AECI – 1H FY24 Results

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Price (01/08/2024):	R106.20
Target Price:	R148.00
Dividend yield:	2.1%
Total return:	41%
Market cap	R10.8bn
Shares in issue (diluted)	106.9mn

***Key message**: Large restructuring costs will impact FY24 and FY25, but the target of doubling core EBITDA by FY26 remains.*

- AECI released 1H FY24 results. HEPS declined by 57% on a 4% and 24% decline in revenue and EBITDA as large restructuring costs (R422m) and a high tax rate impacted the result. Shutdowns in the Mining Division also impacted the result by R204m. Schirm turnaround costs amounted to R28m. On a normalised basis EBITDA was flat and HEPS declined by 20%. No dividend was declared.
- The tax rate increased to 54.5% with high non-deductible expenses and foreign withholding taxes (likely to be similar in FY25). A normalised tax rate of 42% is expected by F26 (continued high withholding taxes).
- Net debt levels increased to R5.1bn (41% gearing) but should reduce by year-end to be within the 20-40% gearing target. Expected proceeds from the divestment process of R3-4bn would put AECI in a net cash position. The divestment process is expected to be completed by 1H FY25. The sale of Schirm (expected at a discount to NAV of R1.1bn) will be a catalyst for AECI.
- **AECI Mining (Rev -6%, EBITDA -12%):** Delated statutory shutdowns resulted in high plant downtime. Higher cost ANS was purchased to maintain sales volumes and with lower plant recovery there was a R204m EBITDA impact. Normalised operating profit was flat.
- **AECI Chemicals (Rev -4%, EBITDA +7%):** good cost management helped EBITDA growth despite a decline in revenue and the business starts to reposition and find new markets.
- **AECI Managed Business (Rev -2%, EBITDA +162%):** While Schirm remains lossmaking, the rest of the portfolio is profitable and Much Asphalt is doing well.
- While EBITDA is expected to be flat for FY24, the high restructuring costs (approx. R600m) and high tax rate has resulted in a large reduction in our HEPS forecast. For FY25 the expected divestment success fee (approx. R240-320m) and continued high tax rate (success fee non-deductible) also impact HEPS.
- FY26 should be the first “clean” year and we assume that EBITDA of approx. R5bn is achieved (short of the R6bn target of doubling EBITDA but we believe that this is a stretch target and take a more conservative view). HEPS of approx. 2200c is forecast (lower than our previous 2517c forecast but purely due to a higher guided tax rate of 42%). Using the FY26 EBITDA base our Target Price is R148.

Financial summary

ZARmn (Year to December)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	35583	37500	37177	32141	35586
EBITDA	3073	3682	3551	4001	5027
Net income	927	1174	896	1350	2421
Headline EPS (diluted)	**1302**	**1117**	**865**	**1258**	**2257**
PE Ratio	10.0	9.9	11.9	8.2	4.6
Dividend (incl Special)	699	219	216	419	752
Dividend yield (%)			2.1%	4.1%	7.3%

Source: Factset, Company data, Chronux Research estimates

Figure 1 Financial summary

Financial Year to December	FY22A	FY23A	FY24E	FY25E	FY26E
ZAR/USD exchange rate	16.40	18.40	18.67	18.77	19.24
Per share data					
Earnings (diluted)	874	1,092	835	1,258	2,257
Headline earnings (diluted)	**1,302**	**1,117**	**865**	**1,258**	**2,257**
% change		*-14.2%*	*-22.5%*	*45.4%*	*79.4%*
NAV (R/share)	121.96	116.04	119.21	126.67	137.41
Dividend (incl Special)	699	219	216	419	752
Valuation ratios					
P/E ratio	10.0	9.9	11.9	8.2	4.6
EV/EBITDA	3.8	4.2	4.4	3.9	3.1
P/B	0.72	0.95	0.86	0.81	0.75
Dividend yield			2.1%	4.1%	7.3%
Income Statement (ZARmn)					
Sales	35,583	37,500	37,177	32,141	35,586
Sales growth		*5.4%*	*-0.9%*	*-13.5%*	*10.7%*
Cost of Goods Sold (COGS)	(25,737)	(26,182)	(25,957)	(22,441)	(24,845)
Gross Income	**9,846**	**11,318**	**11,221**	**9,701**	**10,740**
Gross margin	*27.7%*	*30.2%*	*30.2%*	*30.2%*	*30.2%*
SG&A Expense	(7,799)	(8,747)	(8,790)	(6,438)	(6,457)
Other Operating Income/Expense	0	0	0	0	0
EBITDA	**3,073**	**3,682**	**3,551**	**4,001**	**5,027**
EBITDA margin	*8.6%*	*9.8%*	*9.6%*	*12.4%*	*14.1%*
Depreciation & Amortisation	(1,026)	(1,111)	(1,121)	(738)	(744)
EBIT (Operating Income)	**2,047**	**2,571**	**2,430**	**3,263**	**4,283**
EBIT margin	*5.8%*	*6.9%*	*6.5%*	*10.2%*	*12.0%*
Nonoperating Income - Net	0	0	0	0	0
Net Interest Expense	(314)	(513)	(487)	(290)	(130)
Equity in Earnings of Affiliates	26	39	40	41	43
PBT	**1,759**	**2,097**	**1,984**	**3,015**	**4,196**
Income Taxes	(803)	(917)	(1,083)	(1,658)	(1,762)
Tax rate	*45.7%*	*43.7%*	*54.6%*	*55.0%*	*42.0%*
Consolidated Net Income	956	1,180	901	1,357	2,434
Minority Interest	(29)	(6)	(5)	(7)	(12)
Net Income	**927**	**1,174**	**896**	**1,350**	**2,421**
Cash flow statement (ZARmn)					
Changes in working capital	(2,570)	1,037	(529)	0	(195)
Cash from operating activities	**77**	**3,594**	**1,634**	**2,594**	**3,033**
Capital expenditure	(1,453)	(1,345)	(1,200)	(1,149)	(1,156)
Other	(184)	(94)	0	3,000	0
Investing cash flow	**(1,637)**	**(1,439)**	**(1,200)**	**1,851**	**(1,156)**
Changes in borrowings	2,492	(1,436)	485	(3,234)	(100)
Dividend paid	(760)	(733)	(231)	(228)	(442)
Other	(216)	(115)	(222)	(192)	(192)
Financing cash flow	**1,516**	**(2,284)**	**32**	**(3,654)**	**(734)**
Change in cash	(44)	(129)	465	791	1,143
Balance sheet (ZARmn)					
Total assets	**28,426**	**27,942**	**27,181**	**25,143**	**26,615**
Cash and equivalents	2,059	1,960	2,356	3,147	4,290
Other current assets	15,233	14,220	13,120	10,934	11,557
Non-current assets	11,134	11,762	11,705	11,062	10,768
Total liabilities	**16,604**	**15,531**	**14,390**	**11,552**	**11,871**
Long-term liabilities	2,250	6,485	5,872	2,638	2,538
Current liabilities	14,354	9,046	8,518	8,914	9,333
Total shareholders' funds	**11,822**	**12,411**	**12,791**	**13,591**	**14,744**
Net debt/(cash) - excl IFRS16	4,681	3,534	3,696	(329)	(1,572)

Source: Factset, Company data, Chronux Research estimates

Valuation

- We value AECI using a Sum-of-the-Parts methodology with EBITDA multiples on FY26E earnings valuing the divisional operations. We discount our EBITDA multiples back from FY26 to arrive at a 1-year target price.

Figure 2 Valuation

Rm	Methodology/Comment		FY26E EBITDA (Rm)	Multiple applied (x)	Value (Rm)
AECI Mining	4-6 for explosives business	Mid range with growth opportunities	3586	3.3	11955
AECI Chemicals	3-5 for manufacturing business	Low end	1510	2.5	3774
AECI Property Services & Corporate			(69)	3.3	(230)
Enterprise value			**5027**	**3.1**	**15499**
Investments	Book value				564
Minorities	Book value				160
Lease liabilities	Book value				(713)
Net (debt)/cash - incl IFRS16	Book value				329
Equity value					**15839**
SISS					107.3
Valuation per Share (R)					**148**

Source: Company data, Chronux Research estimates

- Valuing AECI on FY24 and FY25 HEPS is misleading at present due to the high restructuring costs.
- We have made substantial cuts to our FY24 and FY25 HEPS forecast. However, this is largely due to high restructuring and divesting costs and an associated high tax rate as these are non-deductible expenses. Our FY26 HEPS has been reduced mainly on a higher guided normal tax rate of 42% (impacted by ongoing withholding taxes).
- FY26 should be the first “clean” year and we assume that EBITDA of approx. R5bn is achieved (short of the R6bn target of doubling EBITDA but we believe that this is a stretch target and take a more conservative view). HEPS of just over 2200c is forecast (lower than our previous 2517c forecast but purely due to a higher guided tax rate of 42%).

