Omnia Holdings Limited

COMPANY REPORT

FERTILIZERS, EXPLOSIVES AND CHEMICALS

6 JANUARY 2015

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Resisting tough times

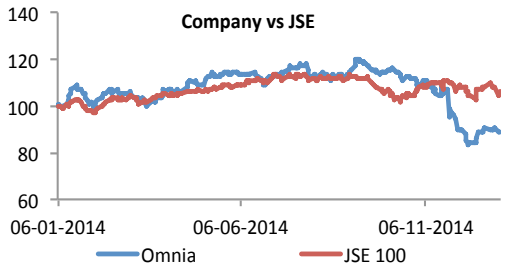
Solid cash flows, besides mining bust long term potential remains, tapping opportunities in Africa

Recommendation:	**BUY**
Price Target FY15:	**225.63 ZAR**
Price (as of 7-Jan-15)	**179.01 ZAR**

Reuters: OMN.J, Bloomberg: OMN:SJ

52-week range (ZAR)	165.01-247.00
Market Cap (ZARbn)	12.2
Outstanding Shares (M)	68.290
Next earnings announcement	23-Jun-2015

Source:Bloomberg



Source: Bloomberg

- In our assessment **Omnia is** a **solid asset for a portfolio,** with a good risk return profile and thus we **suggest a BUY move**. The company has strong financials with very low debt (4% of equity), streamlined operations and a very sound management.
- While Omnia's fundamentals remain strong, **market conditions have deteriorated** in the mining sector. Since July, all mining commodities have been falling abruptly. S&P's TSX Global Mining Index and Platinum spots both fell 20% from July 2014 until today. **Omnia was vey much affected** by this crunch having its shares in the same period **lost 23% of its value**.
- Our analysis has taken into account **margin improvement** and revenue growth for the **Chemical and Agriculture sector** until 2019 and **margin contraction for the mining segment** in 2015 and 2016.
- Investment opportunities for Omnia are multiple, **Africa is set for a green revolution in agriculture** and fertilizers will thus be in high demand. Even so, we expect Omnia to start investing in plants only after 2016 and thus we also predict generous dividends.
- **Issues that investors should take into account** while doing their assessment of Omnia's are: the expected revenue and operating margins of the mining segment, the Urea-Ammonia gap for fertilizers and striking activity or instability in Africa.

(Values in ZAR millions)	2014	2015E	2016F
Revenues	16259	17678	19333
Operating Profit	1416	1485	1651
Net Income	992	1007	1126
Headline EPS (cents)	1414	1459	1631
Diluted EPS (cents)	1332	1352	1511
Payout ratio (%)	34%	53%	45%
ROIC (%)	21%	18%	18%
Working Capital	2725	2861	3128
CAPEX	4209	4576	5005
Return on Equity (%)	17%	16%	16%
Return on Assets (%)	9%	9%	9%

Source: Past financial data and analysts' estimates

Company description

Omnia Holdings (OMN:SJ) is a South Africar company headquartered in Johannesburg Established in 1953 as a fertilizer producer, the company has diversified into other activities such as mining explosives, mining chemicals and bulk chemical distribution. It is present in 25 countries and employs 3685 people.

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Figure 1: Omnia's revenue breakdown by segment (ZAR's)

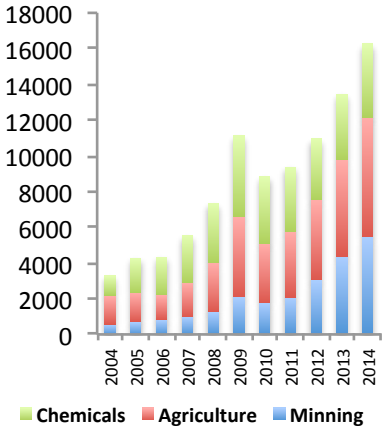


Figure 2: Omnia's operating profit breakdown by segment (ZAR's)

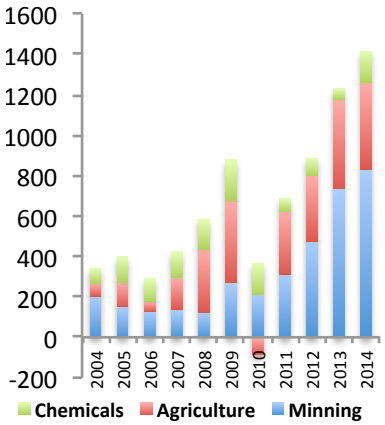


Figure 3: Omnia's presence in Africa

The Company

Omnia Holdings Limited

Omnia Holdings (Bloomberg: OMN SJ) is a South African company headquartered in Johannesburg. From the moment it was established in 1953 as a fertilizer producer, the company grew consistently and diversified to other activities such as mining explosives and mining chemicals (through the acquisition of BME in 1982) and to bulk chemical distribution (after founding the Chemicals division in 2004).

The company generated 16.2 Billion ZAR's in revenue and 1.4 Billion in operating profit as of FY 2014. It's home market is South Africa, which accounts for 66% of Omnia's revenues and, foreign country operations are mainly established in other African countries such has Zambia, Angola, Namibia, Zimbabwe, Mozambique and the DRC (Democratic Republic of the Congo). Furthermore, Omnia also has a rather small presence outside Africa in Brazil, Australia, New Zealand and Indonesia.

This analyzed company employs 3685 people in 25 countries and supplies its products to a wide array of clients from big international mining companies in Gauteng to small farmers in Malawi. Its operations can be divided in three different segments, which are more or less related to one another (i.e. Nitrogen produced by fertilizer facilities is used in manufacturing explosives). The segments are defined by the company as Agriculture (which focuses in fertilizers), Mining (which focuses in explosives and chemicals for mining) and Chemicals (which focuses on the distribution of bulk chemicals). Of all segments, Mining has been the one that has created the most value for shareholders in the past years, with fast revenue growth, high margins and a relatively low asset base.

