00	146.00	95.00	90.00	95.00	105.00	107.10	109.24	111.43	113.66	115.93	118.25	120.61	123.02	125.48	127.99	130.50
Lump premium		16.60	15.00	28.80	38.00	18.00	18.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Iron ore 62% Fe - lump spot (N.China)	US\$/t	85.60	95.50	153.80	184.00	113.00	108.00	115.00	125.00	127.10	129.24	131.43	133.66	135.93	138.25	140.61	143.02	145.48	147.99	150.50
Fines premium		3%	7%	7%	7%	7%	7%	7%	7%	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%	7%	7%	7%	7%	7%	7%	7%
Adjusted fines - 62% Fe and other (SI)	US\$/t	71.07	86.14	133.75	156.22	101.65	96.30	101.65	112.35	114.60	116.89	119.23	121.61	124.04	126.52	129.05	131.64	134.27	136.95	139.68
Adjusted lump - 65.3% Fe and other (SI)	US\$/t	89.88	102.19	164.57	196.69	120.91	115.56	123.05	133.75	136.00	138.29	140.63	143.01	145.44	147.92	150.45	153.04	155.67	158.35	161.08
SIh Africa to China		14.70	15.00	17.00	40.00	30.00	25.00	16.92	16.92	17.37	17.82	18.29	18.77	19.26	19.75	20.25	20.75	21.25	21.75	22.25
Western Australia to North China	US\$/t	5.65	7.54	7.73	7.93	7.93	7.93	10.41	10.41	10.69	10.97	11.26	11.55	11.85	12.15	12.45	12.75	13.05	13.35	13.65
Brazil to North China	US\$/t	14.32	16.98	17.40	17.83	17.83	17.83	23.43	23.43	24.05	24.68	25.33	25.99	26.66	27.33	28.01	28.69	29.37	30.05	30.73
Rail & port cost	ZAR/t	160	166.4	173	180	187	195	201	207	213	219	226	232	239	247	254	262	269	278	287
Transport & siding costs	ZAR/t	70	72.8	76	79	82	85	88	90	93	96	99	102	105	108	111	114	118	121	125
One mine costs	ZAR/t	398	465	460	474	488	503	518	533	549	566	583	600	618	637	656	676	696	717	738
	Fixed (60%)		291	276	284	293	302	311	320	330	339	350	360	371	382	394	405	417	430	443
	Variable (40%)		194	184	190	195	201	207	213	220	226	233	240	247	255	262	270	278	287	295
Sales																				
Via Kumba		456	852	738	986	766	878	826	826	826	826	826	826	826	826	826	826	826	826	826
AMSA		180	0	0	550	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250
Revenue	R000	736,724	1,225,598	1,873,558	4,242,855	3,576,966	3,670,504	3,902,948	4,367,543	4,555,732	4,752,221	4,957,381	5,171,598	5,395,279	5,628,846	5,872,743	6,127,432	6,393,396	6,671,141	6,961,141
Lump ore		550,254	900,343	1,389,551	3,166,163	2,629,535	2,704,582	2,882,453	3,211,428	3,347,015	3,488,507	3,636,168	3,790,270	3,951,100	4,118,957	4,294,154	4,477,017	4,667,888	4,867,122	5,073,122
Fines ore		186,470	325,255	484,007	1,076,692	947,431	965,922	1,020,496	1,156,114	1,208,717	1,263,714	1,321,213	1,381,328	1,444,179	1,509,889	1,578,589	1,650,415	1,725,508	1,804,019	1,890,019
Rail & Port cost		101,760	141,806	127,885	276,447	377,350	413,857	416,247	428,735	441,597	454,844	468,490	482,545	497,021	511,931	527,289	543,108	559,401	576,183	593,928
Transport & siding costs		44,520	62,040	55,862	120,945	165,090	181,062	182,108	187,571	193,199	198,994	204,964	211,113	217,447	223,970	230,689	237,610	244,738	252,080	259,738
Marketing cost		42,257	98,048	149,885	217,888	108,728	120,992	124,233	139,021	145,011	151,265	157,796	164,614	171,734	179,169	186,932	195,039	203,505	212,345	221,565
Shipping cost		128,994	198,905	205,062	918,954	832,052	835,862	595,298	589,454	610,598	642,282	675,624	710,697	749,464	786,678	822,342	857,476	892,170	926,434	960,278
On-mine profit		419,623	734,898	1,335,064	2,708,521	1,983,746	2,118,731	2,614,054	3,031,762	3,165,340	3,304,835	3,450,507	3,602,829	3,760,913	3,927,100	4,102,490	4,287,139	4,480,664	4,683,342	4,895,174
On-mine costs		263,128	413,317	339,399	727,757	983,836	1,068,843	1,074,816	1,107,060	1,140,272	1,174,480	1,209,715	1,246,006	1,283,388	1,321,888	1,361,545	1,402,391	1,444,463	1,487,797	1,532,342
Operating profit		166,495	321,581	995,666	1,980,864	1,009,910	1,050,088	1,539,248	1,924,702	2,025,068	2,130,354	2,240,792	2,356,823	2,497,227	2,645,213	2,800,945	2,964,808	3,137,201	3,318,545	3,502,832
Operating margin		23%	26%	53%	47%	28%	29%	39%	44%	44%	45%	45%	46%	46%	47%	48%	48%	48%	49%	50%
On-mine profit (ZAR/t)		660	862	1,809	1,763	989	997	1,259	1,460	1,525	1,592	1,662	1,735	1,821	1,911	2,005	2,104	2,207	2,315	2,428
On-mine profit (USD/t)		48	58	111	118	64	63	78	88	90	92	93	95	97	100	102	104	107	109	111
Off-mine costs (USD/t)		26	39	45	67	51	46	39	39	40	40	41	41	42	42	42	42	42	42	42
On-mine costs (USD/t)		39	33	28	32	32	32	32	32	32	32	33	33	33	33	33	33	34	34	34
Free cash flow																				
Operating profit		166,495	321,581	995,666	1,980,864	1,009,910	1,050,088	1,539,248	1,924,702	2,025,068	2,130,354	2,240,792	2,356,823	2,497,227	2,645,213	2,800,945	2,964,808	3,137,201	3,318,545	3,502,832
Tax		-32,444	-75,868	-264,611	-540,467	-268,600	-279,850	-416,815	-524,741	-552,844	-582,324	-613,247	-645,680	-685,048	-726,485	-770,090	-815,971	-864,241	-915,018	-969,342
Depreciation & Amortisation		32,656	43,308	48,427	49,396	50,383	51,391	52,419	53,467	54,537	55,627	56,740	57,875	59,032	60,213	61,417	62,645	63,898	65,176	66,478
Expansion capex																				
Maintenance capex	4%	-29,469	-49,024	-74,942	-169,714	-143,079	-146,820	-156,118	-174,702	-182,229	-190,089	-198,295	-206,864	-215,811	-225,154	-234,910	-245,097	-255,736	-266,846	-278,442
FCF		137,238	239,998	704,539	1,320,079	646,615	674,809	1,018,735	1,278,726	1,344,531	1,413,569	1,485,990	1,561,955	1,653,399	1,753,787	1,857,363	1,964,385	2,081,123	2,201,858	2,327,342
DCF @ WACC (Rm)		9,888,994																		
Terminal value (present value)		200,000																		
WACC		12.8%																		

