AECI – FY24 Results

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***Key message**: FY25 will be impacted by restructuring costs but the target of doubling EBITDA by FY27 is still intact.*

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- AECI released FY24 results. HEPS declined by 37% to 716c on a 4% and 13% decline in revenue and EBITDA as large restructuring costs (R860m) and a high tax rate (71%) impacted the result. Restructuring benefits of R504m were achieved. On a normalised basis (including Much Asphalt) EBITDA was flat. A final dividend of 219c was declared.
- The tax rate increased to 71% with high non-deductible expenses and foreign withholding taxes (likely to be remain high in FY25 with ongoing restructuring costs). A normalised tax rate of 42% is expected by F26 (continued high withholding taxes).
- Net debt levels declined to R3.8bn and should reduce further post the R1.1bn proceeds from the sale of Much Asphalt. Expected total proceeds from the divestment process of R2.5-3bn would put AECI in a net cash position. The divestment process is taking longer than planned due to weak markets (especially for Schirm).
- **AECI Mining (Rev -3%, EBITDA -13%):** Supply issues have improved after the delayed statutory shutdowns in 1H (higher cost ANS purchases resulted in a R204m EBITDA impact). Normalised EBITDA declined by 8%.
- **AECI Chemicals (Rev -2%, EBITDA +25%):** An improvement in Water, Speciality Chemicals and Agri Health boosted profits, with good cost containment and improved operational efficiencies. Normalised EBITDA increased by 12%.
- The Managed Business division (including Schirm) delivered a normalised EBITDA of R233m. The disposal process for Schirm and SANS has slowed but Food & Beverage and Public Water have pending offers.
- F25 will continue to be impacted by restructuring costs which are difficult to quantify. Continued restructuring should boost EBITDA as cost savings are achieved. FY26 should be the first “clean” year and we assume that EBITDA of approx. R4.6bn is achieved (mgmt. maintain a target of R6bn for F27). F26 HEPS of approx. 2000c is forecast. Using the FY26 EBITDA base our Target Price is R126.

Price (04/03/2025):	R95.00
Target Price:	R126.00
Dividend yield:	2.1%
Total return:	35%
Market cap	R10.0bn
Shares in issue (diluted)	106.9mn

Financial summary

ZARmn (Year to December)	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue	37500	33598	36614	35076	38513
EBITDA	3617	3034	3660	4606	5391
Net income	1174	277	1028	2074	2581
Headline EPS (diluted)	**1117**	**558**	**967**	**1951**	**2428**
PE Ratio			9.8	4.9	3.9
Dividend (incl Special)	219	219	200	300	400
Dividend yield (%)			2.1%	3.2%	4.2%

Source: Factset, Company data, Chronux Research estimates

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

Figure 1 Financial summary

Financial Year to December	FY23A	FY24E	FY25E	FY26E	FY27E
ZAR/USD exchange rate	18.40	18.35	17.57	17.54	17.76
Per share data					
Earnings (diluted)	1,092	261	967	1,951	2,428
Headline earnings (diluted)	**1,117**	**558**	**967**	**1,951**	**2,428**
% change		***-50.0%***	***73.4%***	***101.7%***	***24.4%***
NAV (R/share)	116.04	112.79	103.31	110.86	111.46
Dividend	219	219	200	300	400
Valuation ratios					
P/E ratio	9.9	(32.6)	9.8	4.9	3.9
EV/EBITDA	4.2	4.2	3.4	2.7	2.3
P/B	0.95	0.78	0.92	0.86	0.85
Dividend yield			2.1%	3.2%	4.2%
ROE	9.7%	4.9%	9.4%	17.6%	21.8%
ROCE	14.4%	8.9%	17.2%	25.2%	32.4%
Income Statement (ZARmn)					
Sales	37,500	33,598	36,614	35,076	38,513
Sales growth		***-10.4%***	***9.0%***	***-4.2%***	***9.8%***
Cost of Goods Sold (COGS)	(26,182)	(22,898)	(24,954)	(23,905)	(26,248)
Gross Income	**11,318**	**10,700**	**11,661**	**11,171**	**12,265**
Gross margin	***30.2%***	***31.8%***	***31.8%***	***31.8%***	***31.8%***
SG&A Expense	(8,747)	(9,226)	(9,020)	(7,356)	(7,673)
Other Operating Income/Expense	0	0	0	0	0
EBITDA	**3,617**	**3,034**	**3,660**	**4,606**	**5,391**
EBITDA margin	***9.6%***	***9.0%***	***10.0%***	***13.1%***	***14.0%***
Depreciation & Amortisation	(1,046)	(1,490)	(1,019)	(792)	(798)
EBIT (Operating Income)	**2,571**	**1,544**	**2,641**	**3,814**	**4,593**
EBIT margin	***6.9%***	***4.6%***	***7.2%***	***10.9%***	***11.9%***
Nonoperating Income - Net	0	0	0	0	0
Net Interest Expense	(513)	(521)	(321)	(217)	(120)
Equity in Earnings of Affiliates	39	29	30	31	32
PBT	**2,097**	**1,052**	**2,350**	**3,628**	**4,504**
Income Taxes	(917)	(747)	(1,292)	(1,524)	(1,892)
Tax rate	***43.7%***	***71.0%***	***55.0%***	***42.0%***	***42.0%***
Consolidated Net Income	1,180	305	1,057	2,104	2,613
Minority Interest	(6)	(28)	(29)	(30)	(32)
Net Income	**1,174**	**277**	**1,028**	**2,074**	**2,581**
Cash flow statement (ZARmn)					
Changes in working capital	1,037	(74)	0	597	(516)
Cash from operating activities	**3,594**	**1,883**	**1,836**	**2,764**	**2,136**
Capital expenditure	(1,345)	(973)	(1,363)	(1,069)	(1,075)
Other	(94)	(62)	2,000	500	500
Investing cash flow	**(1,439)**	**(1,035)**	**637**	**(569)**	**(575)**
Changes in borrowings	(1,436)	(23)	(965)	(1,000)	(1,000)
Dividend paid	(733)	(155)	(231)	(211)	(317)
Other	(115)	(194)	(192)	(192)	(192)
Financing cash flow	**(2,284)**	**(372)**	**(1,388)**	**(1,403)**	**(1,509)**
Change in cash	(129)	476	1,085	792	53
Balance sheet (ZARmn)					
Total assets	**27,942**	**27,241**	**25,261**	**25,533**	**25,094**
Cash and equivalents	1,960	2,389	3,502	4,294	4,347
Other current assets	14,220	15,182	12,941	13,580	14,258
Non-current assets	11,762	9,670	8,818	7,659	6,490
Total liabilities	**15,531**	**15,171**	**14,281**	**13,750**	**13,248**
Long-term liabilities	6,485	6,028	5,063	4,063	3,063
Current liabilities	9,046	9,143	9,218	9,687	10,185
Total shareholders' funds	**12,411**	**12,070**	**10,980**	**11,783**	**11,846**
Net debt/(cash) - excl IFRS16	3,534	2,957	879	(913)	(1,966)