Omnia is a very competitive company, which operates in segments that are fitted to Southern Africa's economy (huge mineral reserves and high agricultural potential)[1]. The company is regarded as being a premium supplier of fertilizers and mining materials because it's products are seen as reliable and also, because it manages it's relationships with clients in a highly individual manner by offering consulting (Nutriology®) and technologic software (BlastMap™) to access the clients' actual needs[2]. Moreover, Omnia has also succeeded in the past because of it's management team which has faced many challenges and was able to make the

[1] Omnia is leveraged fundamentally in South Africa's primary sector. As of 2013 agriculture accounted for 2.2% of GDP and Mining for 4.9% of GDP (Source: Stats South Africa).

[2] AECI (competitor) also offers assessment in mining but Omnia is the only company offering it for the SA fertilizer market.

company adapt quickly to swift changes in the market and disruptions such as drought years[3], miners strikes[4] and the 2008 crisis.

Because of all of these factors and proper macroeconomic conditions in South Africa, Omnia has been a star performer company in the JSE which managed to grow it's operating profits at a CAGR of 15.6% over the last 10 years and provide investors over the past 5 years with yearly returns of about 26.97%. We consider this performance to be even more impressive since the South African market for fertilizers and mining supplies is very competitive (due to several reasons we will expose along the report) and no other competitor company has fared nearly as well as Omnia (refer to figures 5 and 6).

Omnia's main competitors are: AECI, a mining supplies company which has the same client focused approach to business and Sasol, a South African company which has extensive operations in the chemical and fertilizer sector. Other competitors are some of the bulk fertilizer importers and distributors.

Another relevant aspect of the company is its management structure. Omnia is composed of a 10-member board of directors with backgrounds in engineering, commerce and accounting. The Omnia group is lead by Roderick Humphries, with the Agriculture segment being led by Jan Veermak and Adriaan de Laange, the mining segment by Francois Hay and Mathew Kearns and the Chemical segment being led by Gavin Brimacombe. The whole management team is credited as sound and very professional, in fact as stated before Omnia has endured the turbulent years from 2008 to 2011 better than other companies in the market thanks to the management streamlining efforts (especially in the chemical segment), pricing policy, governance practices and diversification strategy (into new product and service lines). Thanks to this Omnia has not only been among the companies in the sector that yielded the best level of returns over the past 5 years but also has nowadays a very low level of debt (figure 7) and is now in a more advantageous position to go for investment opportunities than competitors.

Omnia's management team is constantly focusing on the company's long-term prospects. Its financial policy and operational targets are set according to 5-year

Figure 4: Omnia's revenues by geography (Million ZAR's)

	FY 2012	FY 2013
South Africa	ZAR 8,744	ZAR 10,143
Rest of Africa	ZAR 2,811	ZAR 4,317
Others	ZAR 274	ZAR 263
% outside SA	**26%**	**31%**

...and expected FY 2014 breakdown

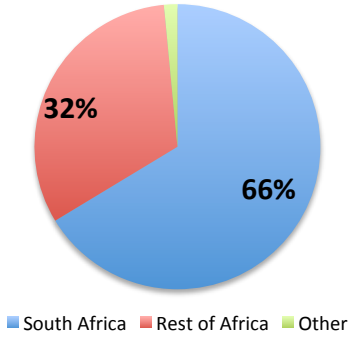


Figure 5: Stock price of Omnia, comparable companies and the JSE in the past 5 years (Base= 100)

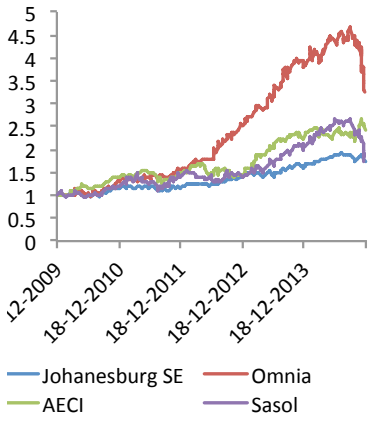


Figure 6: Average yearly return of securities and JSE (2009-2014)

OMNIA	26.97%
AECI good chemistry	11.31%
sasol	18.42%
JSE	10.51%

[3] Southern Africa is known to be very sensitive to the El Niño/ La Niña phenomena and studies have proven that South Africa's maize yields are correlated to the event. However, during the 2003-2014 period, Omnia;s fertilizer revenues and operating profit growth did not go down or grow less than expected during El Niño years. (Source: Famine Early Warnings System Network- www.fews.net/southern-africa for past rainfall data and future rainfall forecasts).

[4] Omnia faced an ilegal strike in its Losberg manufacturing plant in September 2013 which was promptly solved with the aid of the police. Moreover, the company was also relatively unaffected by the 2014, 5 month long (underground) platinum miners stike due to low ammount of revenues coming from underground mining.

plans backed by LTIP's (Long Term Incentive Plans) which aim for specific measures of annual EPS growth, ROE ratios and gearing ratios.

Figure 7: Omnia's KPI targets for FY 2013 and 2014 vs actual KPI values

KPI's	Target	2013	2014
Earnings growth (Cumulative profit vs target)	8% yoy	ZAR 3013M ZAR 2821M (target)	ZAR 2018 M ZAR 2102 M (target)
ROE	Inflation plus 10% (16%)	19.7%	18.3%
Gearing	30%-40%	11.6%	5.7%

In the last 5-year plan the ROE ratio and Earnings growth objectives have been surpassed in most years while the gearing ratio has stayed severely below target (due to better than expected earnings and also due to a lack of attractive investment opportunities). In figure 7 we can access the performance of Omnia's Earnings growth rate, ROE and gearing ratio relatively to what was targeted for financial years of 2013 and 2014.