Source: Company data, Chronux Research estimates

Figure 16 Iron Ore DCF Model (Spot)

Life of mine		FY18A	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Production (ktpm)		40	53	71.02	61.49	73.00	163.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00	173.00
Production (000 tonnes)		320	636	852	738	1536	2016	2126	2076	2076	2076	2076	2076	2076	2076	2076	2076	2076	2076	2076
Lump ore (000 tonnes)		224	445	596.54	516.48	1075.20	1411.20	1488.20	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453
Fine ore (000 tonnes)		96	191	255.66	221.35	460.80	604.80	637.80	623	623	623	623	623	623	623	623	623	623	623	623
Lump ore %		70%	70%	0.7	0.7	0.7	0.7	0.7	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Fine ore %		30%	30%	0.3	0.3	0.3	0.3	0.3	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
ZAR/USD		13.75	14.77	16.35	14.96	15.41	15.73	16.36	17.01	17.69	18.40	19.13	19.90	20.69	21.52	22.38	23.28	24.21	25.18	25.18
Iron ore 62% Fe - fines spot (N.China)	US\$/t	69.00	80.50	125.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00	145.00
Lump premium		15.60	15.00	15.00	20.00	20.00	20.00	20.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Iron ore 62% Fe - lump spot (N.China)	US\$/t	85.60	95.50	140.00	165.00	113.00	108.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00
Fines premium		3%	7%	7%	7%	7%	7%	7%	7%	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%	7%	7%	7%	7%	7%	7%	7%
Adjusted fines - 62% Fe and other (SI)	US\$/t	71.07	86.14	133.75	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15	155.15
Adjusted lump - 65.3% Fe and other (SI)	US\$/t	89.88	102.19	149.80	176.55	120.91	115.56	208.65	208.65	208.65	208.65	208.65	208.65	208.65	208.65	208.65	208.65	208.65	208.65	208.65
SIh Africa to China		14.70	15.00	17.00	40.00	30.00	25.00	16.49	16.92	17.37	17.82	18.29	18.77	18.77	18.77	18.77	18.77	18.77	18.77	18.77
Western Australia to North China	US\$/t	5.65	7.54	7.73	7.93	7.93	7.93	10.15	10.41	10.69	10.97	11.26	11.55	11.55	11.55	11.55	11.55	11.55	11.55	11.55
Brazil to North China	US\$/t	14.32	16.98	17.40	17.83	17.83	17.83	22.83	23.43	24.05	24.68	25.33	25.99	25.99	25.99	25.99	25.99	25.99	25.99	25.99
Rail & port cost	ZAR/t	160	166.4	173	180	187	195	202	211	219	228	237	246	256	266	277	288	300	312	312
Transport & siding costs	ZAR/t	70	72.8	76	79	82	85	89	92	96	100	104	108	112	117	121	126	131	136	136
On-mine costs	ZAR/t	398	485	460	474	488	503	528	554	582	611	642	674	707	743	780	819	860	903	903
	Fixed (60%)		291	276	284	293	302	317	333	349	367	385	404	424	446	468	491	516	542	542
	Variable (40%)		194	184	190	195	201	211	222	233	244	257	269	283	297	312	328	344	361	361
Sales																				
Via Kumba		456	852.2	737.8	986.0	766.0	876.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0	826.0
AMSA		180	0	0	550	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250
Revenue	R000	736,724	1,225,598	1,748,877	3,908,540	4,075,614	4,260,790	6,539,557	6,801,139	7,073,184	7,356,112	7,650,356	7,956,370	8,274,625	8,605,610	8,949,835	9,307,828	9,680,141	10,067,347	10,067,347
Lump ore		550,254	900,343	1,264,871	2,839,222	2,629,535	2,704,582	4,959,164	5,157,530	5,363,831	5,578,385	5,801,520	6,033,581	6,274,924	6,525,921	6,786,958	7,058,436	7,340,774	7,634,405	7,634,405
Fines ore		186,470	325,255	484,007	1,069,318	1,446,078	1,556,208	1,580,393	1,643,609	1,709,353	1,777,727	1,848,836	1,922,790	1,999,701	2,079,689	2,162,877	2,249,392	2,339,367	2,432,942	2,432,942
Rail & Port cost		101,760	141,806	127,685	276,447	377,350	413,857	420,288	437,100	454,584	472,767	491,678	511,345	531,799	553,071	575,194	598,201	622,129	647,015	647,015
Transport & siding costs		44,520	62,040	55,862	120,945	165,090	181,062	183,876	191,231	198,890	206,836	215,109	223,713	232,662	241,988	251,647	261,713	272,192	283,069	283,069
Marketing cost		42,257	98,048	139,910	200,720	123,886	140,450	208,157	216,483	225,143	234,148	243,514	253,255	263,385	273,920	284,677	296,272	308,123	320,448	320,448