Figure 3 HEPS adjustments

	FY24E	FY25E	FY26E
Previous forecast	1529	2029	2517
Current forecast	865	1258	2257
% change	*-43.4%*	*-38.0%*	*-10.3%*

- Our R148 Target Price gives a 6.5 times PE multiple in FY26 and we believe that this is appropriate (discounting an 8 times PE multiple out to the end of 2026). A re-rating of the industrial sector and the defensive nature of the explosives business warrants an 7-9 PE multiple, in our opinion.

Figure 4 PE Valuation

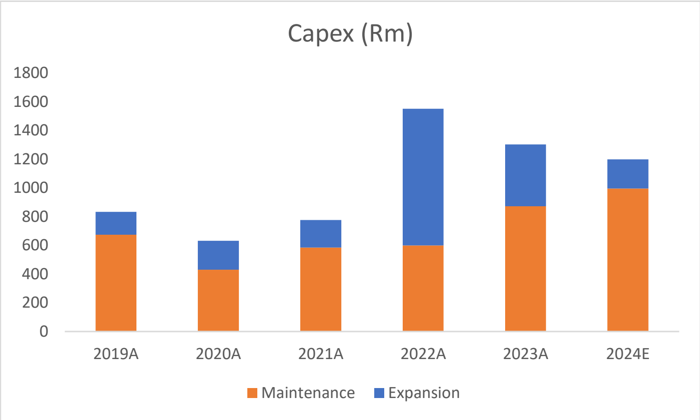
	2023A	2024E	2025E	2026E
Diluted HEPS	1117	865	1258	2257
AFE PE	9.2	11.9	8.2	4.6
TP exit PE	13.2	17.1	11.7	6.5

Source: Company data, Chronux Research estimates

Capex

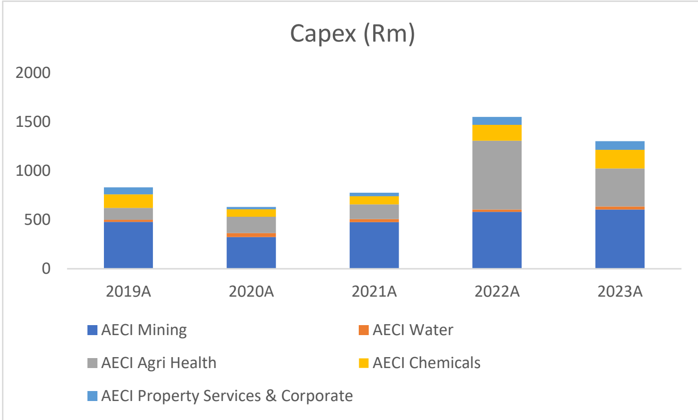
- Capex spend is shown in the following charts.

Figure 5 Capex



Source: Company data, Chronux Research estimates

Figure 6 Capex



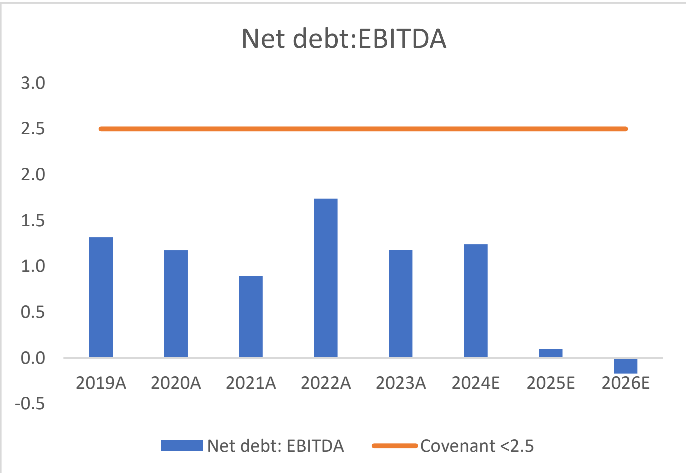
Source: Company data, Chronux Research estimates

- AECI had underinvested in maintenance capex, and this did result in poor plant performance in recent years. Most of this has been turned around and maintenance capex spend is back at 80-120% of depreciation (from a low of 60-70%).
- Expansion capex in FY23 was largely in Schirm USA.

Debt

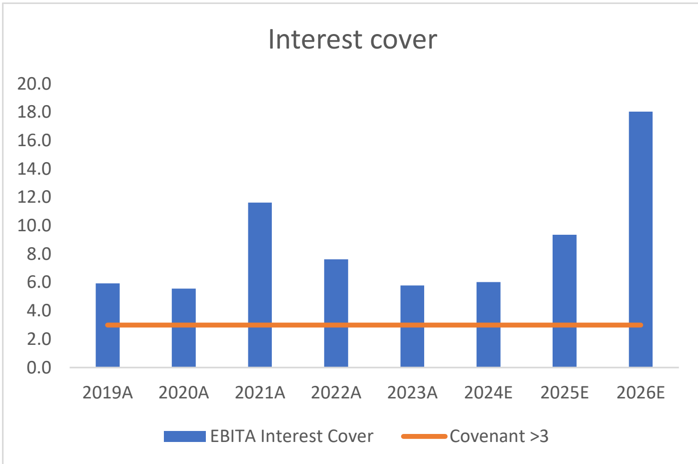
- Debt covenant ratios remain well within ranges with debt levels expected to decline due to operational cashflows and the non-core disposal process.

Figure 7 Net debt:EBITDA



Source: Company data, Chronux Research estimates

Figure 8 Interest cover



Source: Company data, Chronux Research estimates

Notes from the results

Restructuring

- AECI has a target of doubling core EBITDA from a base of R3.2bn in FY22 (core continuing operations).
- The approx. R3.2bn growth will be achieved through:
  - R800m average organic growth of the businesses relative to historical performance
  - R1.6bn savings from existing operations
    - Procurement and supply chain costs
    - Manufacturing excellence
    - Commercial excellence
  - R800m in new projects, new products and new customers
- The EBITDA increase is likely to be back-ended to FY26, with the R800m in new projects likely towards the end of the period.
- 75% of the EBITDA uplift is expected from the Mining Division, with the other 25% from the Chemical Division.
- R400m of annualised EBITDA is on track to be realised in 2H FY24.
- Transformation costs of R255m were spent in 1H (60% of total expected for FY24). Divestment costs of R85m will likely be repeated in 2H. R82m of severance pay applies to the SA businesses.
- A success fee of 7-8% of divestment proceeds will apply to the expected R3-4bn sales proceeds (R240-320m cost). This will likely apply in FY25.

Schirm

- Schirm has been impaired by R445m in prior years, although goodwill is still intact at R410m. The remaining value of PPE in Schirm is R729m. The implied value at NAV is therefore R1.1bn. The debt linked to Schirm is approx. EUR125m.
- Most of the German business has been impaired, with the investment in the Schonebeck plant the largest. The Wolfenbuttel plant has been re-opened to produce mining chemicals for the Mining Division.
- R160m of costs associated to restructuring were incurred in FY23 with R28m in 1H FY24.
- The US business is doing well, with the Benton plant having started recently.
- Schirm Germany is still loss making at the operational level but at reduced levels.

Much Asphalt

- Much Asphalt has seen volumes and revenues increase as roadbuilding activities in South Africa have picked up substantially due to recent tender awards from SANRAL.
- Costs have been reduced and Much is profitable.
- Management do believe that that a sales process will achieve NAV at least (NAV approx. R1.5bn after a R821 goodwill impairment).

Mining

- 4 statutory shutdowns were taken in the half (2 deferred and 2 planned). Maintenance has now been caught up and a better operational performance is expected in 2H.
- Ammonia supply improved with the commissioning of 60 wagons (of a total of 120). This is being augmented by road transport. Ammonoa supply has improved as a result.
- AECI is exploring alternative ammonia sources and has imported ammonia through Richards Bay (where it is a 25% shareholder in the ammonia import terminal) to check the viability of that option. Green ammonia is being investigated (although this is unlikely to be a major ammonia source due to high cost).
- The South African market remains competitive with volumes declining.