Shareholder structure

As of the end of 2014, Omnia had about 67.2 million shares issued for ordinary shareholders. Omnia has been a provider of stable returns over the years, so it comes as no surprise that its main shareholders are South African institutional entities such as the Government Employees Pension Fund, OMIGSA, Foord Asset Management, and Coronation Fund Managers. These mentioned institutional investors together represent 42.5% of Omnia's equity.

Figure 8: Omnia's ownership structure by type of shareholder

Type of shareholder	# of shares	%
1 5000	3818340	5.7%
5001 10000	13424922	20.0%
100001 or more	50006563	74.4%
Total	**67249825**	**100%**

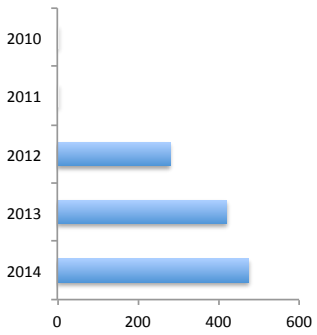
% owned by employees	5614606	8.3%

Major shareholder ownership		
Gov. Employees Pension Fund	9390113	14.0%
OMIGSA	6775643	10.1%
Foord Asset Managers	4986212	7.4%
Coronation Fund Managers	3924243	5.8%
Dr WT Marais	3504737	5.2%

Omnia's shares are thus fairly concentrated in few investors such as big institutional entities or even the company management, which together own 8.3% of the capital. The predominance of big shareholders is further revealed in the fact that 74.4% of the shares belong to shareholders owning more than 100.000 shares. Besides these, Omnia also has a fair number of small investors (1-5000 shares), which include members of the company workforce (0.9%) and own about 5.7% of total shares.

Dividend policy and overall financial policy

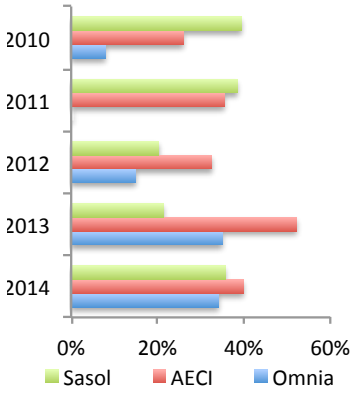
Figure 9: Omnia's dividend per share (cents of ZAR)



In FY 14 Omnia distributed a 4.75 Rand dividend for each of its shares and its dividend yield was of 2.45% (Source: Bloomberg). In order to do so, the company distributed 301 million ZAR's, which corresponded to a payout ratio around 34% for the year. This represented the culmination of a growing proportion of dividend distribution since 2011. However, looking at historical data back to 2004 we conclude that Omnia's dividend policy has not been stable at all, varying from a high of 74% payout in 2010 to a low of 0% dividend payout the next year. This is probably explained by the fact that the past years have been abnormally volatile and Omnia has made several new investments which required it's capital to be redirected for CAPEX purposes. Additionally, when taking a look at Omnia's peer

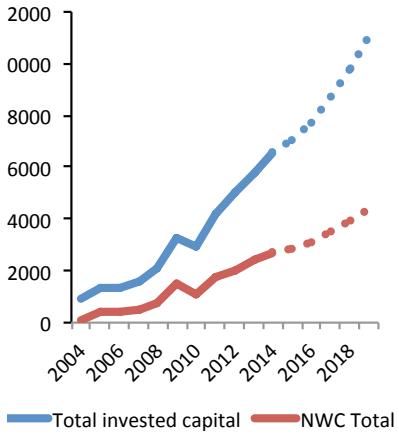
companies, Sasol and AECI, we find out that Omnia is the company that has had the most irregular payout policy. Compared with these two companies, Omnia has been also the one paying the lowest dividend relatively to income in most of the past years. This is due to the fact that Omnia's management went for more protection in the turbulent years of 2009 and 2010 and also because Omnia's businesses are not entirely comparable to these companies. Sasol and AECI are more related to the chemical segment and Omnia is more related to the fertilizer segment. A different level of risk of operations can enable higher dividend distribution and this is especially true for Sasol since it can be considered almost a utility company (it supplies two thirds of South Africa's gas).

Figure 10: Payout ratios (Omnia vs comparables)



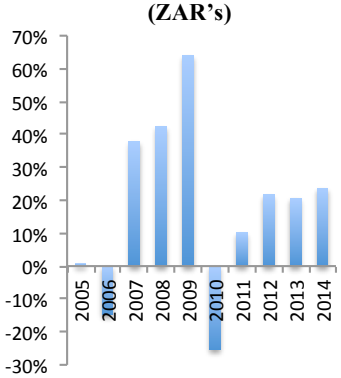
Omnia had in fact until now a very flexible financial policy, which prioritized the company's need for capital in periods of high potential growth and protected the company in times of turmoil. The company does not have a totally defined financial policy so one can only look at it's past actions in order to assume what steps Omnia will take in the future. Doing so, we assumed that the company prioritizes profitability and value creation so we expect Omnia to be currently on the lookout for value adding investments (such as plant capacity expansions and especially acquisitions). Additionally, Omnia has also been defining gearing ratio targets for a while and so we expect that Omnia will probably leverage itself more as soon as the right investment opportunities appear (it can do it at a relatively low interest since its leverage is currently pretty low). Finally, for future reference, we do not think low payout levels will be maintained not only because we assume that volatility will diminish and investment will be higher in the medium term, but also because Omnia's business is reaching a more mature stage and so will probably start to distribute dividends at a higher payout ratio.