Shipping cost		128,564	188,805	205,062	918,954	932,052	935,862	559,884	597,567	637,786	680,713	726,528	775,427	806,444	838,702	872,250	907,140	943,426	981,163	981,163
On-mine profit		419,623	734,888	1,220,358	2,391,474	2,477,236	2,688,509	5,167,351	5,358,758	5,556,791	5,761,648	5,973,527	6,192,630	6,440,335	6,697,948	6,965,866	7,244,501	7,534,281	7,835,652	7,835,652
On-mine costs		253,128	413,317	339,399	727,757	983,836	1,068,643	1,095,686	1,150,470	1,207,984	1,263,609	1,331,813	1,398,404	1,468,324	1,541,740	1,618,827	1,699,769	1,784,757	1,873,995	1,873,995
Operating profit		166,495	321,581	880,960	1,663,718	1,493,400	1,620,916	4,071,665	4,208,287	4,348,797	4,778,039	4,641,713	4,794,226	4,972,011	5,156,208	5,347,039	5,544,732	5,749,524	5,961,657	5,961,657
Operating margin		23%	26%	50%	43%	37%	38%	62%	62%	61%	65%	61%	60%	60%	60%	60%	60%	60%	59%	59%
On-mine profit (ZAR/t)		660	862	1,654	1,557	1,229	1,265	2,489	2,581	2,677	2,775	2,877	2,983	3,102	3,226	3,355	3,490	3,629	3,774	3,774
On-mine profit (USD/t)		48	58	101	104	80	80	152	152	151	151	150	150	150	150	150	150	150	150	150
Off-mine costs (USD/t)		36	39	44	66	51	47	40	41	41	42	42	43	43	43	43	43	43	43	43
On-mine costs (USD/t)		29	33	28	32	32	32	32	33	33	33	34	34	34	35	35	35	35	36	36
Free cash flow																				
Operating profit		166,495	321,581	880,960	1,663,718	1,493,400	1,620,916	4,071,665	4,208,287	4,348,797	4,778,039	4,641,713	4,794,226	4,972,011	5,156,208	5,347,039	5,544,732	5,749,524	5,961,657	5,961,657
Tax		-32,444	-75,868	-232,494	-451,666	-403,977	-439,681	-1,125,891	-1,164,145	-1,203,488	-1,323,676	-1,285,505	-1,328,208	-1,377,988	-1,429,563	-1,482,996	-1,538,350	-1,595,692	-1,655,089	-1,655,089
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	58,645	61,578	64,657	67,889	71,284	74,848	74,848
Expansion capex																				
Maintenance capex	4%	-29,469	-49,024	-69,955	-156,342	-163,025	-170,432	-361,592	-372,046	-392,507	-394,244	-396,014	-318,255	-330,985	-344,324	-357,993	-372,313	-387,206	-402,694	-402,694
FCF		137,238	230,797	614,514	1,093,513	966,092	1,052,481	2,727,954	2,818,046	2,910,629	3,210,779	3,103,388	3,203,616	3,321,683	3,443,998	3,570,706	3,701,959	3,837,911	3,978,723	3,978,723
DCF @ WACC (Rm)	18,196,299																			
Terminal value (present value)	200,000																			
WACC	12.8%																			

Source: Company data, Chronux Research estimates

Nkomati

- Nkomati was purchased for an effective price of R350m (incl 250m of working capital - R170m for the open pit and R80m for the underground operation). R100m of capex remains to get the mine to full production, with R14m of this spent in 1H.
- 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. The mine should be able to generate approx. R200-220m PAT. The payback period for the purchase could be as short as 2-3 years.

Figure 17 Nkomati Model

Nkomati Mine											
ZAR000's	FY19A	FY20A	1H22	2H22	FY22E	1H23	2H23	FY23E	1H24	2H24	FY24E
Production ('000tpm)	31	70	16.06	50.61	33.33	45	45	45	45	45	45
Yield	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%
Sales ('000tpm)	17.3	39.2	8.99	28.34	18.67	25.2	25.2	25.2	25.2	25.2	25.2
Sales ('000t)	207.76	470.4	54.0	170.0	224	151.2	151.2	302.4	151.2	151.2	302.4
Anthracite price (R/t)	1300	1800	1100	1749	1600	1850	1850	1850	1943	1943	1943
<i>Reported revenue</i>			60,924								
Revenue	270	846720	60924	297476	358400	279720	279720	559440	293706	293706	587412
<i>Reported OP</i>			-107,876								
Operating profit			-107876	125796	17920	83916	83916	167832	88112	88112	176224
<i>Operating margin</i>			0%	42%	5%	30%	30%	30%	30%	30%	30%
PBT			-107876	125796	17920	83916	83916	167832	88112	88112	176224
Tax			-30205	35223	5018	23496	23496	46993	24671	24671	49343
PAT			-77671	90573	12902	60420	60420	120839	63440	63440	126881
Profit/ton (ZAR/t)					58			400			420

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. 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.