- In the Australasian region the door has been opened to AECI and it is being invited to major tenders in the region. AECI has been able to establish the brand and build credibility.
- The entry into South America (Brazil) is progressing with a second business acquired. A plant in Chile is on track for December 2024. An entrance into Peru is being planned.
- North America remains an attractive market and AECI is looking to enter it. The means of entry is still under discussion but an entry into the US is preferred.
- Europe has also been entered and will be developed.
- Management believe that they are able to operate in multiple geographies.

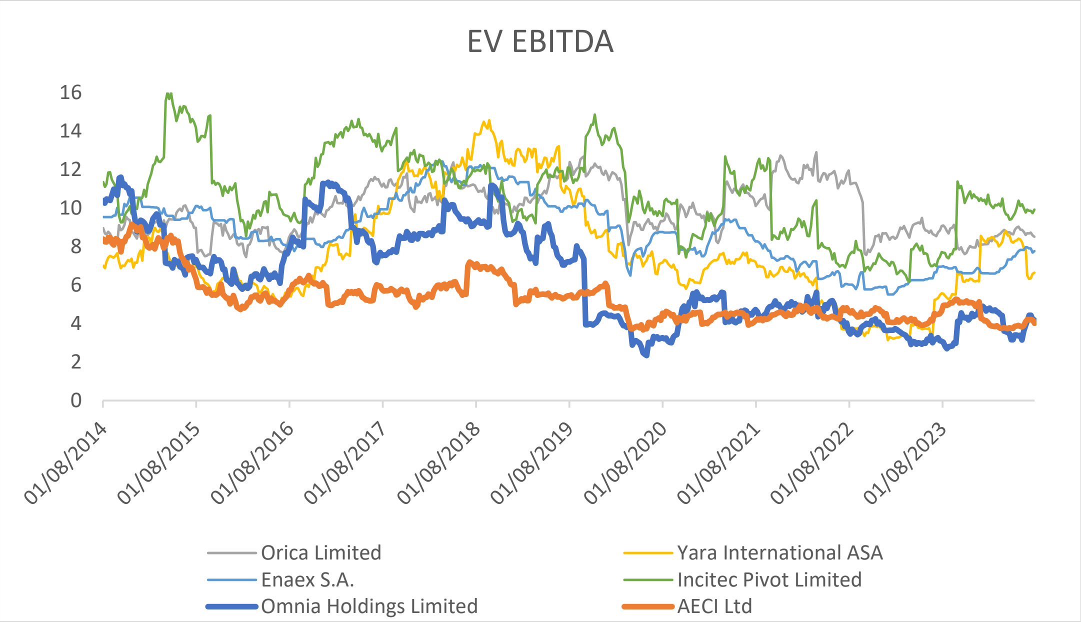
Chemicals

- The Chemicals division had very good cost and margin control and grew EBITDA despite a decline in revenue.
- Growth was achieved through exports of speciality oleochemicals.
- The Water division performed very well.
- The sulphuric acid market continues to be weak and management is looking for new markets to enable the plant to maintain continuous operations.

Peer valuations

- In the following charts we look at the peer group valuation (EV/EBITDA and PE multiples).

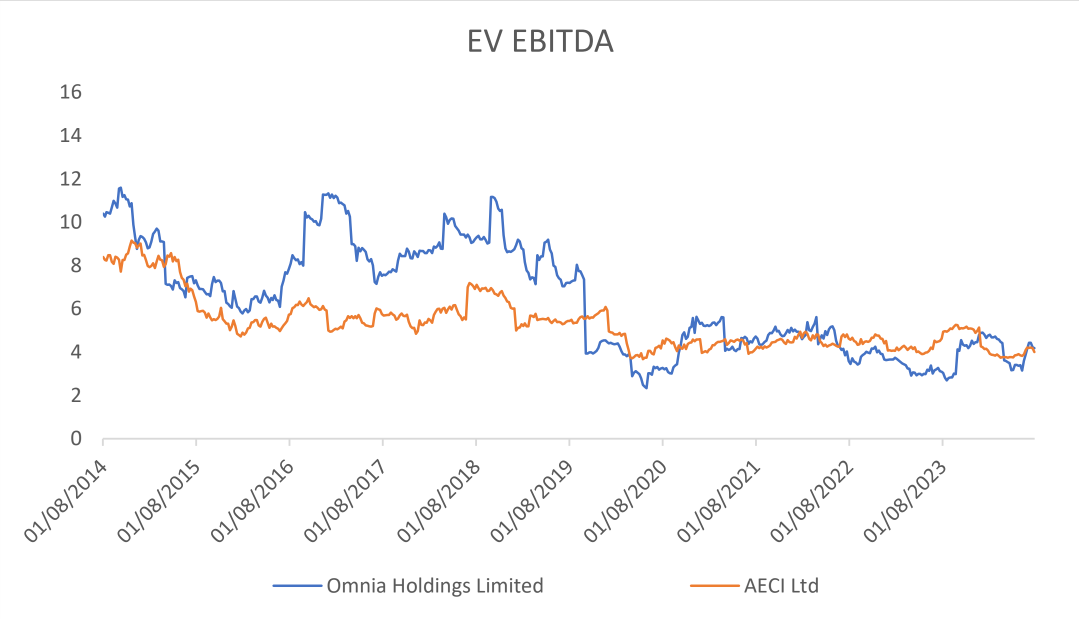
Figure 9 EV/EBITDA Ratio



Source: Factset

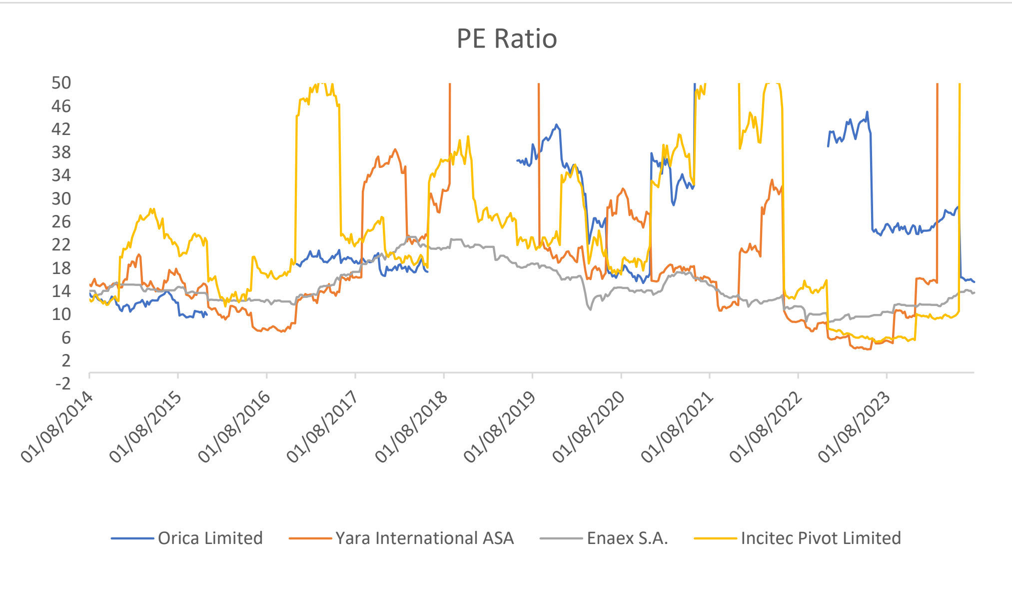
- Peer companies have re-rated recently as the impact of the ammonia price spike is through the system and multiples are moving back to mid-range levels.