Figure 11: Omnia's historical and forecasted invested capital and Net Working Capital (Million ZAR's)



Segmental Overview

Figure 12: Agriculture segment anual revenue growth 2005 -2014 (ZAR's)



Agriculture

As mentioned before the Agriculture segment focuses in fertilizer production and this activity was Omnia's only operation at first. Nowadays, fertilizer production has evolved a lot and Omnia's operations as off today share little resemblance to the ones it performed in the past.

The Agriculture segment is responsible for 41% of Omnia's revenues and was also responsible for 30% of Omnia's operating profit in the year of 2014. The segments revenues have been growing a lot in the past years and its operating margins,

besides varying a lot, have averaged close to 7-8% of revenue. As we can see in Figure 12 past growth was also sided with years of decline in revenues. The financial year of 2010 was the period where the Agriculture segment suffered its most severe drop in revenues and this behavior was explained by the international pricing environment. Fertilizers (as for other commodities) where being priced abnormally high for the years preceding 2008, and as soon as the crisis started all prices went down severely and the price drop eventually showed up in 2009's results (which Omnia accounted mostly in the 2010 financial year) when the segment generated a loss (figure 14). Taking a look at some more recent data relative to the volume component of revenue growth we can access that in the past 5 years, Omnia has had a continuous growth in the amount of fertilizers it sold and curiously the financial year of 2010 was even the year where volume of fertilizer sold grew the most.

Figure 13: Volume of fertilizers sold by Omnia over the last 5 years (sorted by weight)

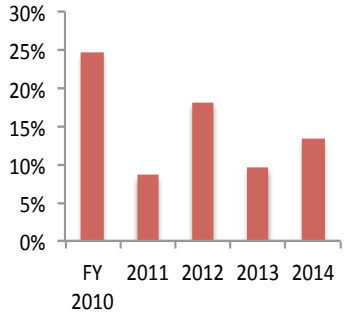
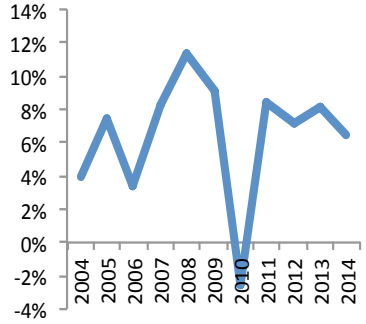
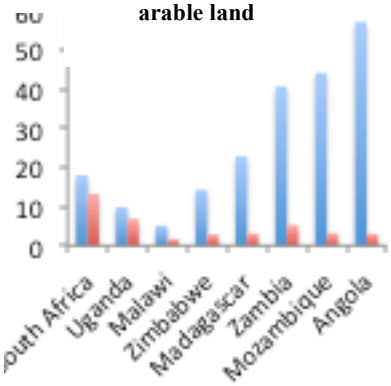


Figure 14: Agriculture segment historical operating margin (ZAR's)



72% of Agricultures products and services get sold inside South Africa while 28% are sold in foreign countries. This relation is expected to grow even more equal as Omnia participates in the "green revolution"[5] Sub-Saharan Africa will experience in the near future. As of today, the most important countries for the segments foreign operations are Zambia, Malawi, Tanzania and Zimbabwe all of which have an untapped enormous agricultural potential (Figure 15). It is also worthy of mention, that the Agriculture segment is the one with the widest asset base, which includes ten different fertilizer producing facilities and also the 168 acre Sasolburg plant which was inaugurated in 2012 and represented a 1.4 Billion ZAR investment.

Figure 15: African countries Potential (blue) vs In-use (red) arable land



Omnia's fertilizer division produces an impressive array of products such as: dry fertilizers (granular, straights and bulk blends), liquid fertilizers (planter and fertigation blends), soil enhancing products (bacteria and funghi), foliar fertilizers (Kelp, nutrient solutions, hormones and calcium additives) and a whole range of sophisticated specialty products (micro elements and compounds). Omnia's business approach for this particular segment is focused on being able to supply farmers with all the sort of yield enhancing products that they may require. Moreover, Omnia has taken a step further and offers services to help farmers assess their actual needs. This services work as a sort of "agricultural advisory" and are performed by professionals at Omnia's SAS (Strategic Agricultural Services) whom aid farmers in crop planning, soil investigation and fertilizer assessment. They are based on the concept of Nutriology® which was developed by Omnia and basically attempts to join quality fertilizers and knowledge for the

[5] Most development experts call "green revolution" to the initial period where a country or region agricultural output grows exponentially as a result of the majority of farmers adopting several improvements such as increased fertilizer use, machinery deployment, irrigation system adoption and utilization of high yielding crop varieties. The term was first used by the former director of the United States Agency for International Development (USAID), William Gaud in 1968.

Figure 16: Omnia's market share in 2008 and 2011 (source: Grain SA)

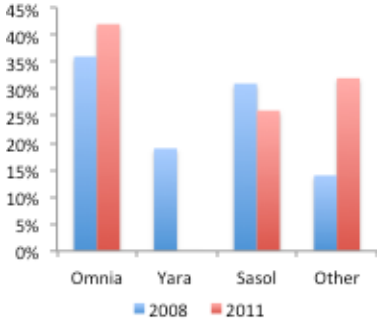


Figure 17: Areas of plantation and ammount of fertilizer requirement by crop

	Planted area in South Africa (ha)	Kg of fertilizer per ha (all)
Maize	3200	91
Sunflower	640	38
Wheat	515	74
Sugar cane	450	282
Lucerne	180	98
Soybeans	119	40
Tobacco	100	280
Cotton	50	50
Other crops	30	101

Source: FAO 2005 Data

Figure 18: Yearly maize crop size (Millions of tons) in South Africa (Source: FAO)