Figure 18 Nkomati DCF Model

Nkomati Mine																				
ZAR000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41
Production ('000tpm)	33.33333	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45
Yield	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%
Sales ('000tpm)	18.66667	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Sales ('000t)	224	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4	302.4
Anthracite price (R/t)	1600	1850	1942.5	2001	2061	2123	2186	2252	2319	2389	2461	2535	2611	2689	2770	2853	2938	3026	3117	3211
Revenue	358400	559440	587412	605034.4	623185.4	641881	661137.4	680971.5	701400.6	722442.7	744115.9	766439.4	789432.6	813115.6	837509.1	862634.3	888513.4	915168.8	942623.8	970902.5
Operating profit	17920	167832	176223.6	181510.3	186955.6	192564.3	198341.2	204291.5	210420.2	216732.8	223234.8	229931.8	236829.8	243934.7	251252.7	258790.3	266554	274550.6	282787.1	291270.8
<i>Operating margin</i>	5%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
PBT	17920	167832	176223.6	181510.3	186955.6	192564.3	198341.2	204291.5	210420.2	216732.8	223234.8	229931.8	236829.8	243934.7	251252.7	258790.3	266554	274550.6	282787.1	291270.8
Tax	5018	46993	49343	50823	52348	53918	55536	57202	58918	60685	62506	64381	66312	68302	70351	72461	74635	76874	79180	81556
PAT	12902	120839	126881	130687	134608	138646	142806	147090	151503	156048	160729	165551	170517	175633	180902	186329	191919	197676	203607	209715
Free cash flow																				
Operating profit	17920	167832	176224	181510	186956	192564	198341	204291	210420	216733	223235	229932	236830	243935	251253	258790	266554	274551	282787	291271
Tax	5018	46993	49343	50823	52348	53918	55536	57202	58918	60685	62506	64381	66312	68302	70351	72461	74635	76874	79180	81556
Depreciation&Amortisation	17434	17782	18138	18501	18871	19248	19633	20026	20426	20835	21252	21677	22110	22552	23003	23463	23933	24411	24900	25398
Expansion capex			-100000																	
Maintenance capex	5%	-17920	-27972	-29371	-30252	-31159	-32094	-33057	-34049	-35070	-36122	-37206	-38322	-39472	-40656	-41875	-43132	-44426	-45758	-47131
FCF	22451	104635	214334	220582	227015	233636	240453	247470	254694	262131	269786	277667	285781	294133	302731	311583	320696	330078	339736	349679
DCF @ WACC (Rm)		907.800																		
WACC		20.0%																		

Source: Company data, Chronux Research estimates

Gravenhage acquisition

- Afrimat announced the acquisition of the Gravenhage manganese mining right in the Northern Cape (50km north of Hotazel). Afrimat has been looking at manganese for some time as it complements the bulk commodity mining business already established in the region.
- Gravenhage is an undeveloped long-life resource in the northern part of the Kalahari Manganese Field. A long legal battle delayed the award of a mining right for the deposit to seller Aquila Steel, with the Constitutional Court in February 2019 eventually upholding a High Court ruling to award the mining right to Aquila.
- The purchase price is US\$45m plus R15m for the property. A first tranche of US\$30m will be paid on fulfilment of the conditions precedent (key being section 11 transfer of mining right and Water Use License) plus R15m for the property purchase. A second tranche of US\$15m will be payable at the earlier of Afrimat diluting its mining right interest to less than 50% or 12 months after the first product is mined.
- A summary of the deposit can be found on the Aquila Resources website ([click here](#)). We include these details in this report.
- The project is viable using trucks to transport the ore as opposed to rail (rail R700/t and trucks R1000/t), although a rail option is being discussed with Transnet.
- Afrimat can fund the acquisition and development of the mine through existing cash flows and some debt – a capital raise is not necessarily required.

Figure 19 Gravenhage Model

Gravenhage

ZAR000's	1H22	2H22	FY22E	1H23	2H23	FY23E	1H24	2H24	FY24E	1H25	2H25	FY25E
Production ('000tpm)	0	0	0	0	0	0	62.5	62.5	62.5	125	125	125
Sales ('000tpm)	0	0	0	0	0	0	62.5	62.5	62.5	125	125	125
Sales ('000t)	0	0	0	0	0	0	375	375	750	750	750	1500
<i>Lump</i>	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
<i>Fines</i>	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Mn content	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%
On mine cost (R/t)	800	800	800	824	824	824	849	849	849	874	874	874
Off mine cost												
- Transport (R/t)	850	850	850	876	876	876	902	902	902	929	929	929
- Marketing (3% of revenue)	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
- Shipping (\$/t)	25	25	25	25	25	25	25	25	25	25	25	25
ZAR/USD	14.38	15.53	14.96	15.39	15.43	15.41	15.63	15.82	15.73	16.02	16.22	16.12
Manganese price (c/mtu CIF China)	510	550	530	550	550	550	500	500	500	550	550	550
Discount			3%	3%		3%	3%		3%	3%		3%
Fines discount			20%	20%		20%	20%		20%	20%		20%
Revenue				0	0	0	1114336	1128308	2242644	2512827	2544336	5057163
- Lump				0	0	0	874048	885007	1759055	1970978	1995692	3966669
- Fines				0	0	0	240288	243301	483589	541849	548644	1090493
On mine cost				0	0	0	318270	318270	636540	655636.2	655636.2	1311272
Off mine cost				0	0	0	518109	520365.4	1038474	1072358	1077070	2149428
Operating profit				0	0	0	277957	289673	567630	784833	811630	1596462
Operating margin				#DIV/0!	#DIV/0!	#DIV/0!	25%	26%	25%	31%	32%	32%
PBT				0	0	0	277957	289673	567630	784833	811630	1596462
Tax				0	0	0	77828	81108	158936	219753	227256	447009
PAT				0	0	0	200129	208565	408693	565079	584373	1149453
Profit/ton (ZAR/t)						#DIV/0!			545			766