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	3403	3.3	11342
AECI Chemicals	3-5 for manufacturing business	Low end	1343	2.5	3356
AECI Property Services & Corporate			(139)	3.3	(463)
Enterprise value			**4606**	**3.1**	**14235**
Investments	Book value				612
Minorities	Book value				179
Lease liabilities	Book value				(781)
Net (debt)/cash - excl IFRS16	Book value				(879)
Equity value					**13366**
SISS					106.3
Valuation per Share (R)					**126**

Source: Company data, Chronux Research estimates

- Valuing AECI on FY25 HEPS is misleading at present due to the high restructuring costs.
- F25 will continue to be impacted by restructuring costs which are difficult to quantify. Continued restructuring should boost EBITDA as cost savings are achieved.
- FY26 should be the first “clean” year and we assume that EBITDA of approx. R4.6bn is achieved (mgmt. maintain a target of R6bn for F27). F26 HEPS of approx. 2000c is forecast. Using the FY26 EBITDA base our Target Price is R126.
- Our R126 Target Price gives a 6.4 times PE multiple in FY26 and we believe that this is appropriate (discounting an 8 times PE multiple out to the end of 2026). The defensive nature of the explosives business warrants an 7-9 PE multiple, in our opinion.

Figure 3 PE Valuation

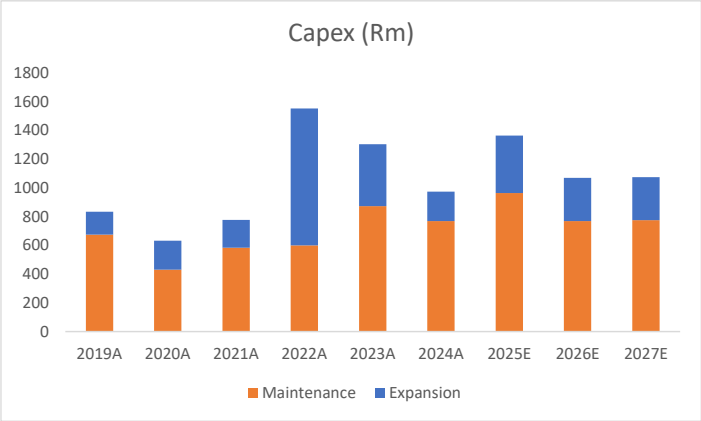
	2024A	2025E	2026E	2027E
Diluted HEPS	558	967	1951	2428
AFE PE	17.0	9.8	4.9	3.9
TP exit PE	22.5	13.0	6.4	5.2

Source: Company data, Chronux Research estimates

Capex

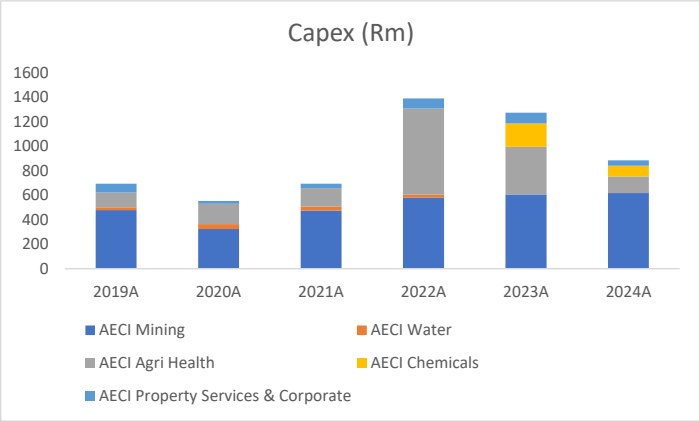
- Capex spend is shown in the following charts.

Figure 4 Capex



Source: Company data, Chronux Research estimates

Figure 5 Capex



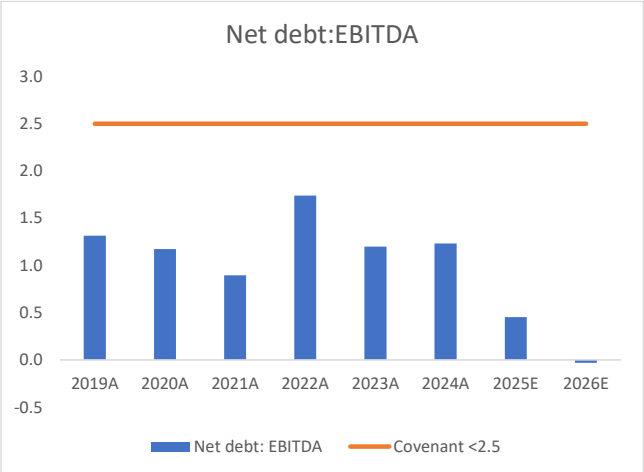
Source: Company data, Chronux Research estimates

- 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%).