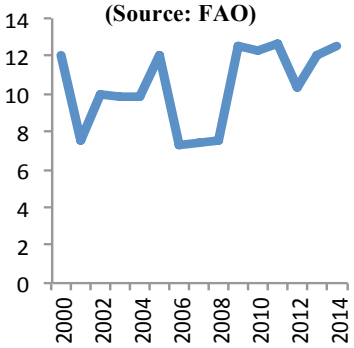
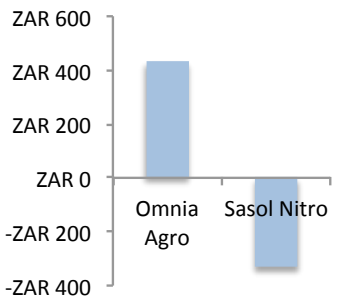


Figure 19: Fertiliser business operating profit in Omnia Agriculture vs Sasol Nitro (2014)



purpose of growing crops in the most efficient way. Although these services represent a small part in the revenue of the segment they are actually pretty value adding since they work as a big differentiating factor for South African and foreign farmers.

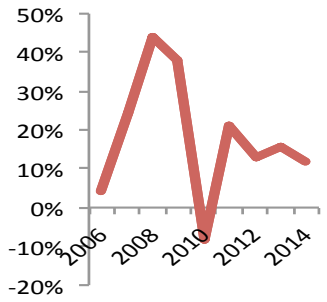
Regarding the segments clients, they consist typically of South African farmers holders of medium sized plantations. Unlike the rest of Sub-Saharan Africa, South African crops use a fair amount of fertilizers mostly due to better knowledge of its benefits and also due to a larger area of plantations which enables economies of scale. In South Africa, land ownership keeps being quite unbalanced. It is estimated that a small percentage of farmers (which are mostly white) hold large amounts of land while the majority of farmers own really small plots.

After produced, Omnia's fertilizers are delivered mostly by truck to farms in South Africa. Also, in order to get its fertilizers to other Sub-Saharan African countries Omnia usually uses foreign local storage facilities. Omnia's fertilizers help farmers grow crops that are grown most traditionally in South Africa and the southern African region such as maize, wheat, sunflower and sugar cane. All these crops have different fertilizer requirements as illustrated in figure 17.

The environment for the fertilizer industry in South Africa is quite competitive. According to data from Grain SA, an independent association of farmers, in 2011 Omnia held about 40% of the fertilizer while Sasol held another 30% and other smaller and specialty fertilizer companies held the remaining share. In South Africa, competition is driven not only by pricing policy but also by product differentiation and specialized support services, which farmers are really aware. In fact the typical South African medium and large farm owner is very knowledgeable, since there is a tradition for some landowner families to be in the agribusiness for several generations. This makes knowledge about technologies and techniques easily passable on to new farmers. Due to this tough competitive environment, in the recent past, even some of the most important international groups in the fertilizer business like Norwegian company Yara (Bloomberg: YAR:NO) had to severely downscale its operations in South Africa due to poor results. And even as of today, while Omnia is generating healthy profits, Omnia's biggest competitor, Sasol (Bloomberg: SOL:SJ) actually incurred in losses in its fertilizer business (Sasol Nitro) for the year of 2014 (Source: Sasol annual report).

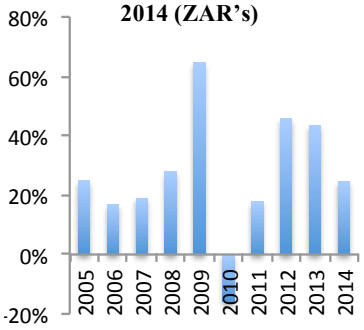
Taking a closer look at the revenues of the segment, we can assume the great majority comes from the four most traditional bulk fertilizer products, them being ammonium nitrate based fertilizers, urea, potash based fertilizers and phosphate

Figure 20: Return On Invested Capital (ROIC) of Agriculture segment according to own estimates



based fertilizers. In order to produce these fertilizers, Omnia buys ammonia produced in Qatar from Sasol (South Africa's main chemical company), phosphates from Phoskors mine in Phalaborwa and potash, which it imports from Israel, Jordan and Chile. Of these fertilizers, ammonium nitrate (NH4NO3) is the top selling fertilizer since it is the one in biggest demand from pretty much every crop grown in southern Africa. In fact, one of the key proxies for operating margin in the fertilizer segment is the Urea-Ammonia ratio, since Omnia imports huge amounts of Ammonia in order to produce it's nitrogen based fertilizers which sells at prices that are in line with Urea prices (adjusted to nitrogen yield).

Figure 21: Mining segment anual revenue growth 2005 - 2014 (ZAR's)



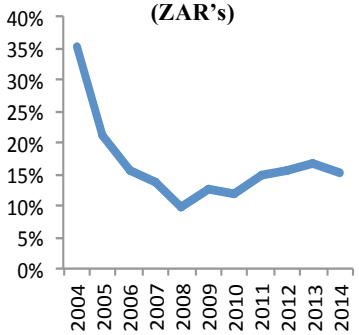
Mining

The mining segment has been the star-performing segment of Omnia over the last 10 years. The segments operations are responsible for most of Omnia's cash flow generation (figure 27) with a big portion of the group's revenues (34%), an even bigger portion of its operating profits (59%) and a relatively low asset base. It is also Omnia's most international segment, with 45% of its revenues coming from mining operations outside of South Africa (mainly on the mining corridor pictured in figure 22). With this rapid internationalization came spectacular growth at a CAGR of 25% over the last 10 years.