Source: Company data, Chronux Research estimates

Figure 20 Gravenhage DCF Model

Gravenhage Mine	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
ZAR000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42
Production (000tpm)	0	0	62.5	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
Sales (000tpm)	0	0	62.5	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
Sales (000t)	0	0	750	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500
Lump	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Fines	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Mn content	41%	41%	41%	41%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%
On mine cost (R/t)	800	800	800	824	849	874	900	927	955	984	1,013	1,044	1,075	1,107	1,141	1,175	1,210	1,246	1,284	1,322	1,362
Off mine cost																					
- Transport (R/t)	850	850	850	876	902	929	957	985	1,015	1,045	1,077	1,109	1,142	1,177	1,212	1,248	1,286	1,324	1,364	1,405	1,447
- Marketing (3% of revenue)	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
- Shipping (\$/t)	25	25	25	25	25.5	26.0	26.5	27.1	27.6	28.2	28.7	29.3	29.9	30.5	31.1	31.7	32.3	33.0	33.6	34.3	35.0
ZAR/USD	14.96	15.41	15.73	15.33	15.71	16.11	16.51	16.92	17.35	17.78	18.22	18.68	19.15	19.62	20.12	20.62	21.13	21.66	22.20	22.76	23.33
Manganese price (\$/mtu CIF China)	5.10	5.50	5.00	5.50	5.00	5.30	5.41	5.51	5.62	5.74	5.85	5.97	6.09	6.21	6.33	6.46	6.59	6.72	6.86	6.99	7.13
Discount	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Fines discount	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Revenue	0	0	2242644	4809700	4153832	4513139	4718486	4833178	5157637	5392310	5637660	5894173	6162358	6442745	6735890	7042373	7362801	7697809	8048059	8414246	8797094
- Lump	0	0	1759055	3725568	3258127	3539955	3701023	3869420	4045478	4229547	4421992	4623192	4833548	5053474	5283407	5523802	5775135	6037904	6312629	6599853	6900146
- Fines	0	0	483589	1037132	895705	973184	1017463	1063758	1112159	1162762	1215668	1270981	1328810	1389271	1452483	1518571	1587666	1659905	1735431	1814393	1896947
On mine cost	0	0	600000	1236000	1273080	1311272.4	1350610.6	1391128.9	1432862.8	1475848.6	1520124.1	1565727.8	1612699.7	1661080.6	1710913.1	1762240.5	1815107.7	1869560.9	1925647.7	1983417.2	2042919.7
Off mine cost	0	0	999650.69	2032448	2078327.7	2157034.8	2233584.8	2312970.1	2395300.1	2480688.8	2569254.7	2661121.3	2756416.7	2855274.5	2957833.6	3064238.4	3174639.4	3289192.9	3408061.8	3531415.6	3659430.7
Operating profit	0	0	642993	1541252	802424	1044831	1134291	1229079	1329474	1435772	1548281	1667324	1793242	1926390	2067144	2215894	2373054	2539055	2714349	2899413	3094744
Operating margin			29%	32%	19%	23%	24%	25%	25%	27%	27%	28%	29%	30%	31%	31%	32%	33%	34%	34%	35%
PBT	0	0	642993	1541252	802424	1044831	1134291	1229079	1329474	1435772	1548281	1667324	1793242	1926390	2067144	2215894	2373054	2539055	2714349	2899413	3094744
Tax	0	0	180038	431551	224679	292553	317601	344142	372253	402016	433519	466851	502108	539389	578800	620450	664455	710935	760018	811836	866528
PAT	0	0	462955	1109702	577746	752279	816690	884937	957221	1033756	1114762	1200473	1291134	1387001	1488343	1595444	1708599	1828120	1954332	2087577	2228215
Free cash flow																					
Operating profit	0	0	642993	1541252	802424	1044831	1134291	1229079	1329474	1435772	1548281	1667324	1793242	1926390	2067144	2215894	2373054	2539055	2714349	2899413	3094744
Tax	0	0	-180038	-431551	-224679	-292553	-317601	-344142	-372253	-402016	-433519	-466851	-502108	-539389	-578800	-620450	-664455	-710935	-760018	-811836	-866528
Depreciation&Amortisation	0	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000	100000
Expansion capex																					
Maintenance capex	2.5%	0	-56066	-120243	-103846	-112828	-117962	-123329	-128941	-134806	-140941	-147354	-154059	-161069	-168397	-176059	-184070	-192445	-201201	-210356	-219927
FCF	0	100000	506889.2	1089459.2	573899.79	739450.16	798727.36	861607.13	928280.56	998948.25	1073820.7	1153119	1237075.1	1325932.3	1419946.2	1519384.7	1624529	1735674.3	1853130.1	1977221.2	2108288
DCF @ WACC (Rm)		3,710,284																			
WACC		20.0%																			