Debt

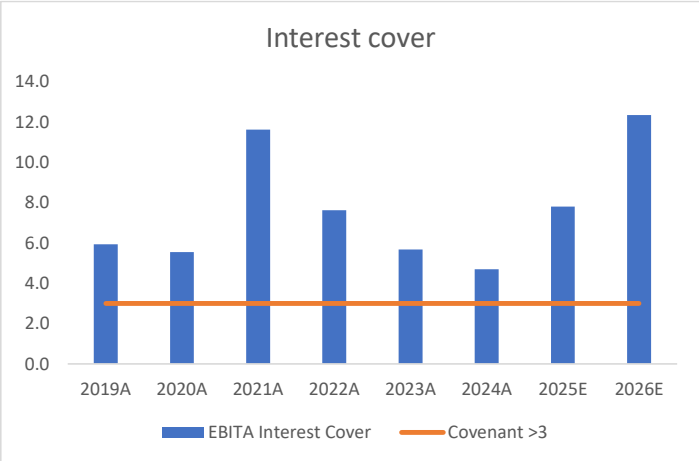
- Debt covenant ratios remain well within ranges with debt levels expected to decline due to operational cashflows and the non-core disposal process.

Figure 6 Net debt:EBITDA



Source: Company data, Chronux Research estimates

Figure 7 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 R3.1bn in FY22 (core continuing operations).
- The approx. R3bn growth will be achieved through:
    - R800m average organic growth of the businesses relative to historical performance
    - R800m in new projects, new products and new customers
    - R1.6bn savings from existing operations
        - Procurement and supply chain costs
        - Manufacturing excellence
        - Commercial excellence
- 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.
- R504m of annualised EBITDA was achieved in FY24.
- Once-off costs of R860m were spent in FY24.
    - R204m for the delayed shutdowns in Mining.
    - R467m transformation costs.
    - R186m divestiture costs.
    - R56m Schirm turnaround.
- A success fee of 7-8% of divestment proceeds will apply to the expected R2.5-3bn sales proceeds (R240-320m cost). This will likely apply in FY25.

Schirm

- Schirm PPE was impaired by R240m. Goodwill is R394m and NAV R2bn. The debt linked to Schirm is approx. EUR120m.
- R160m of costs associated to restructuring were incurred in FY23 with R56m in FY24.
- 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.
- Schirm Germany is still loss making at the operational level but at reduced levels.
- The US business is doing well, with the Benton plant having started recently. Destocking did impact the FY24 results and with an upswing seen in the last quarter of FY24 a more normalised FY25 is expected. The business remains profitable.
- The sale process is slow, with an option to sell the businesses site by site if necessary.

Much Asphalt

- Much Asphalt has been sold for R1.1bn. The proceeds from the sale are expected in March 2025.

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 has been experienced. The operational challenges for nitrates and detonators have been resolved.
- Ammonia supply improved with the commissioning of 60 wagons (of a total of 120). This is being augmented by road transport. Ammonia supply has improved as a result.
- Inventory was built in the nitrates plant with Sasol warning of a Dec/Jan shortage of ammonia by rail. This has been mitigated by road transport.

- 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. AECI market share has declined slightly but security of nitrates supply has improved.
- Mining Chemicals makes up 40% of Mining EBITDA. This is a growth area for the division as AECI looks to expand the Mining Chemicals within the existing explosives customer footprint.
- Management believe that the Mining Chemicals business can be doubled in 2-3 years with modular manufacturing expansion.
- 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. Tender activity is good. There were some challenges sourcing raw materials in the region and the risk was mitigated by negotiating back-to-back contracts. Expansion in Australia with resulting capex requirement is seen by the end of F26 to establish further in the region.
- The entry into South America (Brazil) is progressing with a second business acquired. A plant in Chile has been established in December 2024. An entrance into Peru is being planned with the purchase of land. The Brazilian explosives business was impaired by R135m.
- 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 with the conversion of one of the Schirm plants to Mining Chemicals.

Chemicals

- After a tough F23 the F24 performance was improved as the transformation benefits were realised relatively quickly.
- The Water division had a good year with customers in a stronger position and debt recovery good. Speciality Chemicals performed well. In the Industrial Chemicals division demand for SO2 was low as customers took commercial shutdowns. Activity levels have now improved in the customer base.
- The Agri Health business had a better year with Malawi improving. A good agri season is expected.
- The sulphuric acid market continues to be weak and management is looking for new markets to enable the plant to maintain continuous operations.

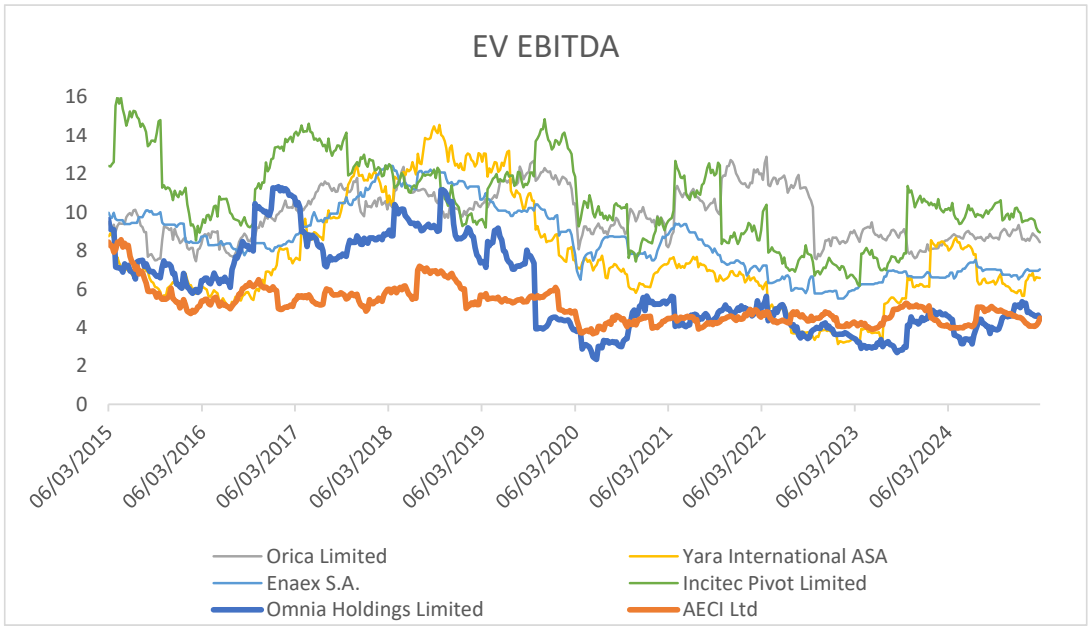
Managed Portfolio

- The sale process for SANS Fibres has slowed with the key potential buyer having limited cash.
- Food & Beverage has a firm offer.
- Public Water has one binding offer.
- The NAV of the Managed Portfolio (ex Schirm and Much) is approx. R700m.