Figure 10 EV/EBITDA Ratio



Source: Factset

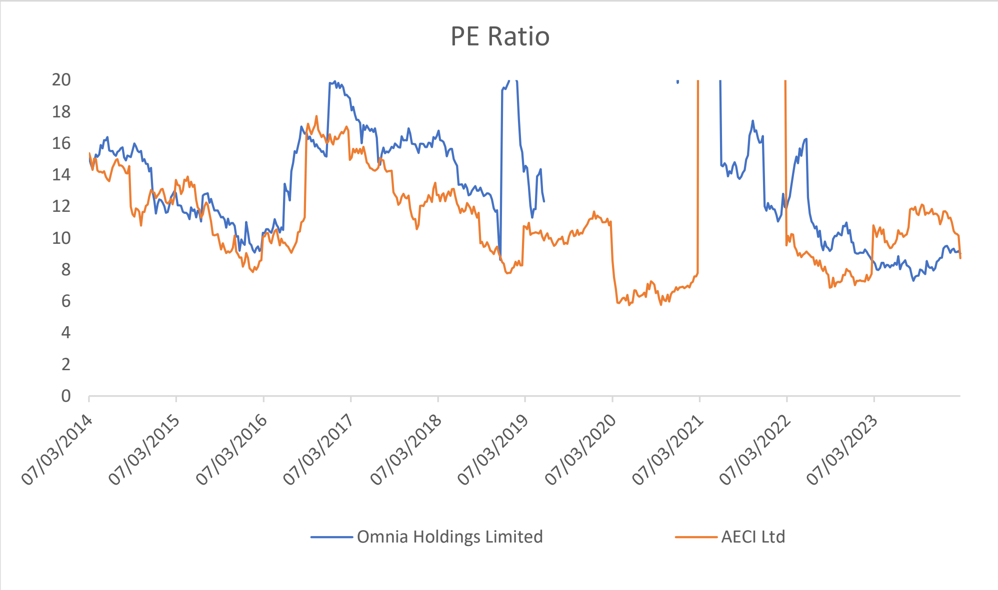
Figure 11 PE Ratio



Source: Factset

- On a PE multiple basis AECI has traded at an approximate 10-12 times band for most of the 10-year history. The multiple is currently lower than the LT trend due to the poor performance of recent acquisitions Schirm and Much Asphalt.
- We do not believe that there is any LT structural de-rating occurring in the agricultural/mining sector. If anything, the drive towards decarbonisation will demand more minerals for batteries, support structures for wind/solar plants, transmission lines etc. Demand for agricultural products will also probably increase due to more food required from less arable land.

Figure 12 PE Ratio



Source: Factset

Strategic Overview - Background

- AECI had spread itself too thin and has too many subscale businesses. A decision was made to focus on core strengths of Mining and Chemicals. These divisions have globally competitive products with internally generated IP – AECI continues to spend on R&D and remains an innovative company in these sectors.
- This optimised portfolio delivered a ROIC of 17% in FY22 (vs 12% for the existing Group). Management believe that this can be increased to 20-21%.
- The non-core businesses (termed the managed group) contribute only 13% of EBITDA (with a low ROIC of 9%).
- Management believe that it will take approximately 18 months to dispose of the managed portfolio.
- The recent acquisition history has not proved successful with the Schirm and Much Asphalt acquisitions in 2017. AECI continued to pay high dividends post these acquisitions which have underperformed.
- In the global mining explosives market, management believes a consolidation process will occur and AECI plan to be an active participant in this. A target of becoming the clear number three player in this market has been set by 2030. Acquisitive growth may accelerate this process. Orica and Dyno Nobel are the Top 2 (three times bigger than the companies in the next tier), with AECI sitting in a group of 4 companies at the next level down. The Top 2 may have competition authority challenges in growing by acquisition, providing opportunities for the next tier companies to consolidate.
- AECI specialises in underground mining, a sector that is growing as mines globally exhaust surface deposits and are forced to go underground. While volumes of earth and rock moved are lower than open-cast mining, the value-add is higher and profitability is similar in both mining methods once the whole mining blast solution has been applied.
- AECI will look to regional specific strategies for sourcing of ammonium nitrate. While backwards integration has been considered a competitive advantage historically, global explosives companies are selling off ammonia and ammonium nitrate facilities to focus on a specialised mining explosives offering. Ammonium nitrate will always be purchased in the international market. Successes in Australia and South America have actually been on the back of not being backward integrated.

- Sourcing of ammonia in South Africa has become a key risk with Sasol facing an uncertain future as current gas supplies run out and a new feedstock for its plants has not yet been secured. AECI may have to look at producing ammonia again (only green ammonia is of interest, but this remains prohibitively expensive).
- However, with only 30% of the Mining division revenues being generated in South Africa, the risk and reliance on Sasol is moderate.
- The Mining Chemicals business is quite unique, with most peers being a small part of large conglomerates. Providing on-site support for mining and mineral processing customers provides an important value-add and is integral to selling the chemical products.
- In the chemicals division, plants had been operating at very low utilisation rates (37-56%) and need to improve. A high number of manufacturing sites also need to be consolidated. The chemical manufacturing businesses are high margin and deliver approx. 80% of the profits for the division. The chemical trading businesses operate at much lower margins but deliver high volumes.
- The chemicals business is difficult to internationalise with big global competitors and the strategy will be to move closer to the mining sector in SADC.
- In the agricultural market, there is scope to grow the footprint in South Africa. Offshore expansion is also a growth area for some in-house developed products.
- A growth target for the core businesses has been set at 20-25% CAGR over the next four years to 2026. Acquisitions will be required to achieve the top end of this range. Geographic growth areas include central Africa and Australasia, with South America a medium-term growth market. Regions with high value minerals will be a focus.
- A value unlock of R1.2-1.6bn EBITDA is key to this growth target, with R0.9-1.2bn coming from cost savings and R0.3-0.4bn from commercial initiatives (optimising customer pricing, contracting and services). Organic growth of R1.3-1.6bn is planned on top of that. This will almost double the EBITDA contribution of the optimised portfolio of R3.1bn in FY22.
- Working capital levels are planned to be reduced by R1.5bn, with WC as a percentage of revenue to fall to 14-15% (from 19%).
- Internationalising the balance sheet to move debt and cash to a 50:50 ratio over time is planned. This should result in R500m being repatriated to South Africa. Acquisitions will be sought (primarily in Europe) with a buy or build strategy depending on the value proposition.
- Debt levels are aimed to be at 2 years of FCF in a high interest rate environment to avoid any financial stress through the cycle.
- Dividend policy will be to provide a yield of 2-5% and will be dependent on free cash flow.
- The culture of the company will also be changed (this process generally is difficult and takes a long time). AECI has historically been a lumpy conglomerate with many independent silos, each with a substantial corporate structure.

Divisional Overview

AECI Mining

- The mining division consists of Mining Explosives (low margin) and Mining Chemicals (high margin). AECI tries to sell a full service to customers.
- AECI produces world class products with strong IP and sells to customers globally. Establishing in a new market, however, takes time (at least five years) as customers need to trust an explosives provider from a safety and supply point of view – this has to be developed in local markets.
- Overall margins should be 11.5-12%, with Mining Chemicals higher (18-20%) and explosives lower (<10% but influenced by large component - 60% - of ammonia pass through cost).
- Growth initiatives include trying to get into large Australian mining customers and a gradual growth in South America. AECI is not well represented in North American mining companies and the strategy is to try and work with Newmont (after the Newcrest acquisition – an AECI customer).

AECI Mining Explosives (AEL)

- AECI Mining Explosives manufactures and supplies explosives, initiating systems and blasting services for mining, quarrying and construction globally.
- AEL makes up approx. 70% of Mining revenue.
- Margins for explosives globally are <10% due to the high (ammonia) input cost.
- The strategy for AEL is to be a pioneer in difficult regions and ore bodies. AEL does have global leading IP for its products and can compete head-to -head with the global majors (Orica, Dyno Nobel).
- AEL brand reputation is strong, and this will be used to continue global expansion.
- AEL has a strong R&D capability, spending 2% of revenue on R&D.

Modderfontein

- The full Modderfontein site is a national key point and therefore does not experience load-shedding.
- AECI has two nitric acid plants at Modderfontein. Plant No 9 (1969) is older and smaller than No 11 (1979).
- Modderfontein closed its ammonia plant in the late 1990's. Coal was used as a feedstock, and it was an expensive plant.
- Ammonia is now procured from Sasol, mainly from the Secunda plant on an evergreen long-term contract. Approx. 160kt of ammonia is purchased annually.
- The ammonia is transported from Secunda via rail. Transnet issues have impacted the performance of the rail line. Alternative ammonia sources include trucking ammonium nitrate from Sasolburg and importing ammonia through Richards Bay (AECI is a 25% shareholder in the ammonia import terminal).
- The ammonia is stored at Modderfontein on consignment for Sasol. Payment terms with Sasol are 60 days. The tank can store 15 000t of ammonia.
- AECI only pays for the ammonia once is drawn from tank at Modderfontein, thus reducing inventory and working capital requirements.
- Ammonia is priced on an import parity pricing (IPP) basis calculated as a blend of three international prices.
- Ammonia is converted to nitric acid and then ammonium nitrate (AN). AN is used for explosives and is produced in solution/emulsion (for SADC explosives market) and solid prill form (for exports into the rest of Africa).
- The cost of the ammonia is passed straight through to customers, so AECI does not take ammonia price risk. The ammonia component makes up approx. 60% of the final explosives price.