Source: Company data, Chronux Research estimates

Divisional Forecast

Figure 21 Divisional Forecast

Divisional Data ZAR000's	1H20	2H20	FY20A	1H21	2H21	FY21A	1H22	2H22	FY22E	1H23	2H23	FY23E	1H24	2H24	FY24E
Revenue	1,719,802	1,584,574	3,304,376	1,558,629	2,135,130	3,693,759	2,421,610	3,690,017	6,111,627	2,807,314	3,020,711	5,828,026	4,244,011	4,254,252	8,498,263
Construction Materials	922,917	791,263	1,714,180	651,965	943,090	1,595,055	887,558	898,904	1,786,462	958,563	970,816	1,929,379	1,035,248	1,048,481	2,083,729
Bulk Commodities	497,701	539,963	1,037,513	667,915	916,498	1,584,413	1,197,777	2,484,525	3,682,302	1,485,575	1,718,779	3,204,354	2,816,532	2,848,166	5,664,698
- Iron ore - Demaneng	497,701	539,963	1,037,513	667,915	883,746	1,551,661	980,946	914,717	1,895,663	540,045	609,233	1,149,278	580,356	587,634	1,167,990
- Iron ore - Jenkins							155,907		1,428,239	665,809	829,827	1,495,636	828,134	838,518	1,666,652
- Manganese										0	0	0	1,114,336	1,128,308	2,242,644
- Nkomati				0	32,752	32,752	60,924	297,476	358,400	279,720	279,720	559,440	293,706	293,706	597,412
Industrial Minerals	299,184	253,499	552,683	238,749	275,542	514,291	336,275	306,589	642,864	363,177	331,116	694,293	392,231	357,605	749,836
Revenue growth	19.9%	3.5%	11.4%	-9.4%	34.7%	11.8%	55.4%	72.8%	65.5%	15.9%	-18.1%	-4.6%	51.2%	40.8%	45.8%
Construction Materials	6.1%	-9.0%	-1.5%	-29.4%	19.2%	-6.9%	36.1%	-4.7%	12.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Bulk Commodities	77.5%	34.4%	52.1%	34.2%	69.7%	52.7%	79.3%	171.1%	132.4%	24.0%	-30.8%	-13.0%	89.6%	65.7%	76.8%
- Iron ore - Demaneng					63.7%	49.6%	46.9%	3.5%	22.2%	-44.9%	-33.4%	-39.4%	7.5%	-3.5%	1.6%
- Iron ore - Jenkins										327.1%	-34.8%	4.7%	24.4%	1.0%	11.4%
- Manganese															
- Nkomati											359.1%	-6.0%	56.1%	5.0%	5.0%
Industrial Minerals	5.2%	-2.6%	1.5%	-20.2%	8.7%	-6.9%	40.8%	11.3%	25.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Operating profit	317,993	282,959	600,952	353,108	705,793	1,058,901	582,800	1,517,355	2,100,155	576,743	761,182	1,337,925	976,172	1,010,143	1,986,314
Construction Materials	122,161	70,277	192,438	2,764	102,142	104,906	79,488	45,564	125,052	115,028	116,498	231,525	124,230	125,818	250,047
Bulk Commodities	138,191	182,944	321,665	325,829	581,456	907,285	453,736	1,423,508	1,877,244	406,108	594,205	1,000,313	791,685	829,608	1,621,293
- Iron ore - Demaneng	138,191	182,944	321,665	325,829	425,710	751,539	478,207	582,189	1,060,396	144,294	217,438	361,733	175,372	186,170	361,541
- Iron ore - Jenkins					0	0	83,405	715,523	798,928	177,897	292,851	470,748	250,245	265,653	515,898
- Manganese					0	0				0	0	0	277,957	289,673	567,630
- Nkomati				0	155,746	155,746	-107,876	125,796	17,920	83,916	83,916	167,832	88,112	88,112	176,224
Industrial Minerals	62,368	33,200	95,568	24,574	30,907	55,481	51,124	51,734	102,858	58,108	52,979	111,087	62,757	57,217	119,974
Other	-4,727	-3,992	-8,719	-59	-8,712	-8,771	-1,548	-3,452	-5,000	-2,500	-2,500	-5,000	-2,500	-2,500	-5,000
Margin	18.5%	17.9%	18.2%	22.7%	33.1%	28.7%	24.1%	41.1%	34.4%	20.5%	25.2%	23.0%	23.0%	23.7%	23.4%
Construction Materials	13.2%	8.9%	11.2%	0.4%	10.8%	6.6%	9.0%	5.1%	7.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Bulk Commodities	27.8%	33.9%	31.0%	48.8%	63.4%	57.3%	37.9%	57.3%	51.0%	27.3%	34.6%	31.2%	28.1%	29.1%	28.6%
- Iron ore - Demaneng	27.8%	33.9%	31.0%	48.8%	48.2%	48.4%	48.7%	63.6%	55.9%	26.7%	35.7%	31.5%	30.2%	31.7%	31.0%
- Iron ore - Jenkins					48.2%	48.4%	48.7%	56.2%	55.9%	26.7%	35.3%	31.5%	30.2%	31.7%	31.0%
- Manganese													24.9%	25.7%	25.3%
- Nkomati					475.5%	475.5%	-177.1%	42.3%	5.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Industrial Minerals	20.8%	13.1%	17.3%	10.3%	11.2%	10.8%	15.2%	16.9%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Operating profit growth	56.9%	5.4%	27.5%	11.0%	149.4%	76.2%	65.0%	115.0%	98.3%	-1.0%	-49.8%	-36.3%	69.3%	32.7%	48.5%
Construction Materials	6.5%	-6.8%	1.2%	-97.7%	45.3%	-45.5%	2775.8%	-55.4%	19.2%	44.7%	155.7%	85.1%	8.0%	8.0%	8.0%
Bulk Commodities	176.2%	20.9%	59.8%	135.8%	217.8%	182.1%	39.3%	144.8%	106.9%	-10.5%	-58.3%	-46.7%	94.9%	39.6%	62.1%
- Iron ore - Demaneng	176.2%	20.9%	59.8%	135.8%	132.7%	133.6%	46.8%	36.8%	41.1%	-69.8%	-62.7%	-65.9%	21.5%	-14.4%	-0.1%
- Iron ore - Jenkins															
- Manganese															
- Nkomati															
Industrial Minerals	50.4%	-9.1%	22.5%	-60.6%	-6.9%	-41.9%	108.0%	67.4%	85.4%	13.7%	2.4%	8.0%	8.0%	8.0%	8.0%