Peer valuations

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

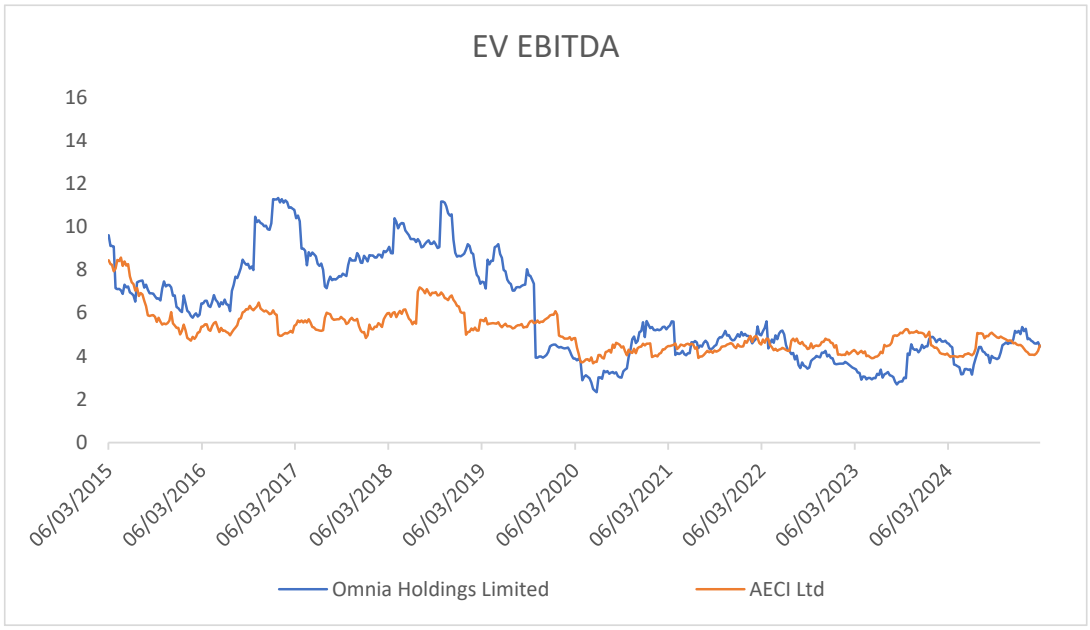
Figure 8 EV/EBITDA Ratio



Source: Factset

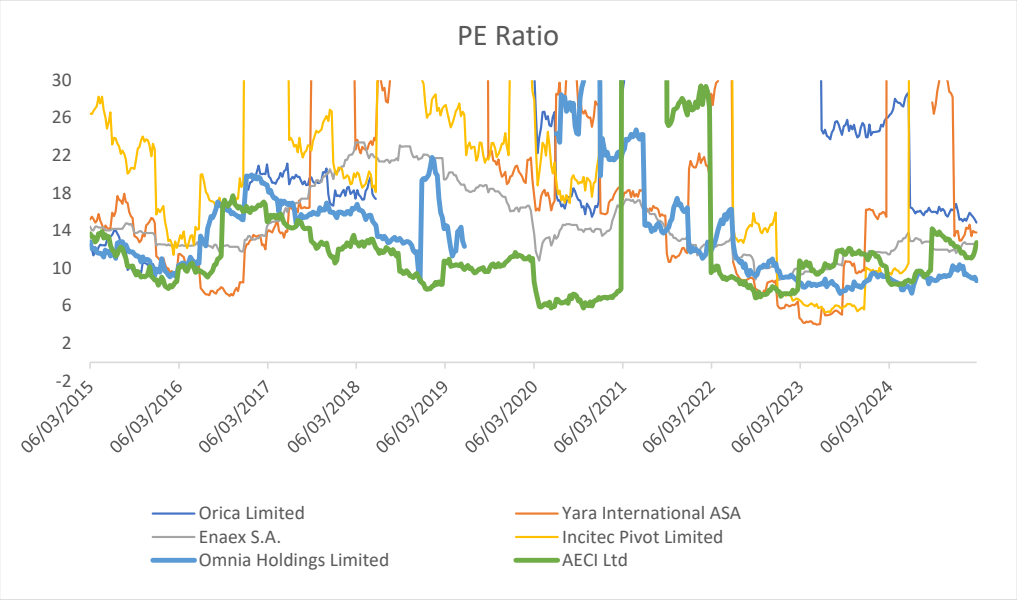
- Peer companies have re-rated recently as the impact of the ammonia price spike is through the system and multiples are moving back to mid-range levels.