Figure 22: Southern Africa's main mining corridor (Source: exploringafrica.com)

In Omnia, the mining segment is focused on the production of explosives, which is done by BME Explosives and the production of mining chemicals, which is performed by Protea Mining Chemicals. Its product range include bulk explosives (ANFO – Ammonium nitrate fuel), packaged explosives (PANEX and PANAL), bulk emulsion (Megapump), electronic delay detonators and shock tube initiating systems. The segment specializes in supplying materials to surface mines (more than 80% of revenues from South African Mines) and is reliant on a wide range of supply contracts with mining companies, which the company does not disclose. We know however that its clients in the past have included BHP Billiton, Anglo Platinum and Rio Tinto and also that recently BME lost a supply contract to Optimum. Omnia's mining supplies are used mostly to mine coal, PGM's (Platinum Group Metals), gold and iron ore (figure 25).

Figure 23: Mining segment historical operating margin (ZAR's)



The market in which Omnia's mining segment competes is fundamentally explosives and mining chemicals and it's main competitor is AECI (Bloomberg: AFE:SJ). Although there is not much information about these two very specific segments we can assume that Omnia and AECI are the companies, which supply the most mines, apart from other international companies in the sector with small presence in the continent. Competition in this market is done mainly by product

diversification and technology. Miners in general look for the products and associated technology that provide them with the best possible blast that is not only lean in explosives used but also preserves the highest amount of the mineral. Therefore it comes as no surprise that Omnia and AECI developed exactly the same type of technologies in the past (such as initiation systems) and are now working on improvements in the same fronts (detonators and blasting software). It is also expectable that for both competitors, although being complementary products in most cases, mining explosives should account for a bigger amount of revenue than chemicals. Being a supplier for the mining sector is a very competitive activity in South Africa not only because companies need to keep pace with innovation but also because there is a limited number of big mining companies operating there. This makes it a risky business since sometimes these companies choose only one supplier for several of their mines and this may destitute suppliers of explosives of a big portion of their income in case they lose any of the big tenders.

Figure 24: Percentage of revenues coming from out of South Africa (estimates beyond 2014)

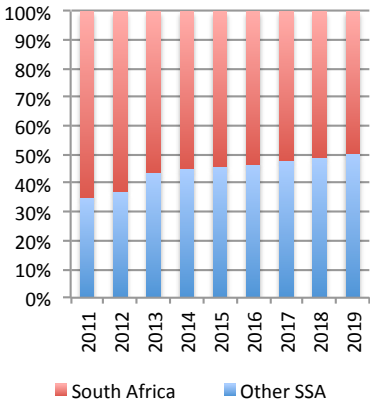
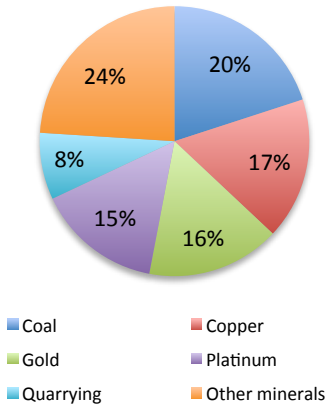


Figure 25: AECI's mining explosive sales by type of mineral mined (presented as benchmark)

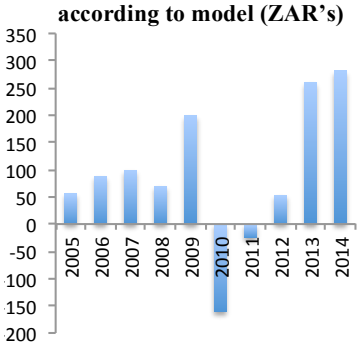


As of today, investors following Omnia's activity are increasingly aware of the mining segments importance in shareholder value creation. The results of this activity have become very much correlated with the company's stock price and this may become a negative factor for Omnia since the years of 2015 and 2016 are set to be tough years for the mining segment. The mineral commodity bust will definitely have an impact on the segments revenues and profits, as miners hold their activity, delay prospections and even close some of the mines. These fears were behind the 25th of November 2014 15% Omnia share price drop after the release of the S1 2015 semester results which, even being sided with a 1% increase in the overall revenue, showed a decline in Mining revenues (-2.7%) and also in it's operating profit (-6.4%).

Figure 26: Figure 26: ROIC of Mining segment according to own estimates

In order to understand better the relations between what is presented in the company's results and Omnia's share price we performed a correlation analysis. In this analysis we looked at every interim and final year result announcement for the last five years (starting in S1 2010 and with a minimum of 5 period observations) and gathered the values for total revenue evolution, mining revenue evolution and mining operating profit margin evolution relatively to the same semester in the past year. Our findings are demonstrated in figures 28 and 29, and as we expected, the evolution in revenue from mining is more closely related to the evolution of Omnia's post announcement stock price than the evolution in overall revenue. Investors have also been looking more at the mining segments operating profit since they are weary that if margins drop, the revenues of the mining segment will yield lower cash flows. All these behaviors are quite predictable, for one, as we saw in figure

Figure 27: Mining segments expected Free Cash Flows according to model (ZAR's)



23 mining segments margins have been decreasing continuously since 2004 and investors expected it to plateau near 16-17%. The S1 2015 results showed a 6.4% decrease in mining operating profit sided with a 2.7% decrease in mining's overall revenues which signaled investors that the operating profit margin decreased below their expectation and generated worries about the mining segment financial health amidst a mining commodities bust.