Source: Company data, Chronux Research estimates

Figure 22 Income Statement - Forecast

Afrimat Limited	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
Sales	996	1338	1901	1999	1970	2228	2457	2966	3304	3694	6112	5828	8498
Cost of Goods Sold (COGS) incl. D&A	750	1026	1450	1483	1363	1476	1709	2055	2260	2235	3165	3685	5330
Gross Income	246	312	451	516	607	752	748	912	1044	1459	2946	2143	3168
SG&A Expense	124	157	221	247	290	346	392	439	458	571	865	825	1203
Other Operating Expense	0	0	0	0	0	5	0	-7	-8	-7	-19	-20	-21
EBIT (Operating Income)	123	155	230	269	317	401	356	479	594	896	2100	1338	1986
Nonoperating Income - Net	17	8	15	24	23	40	27	16	24	-4	51	-21	31
Interest Expense	9	14	23	19	18	36	53	59	37	27	76	28	29
Unusual Expense - Net	0	5	1	-1	2	3	6	18	8	-4	0	0	0
Income Taxes	39	41	58	73	91	123	79	117	108	265	581	361	557
Equity in Earnings of Affiliates	0	0	0	-1	-4	1	0	2	0	0	0	0	0
Consolidated Net Income	91	104	163	200	224	279	245	304	465	604	1494	928	1432
Minority Interest	1	1	8	2	2	2	0	3	3	3	5	21	22
Net Income	90	103	155	198	222	278	246	301	463	601	1489	907	1409
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income available to Common	90	103	155	198	222	278	246	301	463	601	1489	907	1409
Per Share													
EPS (recurring)	0.64	0.72	1.06	1.36	1.55	1.96	1.82	2.29	3.42	4.33	10.82	6.59	10.24
EPS (diluted)	0.64	0.70	1.06	1.36	1.54	1.94	1.79	2.20	3.38	4.35	10.45	6.37	9.89
Earnings Persistence	95.44	77.71	81.32	85.54	93.24	72.97	80.23	90.93	89.56	78.24			
Dividends per Share	0.19	0.28	0.39	0.50	0.57	0.70	0.62	0.81	1.17	0.36	1.75	1.59	3.66
EBITDA													
EBITDA	169	213	329	349	403	502	480	626	771	1105	2324	1667	2320

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

Afrimat Limited	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
Rental Expense	50	58	61	74	63	82	77	138	176	148			
Stock Option Comp Exp (Net of Tax)	2	2	3	8	3	5	4	5	11	14			
Foreign Currency Translation Gains/Losses	0	0	-	-	-	-	-	1	6	-18			
Tax Rate	30.0	28.2	26.3	26.6	28.5	30.6	24.2	28.0	18.9	30.5	28.0	28.0	28.0
Headline EPS	0.63	0.77	1.09	1.36	1.57	1.96	1.81	2.34	3.48	0.44	10.85	6.59	10.24
Headline EPS (diluted)	0.61	0.75	1.06	1.33	1.54	1.94	1.79	2.33	3.44	0.43	10.48	6.37	9.89

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

Afrimat Limited	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
Price / Sales	0.8	0.9	1.0	1.2	1.8	2.0	1.6	1.4	1.2	1.7	1.4	1.5	1.0
Price / Earnings	8.8	11.7	11.9	11.9	15.5	15.5	16.1	13.5	8.3	10.0	6.0	10.0	6.4
Price / Book Value	1.2	1.6	2.2	2.5	3.4	3.5	3.3	2.9	2.3	2.7	2.7	2.4	1.9
Price / Tangible Book Value	1.4	2.0	2.7	3.0	3.9	3.9	4.3	3.4	2.6	3.0	2.9	2.5	2.0
Price / Cash Flow	5.5	7.3	7.7	9.2	10.9	10.7	19.8	10.0	5.8	8.0			
Price / Free Cash Flow	10.9	14.3	15.4	24.3	18.5	16.0	48.6	12.9	7.5	10.6			
Dividend Yield (%)	3.3	3.3	3.0	3.0	2.4	2.3	2.1	2.7	4.1	1.3	2.8	2.5	5.8
Enterprise Value / EBIT	6.2	8.0	8.6	9.2	10.9	10.8	12.3	9.1	6.7	6.9	4.2	6.6	4.4
Enterprise Value / EBITDA	4.5	5.9	6.0	7.1	8.6	8.7	9.1	7.0	5.2	5.6	3.8	5.3	3.8
Enterprise Value / Sales	0.8	0.9	1.0	1.2	1.8	2.0	1.8	1.5	1.2	1.7	1.4	1.5	1.0
EBIT / Interest Expense (Int. Coverage)	13.5	10.9	9.9	14.0	17.2	11.1	6.8	8.2	15.9	33.7	27.6	47.4	68.4