Figure 9 EV/EBITDA Ratio



Source: Factset

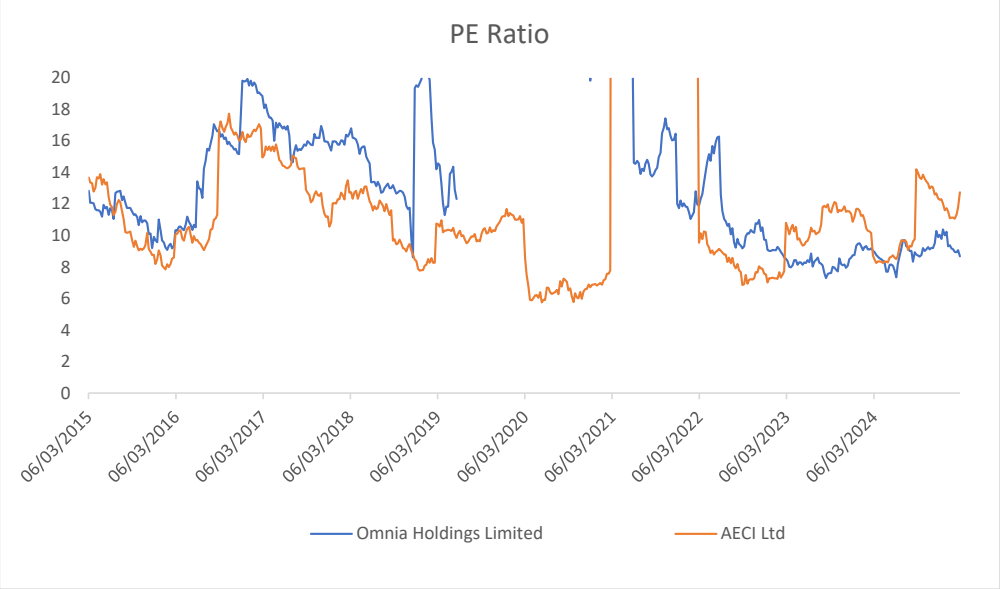
Figure 10 PE Ratio



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 11 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 12 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. 40% 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 13 Divisional Forecast

	2023A	2024A	1H25	2H25	2025E	1H26	2H26	2026E	1H27	2H27	2027E
Group											
Total segment revenue	**37441**	**33598**	**17506**	**19109**	**36614**	**16673**	**18403**	**35076**	**18323**	**20190**	**38513**
Growth %		*-10.3%*	*-0.4%*	*19.3%*	*9.0%*	*-4.8%*	*-3.7%*	*-4.2%*	*9.9%*	*9.7%*	*9.8%*
SACU	7450	17587	7730.16	9011.58	16741.74	8382.468	9759.711	18142.18	9091.557	10571.94	19663.5
Growth %		*136.1%*	*-19.6%*	*13.0%*	*-4.8%*	*8.4%*	*8.3%*	*8.4%*	*8.5%*	*8.3%*	*8.4%*
RoA	7196	7664	3970.72	4224.75	8195.47	4426.395	4705.238	9131.632	4935.294	5241.53	10176.82
Growth %		*6.5%*	*5.8%*	*8.0%*	*6.9%*	*11.5%*	*11.4%*	*11.4%*	*11.5%*	*11.4%*	*11.4%*
RoW	4846	7876	3031.8	3032.9	6064.7	3391.978	3394.387	6786.365	3795.123	3799.08	7594.203
Growth %		*62.5%*	*-24.0%*	*-21.9%*	*-23.0%*	*11.9%*	*11.9%*	*11.9%*	*11.9%*	*11.9%*	*11.9%*
EBITDA	**3617**	**3034**	**1750**	**1910**	**3660**	**2211**	**2395**	**4606**	**2586**	**2804**	**5391**
EBITDA margin	9.7%	9.0%	10.0%	10.0%	10.0%	13.3%	13.0%	13.1%	14.1%	13.9%	14.0%
Growth %		*-16.1%*	*25.9%*	*16.2%*	*20.6%*	*26.4%*	*25.4%*	*25.9%*	*17.0%*	*17.1%*	*17.0%*
Depreciation	**872**	**1024**	**482**	**482**	**963**	**384**	**384**	**769**	**387**	**387**	**775**
Amortisation	**58**	**60**	**27.7**	**27.7**	**55.4**	**11.5**	**11.5**	**23**	**11.5**	**11.5**	**23**
Impairments	**-45**	**378**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Operating profit	**2571**	**1544**	**1240**	**1401**	**2641**	**1815**	**1999**	**3814**	**2187**	**2405**	**4593**
Operating margin	6.9%	4.6%	7.1%	7.3%	7.2%	10.9%	10.9%	10.9%	11.9%	11.9%	11.9%
Growth %		*-39.9%*	*51.6%*	*92.9%*	*71.0%*	*46.3%*	*42.8%*	*44.4%*	*20.5%*	*20.3%*	*20.4%*
Net operating assets	**15207**	**15544**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Operating assets	23847	22692	0	0	0	0	0	0	0	0	0
Operating liabilities	8640	7306	0	0	0	0	0	0	0	0	0
Capex	**1275**	**885**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
AECI Mining	**2023A**	**2024A**	**1H25**	**2H25**	**2025E**	**1H26**	**2H26**	**2026E**	**1H27**	**2H27**	**2027E**
Total segment revenue	**19621**	**19108**	**10265**	**10652**	**20916**	**11422**	**11852**	**23274**	**12712**	**13188**	**25899**
Growth %	***8%***	***-3%***	***9%***	***9%***	***9%***	***11%***	***11%***	***11%***	***11%***	***11%***	***11%***
SACU	7450	7053	3707	3911	7617	4077	4302	8379	4485	4732	9217
Growth %	*-2%*	*-5%*	*8%*	*8%*	*8%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
ROA	7196	6651	3554	3695	7250	3981	4139	8120	4459	4635	9094
Growth %	*15%*	*-8%*	*9%*	*9%*	*9%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*
ROW	4846	5306	2959	2984	5943	3314	3342	6656	3712	3743	7455
Growth %	*20%*	*9%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*
Inter-segment	129	98	45	62	107	50	70	120	56	78	134
Growth %	*-39%*	*-24%*	*9%*	*9%*	*9%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*
EBITDA	**2616**	**2284**	**1380**	**1420**	**2800**	**1676**	**1727**	**3403**	**1960**	**2022**	**3983**
EBITDA margin	13.3%	12.0%	13.4%	13.3%	13.4%	14.7%	14.6%	14.6%	15.4%	15.3%	15.4%
Growth %	*11.7%*	*-12.7%*	*17.7%*	*27.7%*	*22.6%*	*21.4%*	*21.6%*	*21.5%*	*17.0%*	*17.1%*	*17.0%*
Depreciation	**534**	**589**	**297**	**297**	**595**	**300**	**300**	**601**	**303**	**303**	**607**
Amortisation	**9**	**9**	**4.5**	**4.5**	**9**	**4.5**	**4.5**	**9**	**4.5**	**4.5**	**9**
Impairments		**136**									
Operating profit	**2060**	**1550**	**1078**	**1118**	**2196**	**1371**	**1422**	**2793**	**1653**	**1714**	**3367**
Operating margin	10.5%	8.1%	10.5%	10.5%	10.5%	12.0%	12.0%	12.0%	13.0%	13.0%	13.0%
Growth %	*18.2%*	*-24.8%*	*18.6%*	*74.5%*	*41.7%*	*27.2%*	*27.2%*	*27.2%*	*20.6%*	*20.5%*	*20.6%*