Figure 28: Previous semesters results announcement information vs Omnia's share price evolution

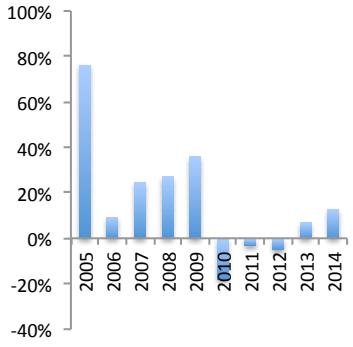
Semester	Mining Revenue evolution	Total revenue evolution	Mining margin evolution	Share price (prior announcing)
2010 1st	-11%	-22%	12%	-1%
2010 2nd	-21%	-19%	12%	-3%
2011 1st	20%	0%	16%	4%
2011 2nd	15%	11%	14%	2%
2012 1st	27%	16%	14%	2%
2012 2nd	65%	18%	17%	5%
2013 1st	46%	21%	17%	1%
2013 2nd	42%	25%	17%	2%
2014 1st	37%	26%	16%	0%
2014 2nd	14%	17%	14%	-2%
2015 1st	-3%	1%	-6%	-11%

Figure 29: Correlation between Omnia's post announcement share price evolution and indicators from Mining segment

Semester	Mining revenues	Total revenues	Mining profit margin
2012 1st	0.92	0.73	0.91
2012 2nd	0.93	0.80	0.93
2013 1st	0.84	0.70	0.81
2013 2nd	0.82	0.66	0.76
2014 1st	0.76	0.53	0.67
2014 2nd	0.74	0.40	0.67
2015 1st	0.65	0.38	0.90

Chemicals

Figure 30: Chemical segment anual revenue growth 2005 -2014 (ZAR's)



Chemical segment is Omnia's newest division. The segment represents 25% of Omnia's revenue and 11% of its operating profit and it was created in 2004 by the allocation of assets and revenues from the other two segments. In the year of its creation the amount of revenues generated by this segment was almost 4 times as big as mining's revenues and even so, following its creation, the chemical sector managed astonishing growth (76% revenue growth in 2005). Moreover, prior to its creation the segment sustained acceptable operating profit margins of around 5%.

Omnia's Chemical segment activity focuses on the sale of chemicals like polyurethanes, plastics, water treatment chemicals and other specialty chemicals to industrial clients mainly from South Africa (only 25% of Omnia's sales are done in foreign countries). In the Chemical segment, activities are mainly conducted through Protea Chemicals, which also holds some smaller units such as Zetachem (water treatment) and ACOL (Zimbabwean unit for plastics). Its business focuses mainly in distribution of bulk chemicals which it purchases (mainly through imports) in large amounts, blends and then repackages in smaller batches (40-50 litter drums) in order to be sold to industries such as plastics, oil & gas, water treatment

Figure 31: Chemical segment historical operating profit margin

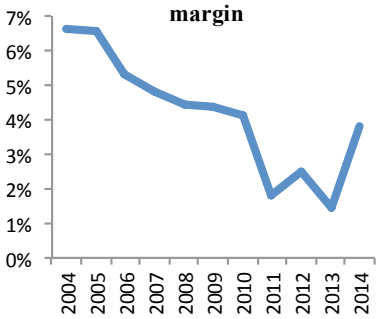
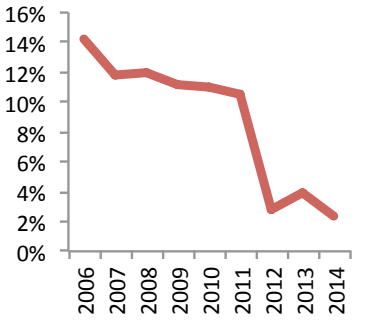


Figure 32: Chemical segments ROIC (according to own estimates)



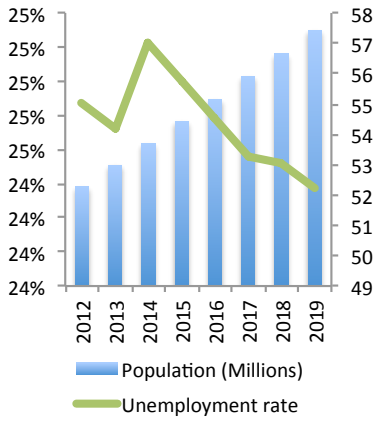
or the overall commodity processing industry. This segment is a very low margin segment, and thus Omnia's management has made huge efforts to streamline its production to the bare essential and dispose some assets (such as the NALCO plant) in order to avoid it to drag Omnia's overall results. Due to its low operating margins it is also the segment more exposed to exchange rate movements since almost all of the products it sells in South Africa (denominated in ZAR's) where previously imported and paid for, probably in American dollars.

Evidently, the Chemical segment is not as attractive as it used to be. Since the year of 2010 to 2012 its revenues have declined severely and the modest recovery in revenue growth achieved in 2013 and 2014 was obtained by lowering the selling price of its products and thus affected margins. Omnia's Chemical sector margins as a result are dangerously low (at 2.5% taking into account the normalization due to the sale of NALCO[6]) and will probably take a 2-3 years period to recover to the 4.5% operating profit threshold which is the target set by Omnia's management. Moreover, the segments yearly revenue growth is also set to be modest in the medium term. It is therefore our opinion that in 2014, the Chemical segment has had a negative contribution to Omnia's overall free cash flows

Macroeconomics

South Africa macroeconomics

Figure 33: South Africa's population and unemployment rate (Source: World Bank)



Besides being the richest economy in Sub-Saharan Africa, a stable democracy, with fairly functional institutions and an impressive endowment of natural resources (i.e. mineral reserves), South Africa, like the rest of the developing world is now facing slower growth due to low external demand from its products and a "hangover effect" from the 2010 commodity boom, since mineral (South Africa's main commodity export) prices have reached a 4 year low.

However, the current scenario is only shady when compared to the previous years of intense growth (pre-crisis GDP growth at 5.5% in 2007) and social development. After the Apartheid fell in 1994 the South African middle class has almost tripled. In this transition to democracy a new black middle class with a growing disposable income consistently has fueled South Africa's consumption level. Obviously, besides this, problems persist. Inequality is huge (between

[6] NALCO partnership – after a shift in the ownership of the NALCO group a partnership involving a joint facility had to be revoked and Omnia earned 52 million ZAR's that where allocated as profit in the Chemical segment.