- The ammonia price does fluctuate substantially, and revenue is impacted by the ammonia price. Margins are impacted in that a rising ammonia price will cause margins to fall (customers do not pay a margin on the ammonia price as it is a straight pass through).
- Higher ammonia prices also result in higher working capital requirements which cannot be priced to customers.
- The time from purchasing ammonia to selling the final product is approx. one month – this is the period that AECI requires working capital and takes ammonia price risk.
    - This reduces price risk and earnings volatility for an explosives company relative to a fertiliser company (AECI does not produce fertilisers).
    - The fertiliser market has much longer inventory requirements with the time between buying ammonia and selling the final product being at least three months (and longer as buying is done seasonally).
- All explosives product is consumed internally – AECI does not sell its AN product into the retail or trade market.
- Modderfontein is currently running at approx. 85% capacity utilisation. Poor performance and a lack of maintenance in prior years meant the utilisation fell to a low of 50%, but this has turned around substantially after a change of management and a proper maintenance regime.

Markets

- Mobile Manufacturing Units (MMU's) – AECI uses its own MMU's on mine sites to mix the explosive emulsion and charge. It has units that can be used underground and for open-cast mining.
- These are manufactured in South Africa for the SADC market, with others manufactured in-country for other markets. MMU's will be produced in Australia as the business grows in that region.
- AECI is dominant in underground mining in South Africa (approx. 65% market share). It has an approx. 33% market share in open-cast mining (with Omnia and Enaex having similar market shares).
- AECI has world class knowledge in underground mining and has experience under many different mining conditions and commodities. As the global mining industry starts to shift from open cast to underground operations as surface deposits are exhausted this puts AECI in a strong position.
- AECI has pioneered an underground bulk solution that can be pumped into a wall or roof. Mines are converting to bulk explosives for efficiency and safety reasons.
    - The pump is like a mini MMU, and the explosive mixture is mixed at the blast site. Each pump is licensed for safety reasons.
- AECI builds a bulk emulsion plant in each territory once the volumes warrant, and this is used on a hub and spoke strategy. AN is purchased on the open market.
- The peer group for underground mining in SADC includes BME (Omnia), Enaex (Sasol JV), Solar South Africa (India).
- The peer group for open-cast mining in SADC includes BME (Omnia) and Enaex (Sasol JV).
- AECI has been gaining market share over the last two years through an aggressive campaign and plant utilisation has increased.
- Explosives contracts normally run for 2-3 years.
- While the global trend is to move to a single company that can provide full blasting services, in South Africa the trend is the opposite due to supply chain issues (mostly out of the hands of the explosives companies but linked to logistics and infrastructure challenges). Mining companies in this region tend to diversify to ensure continued supply.

Figure 13 Explosives Peers - SADC

Underground		Open-cast	
Company	**Mkt Share**	**Company**	**Mkt Share**
AECI	60-70%	AECI	33%
BME (Omnia)		BME (Omnia)	33%
Enaex (Sasol)		Enaex (Sasol)	33%
Solar (India)			

Source: Chronux Research estimates

- AECI customers include:
    - South Africa
        - Coal (Glencore, Seriti, Thungela, contractor miners)
        - Iron ore (50% of Sishen)
    - Botswana (coal, copper, diamonds)
    - Zimbabwe – Unki, Mimosa, Zimplats
    - Namibia – uranium
    - DRC – coal
    - West Africa – 30% market share
    - Ghana – 60-70% market share
    - Zambia – mainly small accounts but looking to grow into the big accounts
    - Asia Pacific – coal (Indonesia – bough into JV with a AN facility
    - Australia – present since 2016 with a mining contractor (Theiss) operating on Glencore mines. Plan to move into W Australia.
    - PNG – Newcrest Mine (on the side of a volcano – AECI emulsion technical suited)
    - South America – starting small, 7-10 years need to gain momentum (Chile, Peru)
- Peer customers include:
    - Exxaro – Enaex
    - Kumba Kolomela (BME, Enaex)
    - Mogalakwena (BME, Enaex)

Initiating systems

- Initiating systems can make up 40% of blast revenue. AECI manufactures its own products (peers buy in components and assemble).
- AECI produces shock tube and electronic detonators. Shock tube is manufactured in a factory installed in 2012 and produces 120m units per annum.
- Electronic detonators are produced in a 50:50 JV with Dyno Nobel (DetNet South Africa). This JV is in the top 2 manufacturers of electronic detonators globally. 3m units are sold annually.
- Electronic detonators cost 5 times more per blast and are higher margin.
- Electronic detonators are used in higher accuracy blasts.
- Underground – narrow reef mining requires a significant number of detonators and small amounts of explosives to accurately blast the reef. Margins are low in a competitive environment but volumes high relative to open-cast mining. Shock tube can be more cost effective in this environment.

- 95% of detonators are used in underground mining. South Africa has a large gold and platinum underground mining sector and uses significantly more detonators than the global norm.
- Open-cast mining requires few detonators but significant volumes of explosives. Electronic detonators are gaining market share globally.

Mining Chemicals

- Mining chemicals makes up approx. 30% of Mining revenue.
- Approx 25% of revenue is from exports.
- Margins in the Mining Chemicals business are generally higher than explosives and are in the 18-20% range. The business generates good cash.
- While prices are not linked to commodities, the commodity price cycle does impact pricing with cost pressure impacting suppliers in downcycles.
- AECI has a 70% market share in the mining chemical market in South Africa (main competitor China).
- AECI produces:
    - emulsifiers (75% used internally and 25% sold to the open market)
    - flotation and extractive chemicals (mining industry)
- Manufacturing sites include:
    - Sasolburg – the largest mining/metallurgical chemical site in the world
        - 2 plants – xanthates and polyacrylamide (flocculent)
        - R1.5bn investment into the plant in 2009
        - Feedstock is procured from Sasol at IPP pricing (but all products can be imported if required)
        - Xanthates are sold in liquid form (SADC) and pellets (exports). There is high demand globally for xanthate pellets.
        - The plant is running at 85% capacity utilisation (up from 50% a few years ago due to poor maintenance)
    - Umbogintwini – emulsifiers and coatings (25ktpa)
    - Waltloo – carboxymethyl cellulose (13ktpa)
- Fixed costs are approx. 15% of total costs.

AECI Chemicals

Much Asphalt

- While Much Asphalt is still profitable, management believe that it is not a strategic fit.
- Bitumen is imported now that the Engen refinery has been shut down.
- Costs have been taken out and volumes have increased with the increased SANRAL activity across the country.

SANS Fibres

- SANS Fibres is a small operation with approx. US$55m in revenue an EBITDA margin of 9-10%.
- It is not considered to be a strategic fit.
- SANS produces nylon and polyester thread for the auto and apparel sectors. It does get protection in the US as a local manufacturer. It produces sewing thread for the US military and this is a very protected market.
- SANS has had a difficult year and has had to invest in new equipment. A workforce rationalisation is required.

Industrial chemicals

- These are high volume commodity businesses. Some work has been done to restructure some of the businesses. The businesses are generally mature with well-maintained plants and low maintenance capex. Sales are generally on contract terms, which means pricing can lag input cost changes. The sulphur price is very volatile and AECI tries to pre-sell shipments to reduce price risk.
- AECI is generally the largest or only producer of some of these chemicals.
- Revenue for this cluster is approx. R2.3bn with an EBITDA margin of 7-8%. Main drivers are demand for sulphuric acid.
- Sulphuric acid – high grade sulphuric acid is produced at Umbogintwini. This is an old plant but the main supplier to the SA market. SO2 is also produced (AECI is the only producer of SO2 in South Africa – this plant could be decoupled from the sulphuric acid plant).
- Phosphoric acid – this is produces from burnt elemental phosphorus. It is used to produce a catalyst for Sasol (customer is Hoechst). Ammonium polyphosphate is also produced.
- Chloorkop – sulphonic acid is produced which is used in powdered detergents. Volumes are under pressure as detergents move to liquid as opposed to powder. Customers include Unilever and P&G.
- Foundry and Tinker (Umbogintwini) – resin produced for foundries (customer Atlantis producing engine blocks). Also produces urea formaldehyde (customer KAP and Sonae).