Source: Company data, Chronux Research estimates

Figure 14 Divisional Forecast

AECI Chemicals	2023A	2024A	1H25	2H25	2025E	1H26	2H26	2026E	1H27	2H27	2027E
Total segment revenue	**10095**	**9862**	**4592**	**5787**	**10379**	**4913**	**6192**	**11105**	**5257**	**6625**	**11882**
Growth %		***-2%***	***5%***	***5%***	***5%***	***7%***	***7%***	***7%***	***7%***	***7%***	***7%***
SACU		8690	4024	5101	9125	4305	5458	9763	4607	5840	10447
Growth %			*5%*	*5%*	*5%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
RoA		884	416	530	946	445	567	1012	477	606	1083
Growth %			*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
RoW		114	73	49	122	78	53	131	83	56	140
Growth %			*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
Intersegment		174	79	107	186	85	114	199	91	123	213
Growth %			*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
EBITDA	**777**	**972**	**520**	**639**	**1159**	**601**	**742**	**1343**	**691**	**856**	**1547**
EBITDA margin	7.7%	9.9%	11.3%	11.0%	11.2%	12.2%	12.0%	12.1%	13.2%	12.9%	13.0%
Growth %		*25.1%*	*11.3%*	*26.6%*	*19.2%*	*15.6%*	*16.0%*	*15.9%*	*15.0%*	*15.4%*	*15.2%*
Depreciation	**105**	**107**	**54**	**54**	**107**	**54**	**54**	**107**	**54**	**54**	**107**
Amortisation	**14**	**14**	**7**	**7**	**14**	**7**	**7**	**14**	**7**	**7**	**14**
Impairments											
Operating profit	**633**	**823**	**459**	**579**	**1038**	**540**	**681**	**1222**	**631**	**795**	**1426**
Operating margin	6.3%	8.3%	10.0%	10.0%	10.0%	11.0%	11.0%	11.0%	12.0%	12.0%	12.0%
Growth %		*30.0%*	*16.2%*	*35.2%*	*26.1%*	*17.7%*	*17.7%*	*17.7%*	*16.7%*	*16.7%*	*16.7%*

Source: Company data, Chronux Research estimates

Figure 15 Divisional Forecast

AECI Managed Businesses	2023A	2024A	1H25	2H25	2025E	1H26	2H26	2026E	1H27	2H27	2027E
Total segment revenue	**7633**	**4434**	**2328**	**2328**	**4656**						
Growth %		***-42%***									
SACU		1844									
Growth %											
RoA		129									
Growth %											
RoW		2456									
Growth %											
Intersegment		5									
Growth %											
EBITDA	**205**	**177**	**70**	**70**	**140**						
EBITDA margin	2.7%	4.0%	3.0%	3.0%	3.0%						
Growth %		*-13.7%*	*-67.5%*	*-283.8%*	*-21.1%*						
Depreciation	**198**	**281**	**100**	**100**	**200**						
Amortisation	**34**	**37**	**16**	**16.2**	**32.4**						
Impairments	**20**	**242**									
Operating profit	**-171**	**-383**	**-47**	**-47**	**-93**						
Operating margin	-2.2%	-8.6%	-2.0%	-2.0%	-2.0%						
Growth %		*124.0%*	*1451.9%*	*-87.7%*	*-75.7%*						

Source: Company data, Chronux Research estimates

Figure 16 Divisional Forecast

AECI Property Services & Corporate	2023A	2024A	1H25	2H25	2025E	1H26	2H26	2026E	1H27	2H27	2027E
Total segment revenue	**611**	**632**	**321**	**342**	**664**	**337**	**359**	**697**	**354**	**377**	**732**
Growth %	*8%*	*3%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
EBITDA	**89**	**-299**	**-220**	**-220**	**-439**	**-66**	**-74**	**-139**	**-66**	**-74**	**-139**
EBITDA margin	14.6%	-47.3%	-68.3%	-64.1%	-66.2%	-19.4%	-20.4%	-19.9%	-18.5%	-19.5%	-19.0%
Growth %	*-165.9%*	*-436.0%*	*-52.1%*	*-238.1%*	*46.8%*	*-70.2%*	*-66.5%*	*-68.3%*	*0.0%*	*0.0%*	*0.0%*
Depreciation	**48**	**61**	**30.5**	**30.5**	**61**	**30.5**	**30.5**	**61**	**30.5**	**30.5**	**61**
Amortisation	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairments	-65	970									
Operating profit	**105**	**-1330**	**-250**	**-250**	**-500**	**-96**	**-104**	**-200**	**-96**	**-104**	**-200**
Operating margin	17.2%	-210.4%	-77.8%	-73.0%	-75.3%	-28.5%	-28.9%	-28.7%	-27.1%	-27.6%	-27.3%
Growth %	*-161.8%*	*-1366.7%*	*-48.3%*	*-70.4%*	*-62.4%*	*-61.6%*	*-58.4%*	*-60.0%*	*0.0%*	*0.0%*	*0.0%*