Source: Factset, Company data, Chronux Research estimates

Figure 23 Balance Sheet and Cash Flow - Forecast

	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
Assets													
Cash & Short-Term Investments	133	134	92	79	118	245	112	192	168	871	104	-107	799
Short-Term Receivables	161	199	310	288	298	335	401	449	481	701	512	533	555
Inventories	72	89	113	127	133	163	242	261	261	279	347	361	375
Other Current Assets	6	2	4	9	6	7	-	-	-	-	16	17	18
Total Current Assets	371	425	519	503	554	750	755	902	909	1851	980	804	1747
Net Property, Plant & Equipment	426	504	662	725	763	1058	1418	1470	1572	2247	3747	3899	4056
Total Investments and Advances	13	14	28	17	19	33	54	60	72	81	1	1	1
Long-Term Note Receivable	70	102	110	144	141	247	8	0	-	-	0	0	0
Intangible Assets	114	154	156	153	150	148	300	222	210	216	216	225	234
Deferred Tax Assets	5	3	5	25	21	30	55	34	32	60	314	326	339
Other Assets	0	0	0	0	0	0	0	0	0	0	500	477	254
Total Assets	1000	1201	1479	1568	1648	2266	2591	2687	2795	4455	5758	5732	6631
Liabilities & Shareholders' Equity													
ST Debt & Curr. Portion LT Debt	55	112	128	119	105	351	255	282	157	647	651	253	263
Accounts Payable	77	78	174	155	164	145	202	181	194	264	790	821	855
Income Tax Payable	10	3	6	6	3	9	11	4	11	11	136	142	148
Other Current Liabilities	40	73	91	109	119	250	282	219	237	341	11	11	12
Total Current Liabilities	182	266	399	388	391	754	751	686	599	1263	1588	1228	1277
Long-Term Debt	45	59	95	57	47	95	272	236	139	301	300	100	100
Provision for Risks & Charges	31	34	56	67	76	96	130	141	153	239	251	262	272
Deferred Tax Liabilities	70	81	92	106	108	114	208	215	216	394	318	308	299
Other Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	328	439	641	618	623	1059	1361	1277	1106	2197	2457	1897	1948
Common Equity	668	758	824	937	1018	1199	1219	1398	1682	2250	3292	3826	4675
Total Shareholders' Equity	668	758	824	937	1018	1199	1219	1398	1682	2250	3292	3826	4675
Accumulated Minority Interest	4	4	14	12	7	8	10	11	7	8	8	8	8
Total Equity	672	762	838	949	1025	1207	1229	1410	1689	2258	3300	3834	4683
Total Liabilities & Shareholders' Equity	1000	1201	1479	1568	1648	2266	2591	2687	2795	4455	5758	5732	6631
Per Share													
Book Value per Share	4.87	5.29	5.79	6.56	7.20	8.81	8.93	10.30	12.46	16.35	23.16	26.91	32.87
Tangible Book Value per Share	4.03	4.22	4.70	5.49	6.15	7.73	6.73	8.67	10.90	14.78	21.64	25.33	31.22
Operating Activities													
Net Income / Starting Line	130	144	221	273	315	402	324	422	573	869	1176	931	1434
Depreciation, Depletion & Amortization	46	58	97	77	82	101	124	146	177	209	224	329	334
Other Funds	-28	-37	-69	-87	-78	-134	-114	-70	-42	-205	0	0	0
Funds from Operations	149	165	249	263	319	368	334	498	709	874	1400	1260	1768
Changes in Working Capital	-2	5	-5	-1	1	38	-133	-87	-32	-106	318	-2	-3
Net Operating Cash Flow	146	170	244	262	320	406	201	410	677	768	1718	1257	1765
Investing Activities													
Capital Expenditures	-72	-83	-121	-162	-131	-135	-119	-94	-154	-190	-1877	-350	-510
Net Assets from Acquisitions	-	-87	-70	-8	-4	-280	-38	-9	-27	-1	-15	-225	0
Sale of Fixed Assets & Businesses	17	7	17	34	14	27	27	14	34	54	11	9	9
Purchase/Sale of Investments	0	-32	9	-18	-2	-116	-68	0	6	-17	0	0	0
Other Funds	0	0	-1	0	0	0	0	0	0	-283	-4	0	0
Net Investing Cash Flow	-54	-194	-166	-155	-123	-504	-197	-89	-141	-437	-1885	-565	-501
Financing Activities													
Cash Dividends Paid	-24	-30	-45	-59	-76	-88	-96	-86	-136	-160	-213	-307	-371
Change in Capital Stock	-4	-7	-27	-15	-60	-18	-14	-31	-29	-13	0	0	0
Issuance/Reduction of Debt, Net	-19	32	-50	-47	-23	293	180	-165	-250	124	3	-598	10
Other Funds	0	0	0	0	0	38	-25	-3	-3	-2	-73	0	0
Net Financing Cash Flow	-47	-5	-122	-121	-158	225	45	-286	-426	-60	-283	-905	-361
Exchange Rate Effect	-	-	-	-	-	-	-	0	-	-	0	0	0
Net Change in Cash	45	-29	-44	-14	39	127	49	36	110	270	-450	-213	904
Free Cash Flow													
Free Cash Flow per Share	0.53	0.59	0.84	0.68	1.31	1.90	0.60	2.31	3.82	4.17	-1.11	6.37	8.81
Free Cash Flow Yield (%)	9.2	7.0	6.5	4.1	5.4	6.2	2.1	7.7	13.4	9.4	-1.8	10.0	13.9

Source: Factset, Company data, Chronux Research estimates

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