Speciality Chemicals

- This is a trading business with many products. Market share growth is being achieved, with the food sector a growth area.
- This cluster is more competitive, but cost increases can be quickly passed onto customers, holding margins stable. Big multi-nationals do like the route to market offered by AECI. A Chinese procurement office has been set up.
- Revenue for this cluster is approx. R1.8bn with an EBITDA margin of 7-7.5%. It is a competitive market with lower margins than the manufacturing cluster.
    - Personal and home care
        - Dow, BASF main principals
    - Paints and coatings
        - Pigments and polymers
    - Manufacturing
        - Oleo chemical plant, with Foskor as the main customer. Exports to Australia and the US.
    - PackSA – tin coating for Nampak, Hulamin
    - Food & beverage
        - Ingredients (cultures for yoghurt and cheese, citric acid, amino acid for sports supplements)
        - Filter aid (wine industry, Ingrain (BAW), breweries
        - Beverage (imported fruit juice concentrate)

AECI Agri-Health

- Revenue for this cluster is approx. R4.6bn with an EBITDA margin of 6-7%.
- This division offers a holistic solution to farmers – soil nutrition, crop protection, pest and disease control.
- It has a large trading portfolio (70% of revenue) acting as a distributor for multinationals. Agents are used in South Africa with a large amount of technical support provided. A number of agents have been acquired to boost the distribution capability.
- Investments into technology (drones) are underway.

- The manufacturing side of the business is more value-add, producing products that provide energy to plants. AECI has its own registrations and has registered products in the US and Europe. Plants are located in Boksburg and Somerset West.
- The business focusses on high-value crops – nuts, stone fruit etc where the value-add proposition is justified.
- The move into international markets is underway, although product registrations take time. Exports to California and Europe are currently underway, with Europe being the growth focus.
- Working capital can be a challenge in this business with 75% of sales occurring in the last quarter.
- The animal health part of the business focusses on premixes (amino acids). Revenue for this business is approx. R500m, and it is considered non-core. It is a very competitive market.

Schirm

- Business has dropped sharply since the Ukrainian conflict, with Ukraine previously one of the largest agricultural markets.
- Schirm has four plants in Germany and toll manufactures on behalf of principals. This does mean when volumes drop the toll manufacturing is the first to get cut and this has weighed hard on volumes.
- EU chemicals market down 10%, Schirm volumes have fallen by 30%. A recovery in this market is only expected from 2025 and a sales process is underway.
- The US business has performed well recently (although FY24 may be a tougher year) and is the largest independent contract manufacturer in the US. There are two plants in the US. While the market is competitive, the market dynamics are better than in Germany.

Figure 14 Divisional Forecast

	1H23	2H23	2023A	1H24	2H24	2024E	1H25	2H25	2025E	1H26	2H26	2026E
Group												
Total segment revenue	**18404**	**19097**	**37501**	**17580**	**19597**	**37177**	**15385**	**16756**	**32141**	**17037**	**18548**	**35586**
Growth %				*-4.5%*	*2.6%*	*-0.9%*	*-12.5%*	*-14.5%*	*-13.5%*	*10.7%*	*10.7%*	*10.7%*
SACU	3791	3659	7450	9609	10674.4	20283.4	7921.76	8834.46	16756.22	8713.936	9717.906	18431.84
Growth %				*153.5%*	*191.7%*	*172.3%*	*-17.6%*	*-17.2%*	*-17.4%*	*10.0%*	*10.0%*	*10.0%*
RoA	3608	3588	7196	3752	4010.28	7762.28	3970.72	4239.571	8210.291	4426.395	4723.346	9149.741
Growth %				*4.0%*	*11.8%*	*7.9%*	*5.8%*	*5.7%*	*5.8%*	*11.5%*	*11.4%*	*11.4%*
RoW	2533	2313	4846	3991	4179.3	8170.3	3031.8	3098.544	6130.344	3391.978	3466.004	6857.982
Growth %				*57.6%*	*80.7%*	*68.6%*	*-24.0%*	*-25.9%*	*-25.0%*	*11.9%*	*11.9%*	*11.9%*
EBITDA	**1826**	**1856**	**3682**	**1390**	**2161**	**3551**	**1971**	**2030**	**4001**	**2431**	**2596**	**5027**
EBITDA margin	9.9%	9.7%	9.8%	7.9%	11.0%	9.6%	12.8%	12.1%	12.4%	14.3%	14.0%	14.1%
Growth %				*-23.9%*	*16.5%*	*-3.5%*	*41.8%*	*-6.1%*	*12.7%*	*23.3%*	*27.9%*	*25.6%*
Depreciation	**499**	**444**	**943**	**511**	**525**	**1036**	**354**	**354**	**707**	**356**	**356**	**713**
Amortisation	**38**	**27**	**65**	**39**	**46**	**85**	**15.5**	**15.5**	**31**	**15.5**	**15.5**	**31**
Impairments	**0**	**20**	**20**	**22**	**-22**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Operating profit	**1269**	**1302**	**2571**	**818**	**1612**	**2430**	**1602**	**1661**	**3263**	**2059**	**2224**	**4283**
Operating margin	6.9%	6.8%	6.9%	4.7%	8.2%	6.5%	10.4%	9.9%	10.2%	12.1%	12.0%	12.0%
Growth %				*-35.5%*	*23.8%*	*-5.5%*	*95.8%*	*3.0%*	*34.3%*	*28.5%*	*33.9%*	*31.3%*
Net operating assets	**17828**	**15857**	**15857**	**17294**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Operating assets	24330	22771	22771	23518	0	0	0	0	0	0	0	0
Operating liabilities	6502	6914	6914	6303	0	0	0	0	0	0	0	0
Capex	**652**	**623**	**1275**	**591**		**0**	**0**	**0**	**0**	**0**	**0**	**0**

AECI Mining	**1H23**	**2H23**	**2023A**	**1H24**	**2H24**	**2024E**	**1H25**	**2H25**	**2025E**	**1H26**	**2H26**	**2026E**
Total segment revenue	**10004**	**9617**	**19621**	**9376**	**9695**	**19071**	**10265**	**10614**	**20878**	**11422**	**11812**	**23234**
Growth %	***29%***	***-7%***	***8%***	***-6%***	***1%***	***-3%***	***9%***	***9%***	***9%***	***11%***	***11%***	***11%***
SACU	3791	3659	7450	3432	3497	6929	3707	3776	7483	4077	4154	8231
Growth %	*15%*	*-15%*	*-2%*	*-9%*	*-4%*	*-7%*	*8%*	*8%*	*8%*	*10%*	*10%*	*10%*
ROA	3608	3588	7196	3261	3431	6692	3554	3740	7295	3981	4189	8170
Growth %	*36%*	*-1%*	*15%*	*-10%*	*-4%*	*-7%*	*9%*	*9%*	*9%*	*12%*	*12%*	*12%*
ROW	2533	2313	4846	2642	2689	5331	2959	3011	5970	3314	3373	6687
Growth %	*48%*	*-1%*	*20%*	*4%*	*16%*	*10%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*
Inter-segment	72	57	129	41	79	120	45	86	131	50	96	146
Growth %	*-28%*	*-48%*	*-39%*	*-10%*	*39%*	*-7%*	*9%*	*9%*	*9%*	*12%*	*12%*	*12%*
EBITDA	**1338**	**1278**	**2616**	**1172**	**1481**	**2653**	**1512**	**1554**	**3066**	**1768**	**1819**	**3586**
EBITDA margin	13.4%	13.3%	13.3%	12.5%	15.3%	13.9%	14.7%	14.6%	14.7%	15.5%	15.4%	15.4%
Growth %	*37.4%*	*-6.6%*	*11.7%*	*-12.4%*	*15.9%*	*1.4%*	*29.0%*	*4.9%*	*15.6%*	*16.9%*	*17.0%*	*17.0%*
Depreciation	**290**	**244**	**534**	**273**	**273**	**546**	**276**	**276**	**551**	**278**	**278**	**557**
Amortisation	**4**	**5**	**9**	**5**	**4**	**9**	**4.5**	**4.5**	**9**	**4.5**	**4.5**	**9**
Impairments												
Operating profit	**1038**	**1022**	**2060**	**909**	**1189**	**2098**	**1232**	**1274**	**2505**	**1485**	**1536**	**3020**
Operating margin	10.4%	10.6%	10.5%	9.7%	12.3%	11.0%	12.0%	12.0%	12.0%	13.0%	13.0%	13.0%
Growth %	*45.6%*	*-0.8%*	*18.2%*	*-12.4%*	*16.3%*	*1.8%*	*35.5%*	*7.1%*	*19.4%*	*20.6%*	*20.6%*	*20.6%*