Source: Company data, Chronux Research estimates

Figure 17 Income Statement - Forecast

AECI Ltd	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026	12/2027
Sales	**18446**	**18596**	**18482**	**23314**	**24799**	**24111**	**26053**	**35583**	**37500**	**33598**	**36614**	**35076**	**38513**
Cost of Goods Sold (COGS) incl. D&A	12286	12561	12263	15528	16497	16151	17898	25737	26182	22828	24954	23905	26248
Gross Income	**6160**	**6035**	**6219**	**7786**	**8302**	**7960**	**8155**	**9846**	**11318**	**10770**	**11661**	**11171**	**12265**
SG&A Expense	4572	4339	4615	5838	6153	6118	6103	7342	8682	8882	2650	2539	2788
Other Operating Expense	0	87	0	0	0	0	0	0	0	0	6369	4817	4885
EBIT (Operating Income)	**1588**	**1609**	**1604**	**1948**	**2149**	**1842**	**2052**	**2504**	**2636**	**1888**	**2641**	**3814**	**4593**
Nonoperating Income - Net	204	46	-4	120	324	56	58	108	79	157	147	156	173
Interest Expense	253	264	200	399	508	362	258	402	637	645	468	373	293
Unusual Expense - Net	74	271	-12	113	157	900	7	477	20	0	0	0	0
Income Taxes	464	336	429	529	511	503	642	803	917	747	1292	1524	1892
Equity in Earnings of Affiliates	28	28	-	-	30	27	7	26	39	29	30	31	32
Consolidated Net Income	**1029**	**812**	**983**	**1027**	**1327**	**160**	**1210**	**956**	**1180**	**305**	**1057**	**2104**	**2613**
Minority Interest	19	32	30	34	33	23	20	26	2	24	29	30	32
Net Income	**1010**	**780**	**953**	**993**	**1294**	**137**	**1190**	**930**	**1178**	**281**	**1028**	**2074**	**2581**
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income available to Common	1007	777	950	990	1291	133	1187	927	1174	-283	1028	2074	2581
Per Share													
EPS (recurring)	9.32	8.95	8.52	9.81	12.79	6.94	11.16	11.88	11.06	-0.18	9.74	19.65	24.46
EPS (diluted)	8.86	7.20	8.59	9.09	11.79	1.21	11.12	8.74	10.92	-2.68	9.67	19.51	24.28
Earnings Persistence	82.63	85.10	88.02	70.88	90.87	79.83	87.93	79.41	89.33	89.09			
Dividends per Share	3.85	4.35	4.78	5.15	5.70	5.70	6.85	7.74	2.19	2.19	2.00	3.00	4.00
EBITDA													
EBITDA	2178	2234	2199	2658	3180	2954	3084	3526	3685	2967	3660	4606	5391

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

AECI Ltd	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026	12/2027
Rental Expense	178	189	173	229	127	140	162	190	236	284			
Stock Option Comp Exp (Net of Tax)	55	48	53	58	60	28	38	45	37	28			
Foreign Currency Translation Gains/Losses	64	-87	-45	88	-38	-40	-	2	-37	-11			
Tax Rate	31.7	30.0	30.4	34.0	28.3	79.1	34.8	46.3	44.6	73.0	55.0	42.0	42.0
Headline EPS	8.94	8.18	9.59	10.45	11.50	8.80	11.16	12.87	11.37	7.16	9.74	19.65	24.46
Headline EPS (diluted)	8.70	8.00	9.15	10.12	11.08	8.44	11.03	12.80	11.17	7.10	9.67	19.51	24.28

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

AECI Ltd	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026	12/2027
Price / Sales	0.5	0.6	0.6	0.4	0.5	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Price / Earnings	9.7	13.8	11.1	8.9	8.7	69.0	10.0	10.0	9.9	-32.6	9.8	4.9	3.9
Price / Book Value	1.1	1.2	1.0	0.7	0.9	0.8	1.0	0.7	0.9	0.8	0.9	0.9	0.9
Price / Tangible Book Value	1.4	1.6	1.2	1.3	1.4	1.2	1.4	1.0	1.3	0.9	1.1	1.0	1.0
Price / Cash Flow	8.0	5.7	9.1	4.5	6.3	3.1	8.2	120.7	3.3	4.9			
Price / Free Cash Flow	14.9	7.7	18.6	7.5	11.0	3.8	17.2	-	5.1	10.1			
Dividend Yield (%)	4.3	4.3	4.8	6.2	5.3	6.6	6.1	8.8	2.0	2.5	2.1	3.2	4.2
Enterprise Value / EBIT	7.0	7.1	5.8	5.9	6.2	5.9	6.7	5.4	5.9	6.7	4.8	3.3	2.7
Enterprise Value / EBITDA	5.1	5.1	4.2	4.3	4.2	3.7	4.5	3.8	4.2	4.2	3.4	2.7	2.3
Enterprise Value / Sales	0.6	0.6	0.5	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.3	0.4	0.3
EBIT / Interest Expense (Int. Coverage)	6.3	6.1	8.0	4.9	4.2	5.1	8.0	6.2	4.1	2.9	5.6	10.2	15.7