Source: Company data, Chronux Research estimates

Figure 15 Divisional Forecast

AECI Chemicals	1H23	2H23	2023A	1H24	2H24	2024E	1H25	2H25	2025E	1H26	2H26	2026E
Total segment revenue	**4555**	**5600**	**10155**	**4363**	**5236**	**9599**	**4783**	**5740**	**10523**	**5245**	**6294**	**11538**
Growth %				***-4%***	***-7%***	***-5%***	***10%***	***10%***	***10%***	***10%***	***10%***	***10%***
SACU				3832	4598	8430	4215	5058	9273	4637	5564	10201
Growth %							*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
RoA				389	467	856	416	499	916	445	534	980
Growth %							*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
RoW				68	82	150	73	87	160	78	93	171
Growth %							*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
Intersegment				74	89	163	79	95	174	85	102	186
Growth %							*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
EBITDA	**436**	**406**	**842**	**467**	**618**	**1085**	**565**	**718**	**1283**	**692**	**818**	**1510**
EBITDA margin	9.6%	7.3%	8.3%	10.7%	11.8%	11.3%	11.8%	12.5%	12.2%	13.2%	13.0%	13.1%
Growth %				*7.1%*	*52.2%*	*28.8%*	*20.9%*	*16.2%*	*18.2%*	*22.5%*	*13.9%*	*17.7%*
Depreciation	**51**	**125**	**176**	**52**	**52**	**104**	**52**	**52**	**104**	**52**	**52**	**104**
Amortisation	**7**	**14**	**21**	**7**	**14**	**21**	**10.5**	**10.5**	**21**	**10.5**	**10.5**	**21**
Impairments												
Operating profit	**365**	**268**	**633**	**395**	**565**	**960**	**502**	**655**	**1158**	**629**	**755**	**1385**
Operating margin	8.0%	4.8%	6.2%	9.1%	10.8%	10.0%	10.5%	11.4%	11.0%	12.0%	12.0%	12.0%
Growth %				*8.2%*	*110.8%*	*51.6%*	*27.2%*	*16.0%*	*20.6%*	*25.3%*	*15.2%*	*19.6%*

Source: Company data, Chronux Research estimates

Figure 16 Divisional Forecast

AECI Managed Businesses	1H23	2H23	2023A	1H24	2H24	2024E	1H25	2H25	2025E	1H26	2H26	2026E
Total segment revenue	**3800**	**3833**	**7633**	**3731**	**4104**	**7835**						
Growth %				***-2%***	***7%***	***3%***						
SACU				2345	2580	4925						
Growth %												
RoA				102	112	214						
Growth %												
RoW				1281	1409	2690						
Growth %												
Intersegment				3	3	6						
Growth %												
EBITDA	**82**	**123**	**205**	**215**	**330**	**545**						
EBITDA margin	2.2%	3.2%	2.7%	5.8%	8.0%	7.0%						
Growth %				*162.2%*	*168.1%*	*165.7%*						
Depreciation	**141**	**57**	**198**	**167**	**167**	**334**						
Amortisation	**27**	**7**	**34**	**27**	**27**	**54**						
Impairments			**20**	**22**								
Operating profit	**-87**	**-84**	**-171**	**-3**	**160**	**157**						
Operating margin	-2.3%	-2.2%	-2.2%	-0.1%	3.9%	2.0%						
Growth %				*-96.6%*	*-290.1%*	*-191.6%*						

Source: Company data, Chronux Research estimates

Figure 17 Divisional Forecast

AECI Property Services & Corporate	1H23	2H23	2023A	1H24	2H24	2024E	1H25	2H25	2025E	1H26	2H26	2026E
Total segment revenue	**288**	**323**	**611**	**306**	**366**	**672**	**337**	**403**	**739**	**370**	**443**	**813**
Growth %	*4%*	*11%*	*8%*	*6%*	*13%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
EBITDA	**-18**	**107**	**89**	**-458**	**-273**	**-731**	**-106**	**-242**	**-347**	**-29**	**-40**	**-69**
EBITDA margin	-6.25%	33.1%	14.6%	-149.7%	-74.6%	-108.8%	-31.3%	-60.0%	-46.9%	-7.8%	-9.0%	-8.5%
Growth %	*-72.31%*	*-252.9%*	*-165.9%*	*2444.4%*	*-355.1%*	*-921.3%*	*-77.0%*	*-11.5%*	*-52.5%*	*-72.5%*	*-83.5%*	*-80.1%*
Depreciation	**24**	**24**	**48**	**26**	**26**	**52**	**26**	**26**	**52**	**26**	**26**	**52**
Amortisation	**0**	**1**	**1**	**0**	**1**	**1**	**0.5**	**0.5**	**1**	**0.5**	**0.5**	**1**
Impairments												
Operating profit	**-42**	**147**	**105**	**-484**	**-300**	**-784**	**-132**	**-268**	**-400**	**-56**	**-66**	**-122**
Operating margin	-14.6%	45.5%	17.2%	-158.2%	-81.9%	-15.0%	-15.0%	-66.5%	-15.0%	-15.0%	-15.0%	-15.0%
Growth %	*-48.8%*	*-267.0%*	*-161.8%*	*1052.4%*	*-304.1%*	*-846.7%*	*-72.7%*	*-10.7%*	*-49.0%*	*-57.9%*	*-75.2%*	*-69.5%*

Source: Company data, Chronux Research estimates

Figure 18 Income Statement - Forecast

AECI Ltd	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026
Sales	**16903**	**18446**	**18596**	**18482**	**23314**	**24799**	**24111**	**26053**	**35583**	**37500**	**37177**	**32141**	**35586**
Cost of Goods Sold (COGS) incl. D&A	11467	12286	12561	12263	15528	16497	16151	17898	25737	26182	25957	22441	24845
Gross Income	**5436**	**6160**	**6035**	**6219**	**7786**	**8302**	**7960**	**8155**	**9846**	**11318**	**11221**	**9701**	**10740**
SG&A Expense	3993	4572	4339	4615	5838	6153	6118	6103	7342	8682	2651	2292	2537
Other Operating Expense	28	0	87	0	0	0	0	0	0	0	6139	4146	3920
EBIT (Operating Income)	**1415**	**1588**	**1609**	**1604**	**1948**	**2149**	**1842**	**2052**	**2504**	**2636**	**2430**	**3263**	**4283**
Nonoperating Income - Net	259	204	46	-4	120	324	56	58	108	79	103	138	149
Interest Expense	204	253	264	200	399	508	362	258	402	637	590	427	278
Unusual Expense - Net	24	74	271	-12	113	157	900	7	477	0	0	0	0
Income Taxes	368	464	336	429	529	511	503	642	803	917	1083	1658	1762
Equity in Earnings of Affiliates	31	28	28	-	-	30	27	7	26	39	40	41	43
Consolidated Net Income	**1109**	**1029**	**812**	**983**	**1027**	**1327**	**160**	**1210**	**956**	**1180**	**901**	**1357**	**2434**
Minority Interest	10	19	32	30	34	33	23	20	26	2	5	7	12
Net Income	**1099**	**1010**	**780**	**953**	**993**	**1294**	**137**	**1190**	**930**	**1178**	**896**	**1350**	**2421**
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income available to Common	1096	1007	777	950	990	1291	133	1187	927	1174	896	1350	2421
Per Share													
EPS (recurring)	9.44	9.32	8.95	8.52	9.81	12.79	6.94	11.16	11.88	11.06	8.49	12.79	22.95
EPS (diluted)	9.29	8.86	7.20	8.59	9.09	11.79	1.21	11.12	8.74	10.92	8.35	12.58	22.57
Earnings Persistence	92.04	82.63	85.10	88.02	70.88	90.87	79.83	87.93	79.41	89.33			
Dividends per Share	3.40	3.85	4.35	4.78	5.15	5.70	5.70	6.85	7.74	2.19	2.16	4.19	7.52
EBITDA													
EBITDA	1962	2178	2234	2199	2658	3180	2954	3084	3526	3685	3551	4001	5027

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

AECI Ltd	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026
Rental Expense	137	178	189	173	229	127	140	162	190	236			
Stock Option Comp Exp (Net of Tax)	26	55	48	53	58	60	28	38	45	37			
Foreign Currency Translation Gains/Losses	-28	64	-87	-45	88	-38	-40	-	2	-37			
Tax Rate	25.4	31.7	30.0	30.4	34.0	28.3	79.1	34.8	46.3	44.6	54.6	55.0	42.0
Headline EPS	8.42	8.94	8.18	9.59	10.45	11.50	8.80	11.16	12.87	11.37	8.80	12.79	22.95
Headline EPS (diluted)	8.00	8.70	8.00	9.15	10.12	11.08	8.44	11.03	12.80	11.17	8.65	12.58	22.57