Source: Factset, Company data, Chronux Research estimates

Figure 18 Balance Sheet and Cash Flow - Forecast

	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026	12/2027
Assets													
Cash & Short-Term Investments	2181	1655	1361	1799	2230	3955	2334	2531	2536	2956	3502	4294	4347
Short-Term Receivables	3747	3308	3737	4517	4504	4760	5538	7674	7186	7571	6276	6658	7063
Inventories	3358	3174	3355	4081	4034	3761	4880	6780	6126	5117	4216	4473	4746
Other Current Assets	134	145	153	197	481	445	449	307	332	423	2449	2449	2449
Total Current Assets	**9420**	**8282**	**8606**	**10594**	**11249**	**12921**	**13201**	**17292**	**16180**	**16067**	**16443**	**17874**	**18604**
Net Property, Plant & Equipment	4296	3990	3965	5768	6314	6075	6249	6628	7454	6613	5431	5573	5719
Total Investments and Advances	706	667	806	741	509	526	672	602	497	562	567	571	576
Long-Term Note Receivable	21	19	-	-	-	-	48	111	56	45	45	45	45
Intangible Assets	1847	1752	1712	4449	4165	3362	3298	3220	3193	1969	1969	1969	1969
Deferred Tax Assets	522	527	395	382	234	173	215	106	189	194	194	194	194
Other Assets	982	583	487	341	662	584	495	467	373	1791	612	-694	-2014
Total Assets	**17794**	**15820**	**15971**	**22275**	**23133**	**23641**	**24178**	**28426**	**27942**	**27241**	**25261**	**25533**	**25094**
Liabilities & Shareholders' Equity													
ST Debt & Curr. Portion LT Debt	2656	162	660	283	405	2138	1365	6264	926	1037	1037	1037	1037
Accounts Payable	2962	2759	3016	3736	3373	4015	4739	6037	5914	5385	7701	8170	8668
Income Tax Payable	207	99	80	158	145	180	272	168	280	467	467	467	467
Other Current Liabilities	1056	1430	1245	1247	1362	1456	1501	1885	1926	1887	13	13	13
Total Current Liabilities	**6881**	**4450**	**5001**	**5424**	**5285**	**7789**	**7877**	**14354**	**9046**	**8776**	**9218**	**9687**	**10185**
Long-Term Debt	672	1600	1100	5475	5603	3802	3348	1140	5372	5090	4125	3125	2125
Provision for Risks & Charges	702	412	392	583	602	623	602	527	593	572	572	572	572
Deferred Tax Liabilities	427	254	93	547	527	590	744	583	520	366	366	366	366
Other Liabilities	70	58	29	41	32	22	18	0	0	367	9218	9687	10185
Total Liabilities	**8752**	**6774**	**6615**	**12070**	**12049**	**12826**	**12589**	**16604**	**15531**	**15171**	**14281**	**13750**	**13248**
Common Equity	8932	8913	9234	10043	10912	10641	11417	11635	12244	11901	10801	11593	11646
Total Shareholders' Equity	8938	8919	9240	10049	10918	10647	11423	11641	12250	11907	10807	11599	11652
Accumulated Minority Interest	104	127	116	156	166	168	166	181	161	163	173	183	195
Total Equity	9042	9046	9356	10205	11084	10815	11589	11822	12411	12070	10980	11783	11846
Total Liabilities & Shareholders' Equity	**17794**	**15820**	**15971**	**22275**	**23133**	**23641**	**24178**	**28426**	**27942**	**27241**	**25261**	**25533**	**25094**
Per Share													
Book Value per Share	80.92	81.07	105.00	114.20	124.08	106.60	114.37	121.96	116.04	112.79	103.31	110.86	111.46
Tangible Book Value per Share	64.18	65.13	85.53	63.61	76.72	72.92	81.33	88.21	85.78	94.13	84.78	92.33	92.93

	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	12/2026	12/2027
Operating Activities													
Net Income / Starting Line	1703	1335	1579	1999	2031	917	2052	2047	2571	1022	2641	3814	4593
Depreciation, Depletion & Amortization	590	625	595	710	1031	1112	1032	1022	1049	1079	1019	792	798
Other Funds	-817	-530	-595	-525	-656	190	-524	-422	-1063	-144	-732	-921	-1078
Funds from Operations	**1476**	**1430**	**1579**	**2184**	**2406**	**2219**	**2560**	**2647**	**2557**	**1957**	**2928**	**3685**	**4313**
Changes in Working Capital	-215	488	-358	-155	-538	913	-1093	-2570	1037	-74	0	597	-516
Net Operating Cash Flow	**1261**	**1918**	**1221**	**2029**	**1868**	**3132**	**1467**	**77**	**3594**	**1883**	**1836**	**2764**	**2136**
Investing Activities													
Capital Expenditures	-583	-498	-626	-811	-819	-631	-774	-1544	-1303	-973	-1363	-1069	-1075
Net Assets from Acquisitions	-312	0	-11	-3895	0	-88	0	0	-56	0	0	0	0
Sale of Fixed Assets & Businesses	62	14	29	113	123	289	85	108	14	128	2000	500	500
Purchase/Sale of Investments	-22	32	-175	-177	394	-110	18	-201	-94	-190	0	0	0
Other Funds	11	0	30	0	0	0	0	0	0	0	0	0	0
Net Investing Cash Flow	**-844**	**-452**	**-753**	**-4770**	**-302**	**-540**	**-671**	**-1637**	**-1439**	**-1035**	**637**	**-569**	**-575**
Financing Activities													
Cash Dividends Paid	-836	-433	-497	-543	-594	-604	-741	-760	-733	-155	-231	-211	-317
Change in Capital Stock	-563	-39	0	0	0	0	0	0	0	0	0	0	0
Issuance/Reduction of Debt, Net	1250	-1510	-77	3576	-502	-214	-1431	2492	-1436	-23	-965	-1000	-1000
Other Funds	2	-2	-44	-74	-45	-102	-77	-55	86	0	-192	-192	-192
Net Financing Cash Flow	**-147**	**-1984**	**-618**	**2959**	**-1141**	**-1189**	**-2447**	**1516**	**-2284**	**-372**	**-1388**	**-1403**	**-1509**
Exchange Rate Effect	468	-131	-109	157	-28	53	108	86	97	40	0	0	0
Net Change in Cash	738	-649	-259	375	397	1456	-1543	42	-32	516	1085	792	53
Free Cash Flow	**678**	**1424**	**595**	**1219**	**1065**	**2502**	**695**	**-1462**	**2291**	**910**	**473**	**1695**	**1061**
Free Cash Flow per Share	5.97	13.19	5.38	11.19	9.73	22.75	6.51	-13.78	21.32	8.62	4.48	16.06	10.06
Free Cash Flow Yield (%)	6.7	13.0	5.4	13.4	9.1	26.2	5.8	-15.7	19.4	9.9	4.7	16.9	10.6

Source: Factset, Company data, Chronux Research estimates

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