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

AECI Ltd	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026
Price / Sales	0.9	0.5	0.6	0.6	0.4	0.5	0.4	0.5	0.3	0.3	0.3	0.3	0.3
Price / Earnings	13.7	9.7	13.8	11.1	8.9	8.7	69.0	10.0	10.0	9.9	11.9	8.2	4.6
Price / Book Value	2.0	1.1	1.2	1.0	0.7	0.9	0.8	1.0	0.7	0.9	0.9	0.8	0.7
Price / Tangible Book Value	2.5	1.4	1.6	1.2	1.3	1.4	1.2	1.4	1.0	1.3	1.1	1.1	0.9
Price / Cash Flow	7.5	8.0	5.7	9.1	4.5	6.3	3.1	8.2	120.7	3.3			
Price / Free Cash Flow	11.4	14.9	7.7	18.6	7.5	11.0	3.8	17.2	-	5.1			
Dividend Yield (%)	2.5	4.3	4.3	4.8	6.2	5.3	6.6	6.1	8.8	2.0	2.1	4.1	7.3
Enterprise Value / EBIT	11.6	7.0	7.1	5.8	5.9	6.2	5.9	6.7	5.4	5.9	6.5	4.8	3.7
Enterprise Value / EBITDA	8.3	5.1	5.1	4.2	4.3	4.2	3.7	4.5	3.8	4.2	4.4	3.9	3.1
Enterprise Value / Sales	1.0	0.6	0.6	0.5	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.5	0.4
EBIT / Interest Expense (Int. Coverage)	6.9	6.3	6.1	8.0	4.9	4.2	5.1	8.0	6.2	4.1	4.1	7.6	15.4

Source: Factset, Company data, Chronux Research estimates

Figure 19 Balance Sheet and Cash Flow - Forecast

	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026
Assets													
Cash & Short-Term Investments	1376	2181	1655	1361	1799	2230	3955	2334	2531	2536	2356	3147	4290
Short-Term Receivables	3135	3747	3308	3737	4517	4504	4760	5538	7674	7186	7123	5870	6227
Inventories	2879	3358	3174	3355	4081	4034	3761	4880	6780	6126	5298	4366	4632
Other Current Assets	236	134	145	153	197	481	445	449	307	332	698	698	698
Total Current Assets	**7626**	**9420**	**8282**	**8606**	**10594**	**11249**	**12921**	**13201**	**17292**	**16180**	**15476**	**14081**	**15847**
Net Property, Plant & Equipment	4046	4296	3990	3965	5768	6314	6075	6249	6628	7454	7388	6202	6369
Total Investments and Advances	795	706	667	806	741	509	526	672	602	497	501	506	510
Long-Term Note Receivable	48	21	19	-	-	-	-	48	111	56	58	58	58
Intangible Assets	1538	1847	1752	1712	4449	4165	3362	3298	3220	3193	3092	3092	3092
Deferred Tax Assets	555	522	527	395	382	234	173	215	106	189	114	114	114
Other Assets	179	982	583	487	341	662	584	495	467	373	552	1090	624
Total Assets	**14787**	**17794**	**15820**	**15971**	**22275**	**23133**	**23641**	**24178**	**28426**	**27942**	**27181**	**25143**	**26615**
Liabilities & Shareholders' Equity													
ST Debt & Curr. Portion LT Debt	632	2656	162	660	283	405	2138	1365	6264	926	1922	1922	1922
Accounts Payable	2325	2962	2759	3016	3736	3373	4015	4739	6037	5914	6493	6889	7308
Income Tax Payable	148	207	99	80	158	145	180	272	168	280	14	14	14
Other Current Liabilities	1188	1056	1430	1245	1247	1362	1456	1501	1885	1926	89	89	89
Total Current Liabilities	**4293**	**6881**	**4450**	**5001**	**5424**	**5285**	**7789**	**7877**	**14354**	**9046**	**8518**	**8914**	**9333**
Long-Term Debt	1459	672	1600	1100	5475	5603	3802	3348	1140	5372	4843	1609	1509
Provision for Risks & Charges	1043	702	412	392	583	602	623	602	527	593	571	571	571
Deferred Tax Liabilities	189	427	254	93	547	527	590	744	583	520	458	458	458
Other Liabilities	0	70	58	29	41	32	22	18	0	0	8518	8914	9333
Total Liabilities	**6984**	**8752**	**6774**	**6615**	**12070**	**12049**	**12826**	**12589**	**16604**	**15531**	**14390**	**11552**	**11871**
Common Equity	7726	8932	8913	9234	10043	10912	10641	11417	11635	12244	12640	13431	14574
Total Shareholders' Equity	7732	8938	8919	9240	10049	10918	10647	11423	11641	12250	12646	13437	14580
Accumulated Minority Interest	71	104	127	116	156	166	168	166	181	161	145	154	163
Total Equity	7803	9042	9046	9356	10205	11084	10815	11589	11822	12411	12791	13591	14744
Total Liabilities & Shareholders' Equity	**14787**	**17794**	**15820**	**15971**	**22275**	**23133**	**23641**	**24178**	**28426**	**27942**	**27181**	**25143**	**26615**
Per Share													
Book Value per Share	66.40	80.92	81.07	105.00	114.20	124.08	106.60	114.37	121.96	116.04	119.21	126.67	137.41
Tangible Book Value per Share	53.18	64.18	65.13	85.53	63.61	76.72	72.92	81.33	88.21	85.78	90.39	97.85	108.59

	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026
Operating Activities													
Net Income / Starting Line	1596	1703	1335	1579	1999	2031	917	2052	2047	2571	2430	3263	4283
Depreciation, Depletion & Amortization	547	590	625	595	710	1031	1112	1032	1022	1049	1121	738	744
Other Funds	-573	-817	-530	-595	-525	-656	190	-524	-422	-1063	0	0	0
Funds from Operations	**1570**	**1476**	**1430**	**1579**	**2184**	**2406**	**2219**	**2560**	**2647**	**2557**	**3551**	**4001**	**5027**
Changes in Working Capital	547	-215	488	-358	-155	-538	913	-1093	-2570	1037	-529	0	-195
Net Operating Cash Flow	**2117**	**1261**	**1918**	**1221**	**2029**	**1868**	**3132**	**1467**	**77**	**3594**	**1634**	**2594**	**3033**
Investing Activities													
Capital Expenditures	-738	-583	-498	-626	-811	-819	-631	-774	-1544	-1303	-1200	-1149	-1156
Net Assets from Acquisitions	-414	-312	0	-11	-3895	0	-88	0	0	-56	0	0	0
Sale of Fixed Assets & Businesses	569	62	14	29	113	123	289	85	108	14	0	3000	0
Purchase/Sale of Investments	-121	-22	32	-175	-177	394	-110	18	-201	-94	0	0	0
Other Funds	0	11	0	30	0	0	0	0	0	0	0	0	0
Net Investing Cash Flow	**-704**	**-844**	**-452**	**-753**	**-4770**	**-302**	**-540**	**-671**	**-1637**	**-1439**	**-1200**	**1851**	**-1156**
Financing Activities													
Cash Dividends Paid	-378	-836	-433	-497	-543	-594	-604	-741	-760	-733	-231	-228	-442
Change in Capital Stock	0	-563	-39	0	0	0	0	0	0	0	-36	0	0
Issuance/Reduction of Debt, Net	-918	1250	-1510	-77	3576	-502	-214	-1431	2492	-1436	485	-3234	-100
Other Funds	6	2	-2	-44	-74	-45	-102	-77	-55	0	-186	-192	-192
Net Financing Cash Flow	**-1290**	**-147**	**-1984**	**-618**	**2959**	**-1141**	**-1189**	**-2447**	**1516**	**-2284**	**32**	**-3654**	**-734**
Exchange Rate Effect	34	468	-131	-109	157	-28	53	108	86	97	-10	0	0
Net Change in Cash	157	738	-649	-259	375	397	1456	-1543	42	-32	455	791	1143
Free Cash Flow	**1379**	**678**	**1424**	**595**	**1219**	**1065**	**2502**	**695**	**-1462**	**2291**	**434**	**1445**	**1877**
Free Cash Flow per Share	11.69	5.97	13.19	5.38	11.19	9.73	22.75	6.51	-13.78	21.32	4.11	13.69	17.79
Free Cash Flow Yield (%)	8.7	6.7	13.0	5.4	13.4	9.1	26.2	5.8	-15.7	19.4	4.0	13.3	17.3

Source: Factset, Company data, Chronux Research estimates

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