Figure 34: South Africa's GDP growth rate over the past 20 years

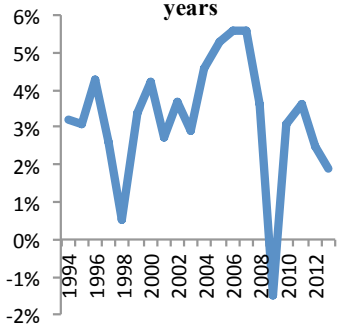


Figure 35: 1994 vs 2014 middle class portion of South African population (Source:EIU)

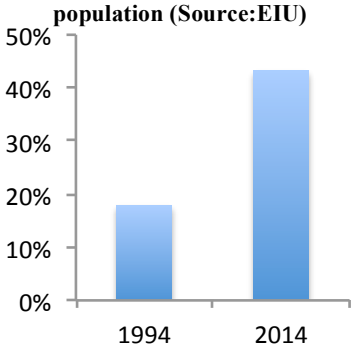


Figure 36: Mining, Agriculture and overall services contribution to GDP (Source: Stats SA)

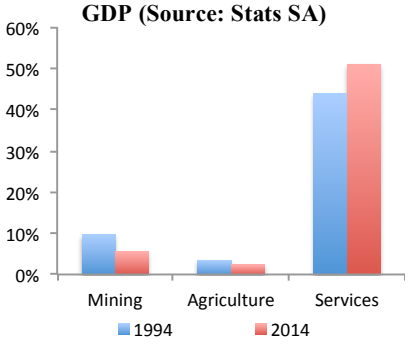
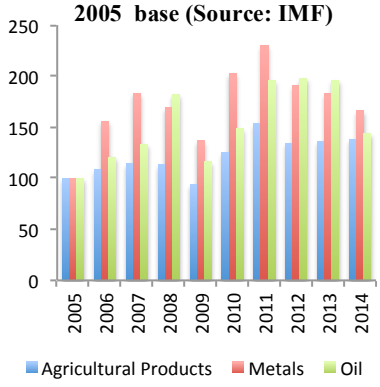


Figure 37: Global commodity price indexes evolution from a 2005 base (Source: IMF)



races and regions), unemployment is among the highest in the world at 25.4% and besides the growing middle class there are also a lot of people with no access to basic services such as sanitation.

The South African economic prospects for the future have been dwindling; according to the World Bank, GDP growth at constant prices for 2015 is expected at 2.3% and the inflation rate at 5.8%. This situation has come to be because of several factors such as the low level of growth in developed countries, the decreased level of GDP growth in China (around 7.5% of GDP growth expected for 2014), lower investment rates in South Africa (investment rate of 19.5% of GDP as of 2013 and still trending downwards), the current mineral commodities' bust, a prolonged period of rand depreciation and a high budget deficit which has lead Moody's to a recent downgrade in South Africa's bond rating (BBB-).

Taking a look at South Africa's primary sector we find that this sector is highly important for South Africa's economy, exports, employment rate and state budget (according to the World Bank natural resources rents accounted for 7.9% of GDP as of 2012). Agriculture is crucial for the economy. The country is a net food exporter and is also self-sufficient in most products present in its people's traditional diet. The Mining segment is another very important constituent of the primary sector; according to the South African Chamber of Mines mining accounts directly and indirectly for about 18% of the country's GDP and South Africa is the biggest producer of platinum and a big producer of pretty much every other metal.

Lately, South Africa's primary sector has been suffering especially from low investment, which is related to big capital outflows has investors from developed countries (and wealthy South Africans) sack their capital from South Africa and other emerging markets in order to invest them in the developed world (especially the United States) as interest rates in those regions start picking up. The sector has also suffered from lower international prices motivated by lower demand from developed countries and especially from China.

Looking at the most recent information related to South Africa's economic performance, we could highlight a 1.4% GDP evolution in the third trimester of the year, which was below expected while inflation stood at 5.9%. Some other new developments include a continuing appreciation of the dollar in Q4 2014 and also a possible rebound in South Africa's manufacturing activity, which may pronounce good news for the Chemical segment. However the biggest impact on South Africa's economy and natural resource industry should come from the slump of the oil price, which will decrease energy costs and is set to benefit the country and

Figure 38: GDP growth rate and estimates at constant prices (Source:IMF)

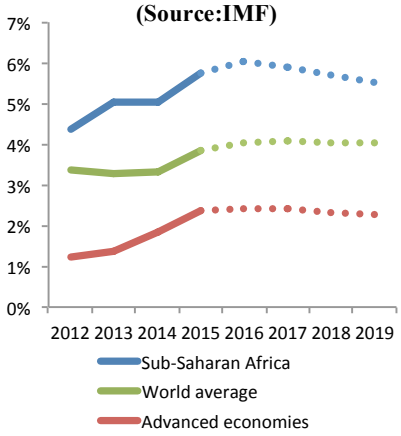


Figure 39: GDP growth estimates for designated african countries (Source: IMF)

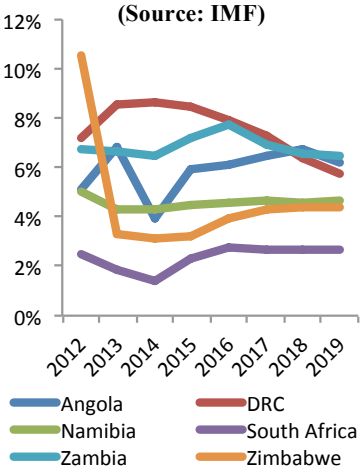


Figure 40: Africa total trade with China – imports plus exports in Billion USD (Source: EIU)

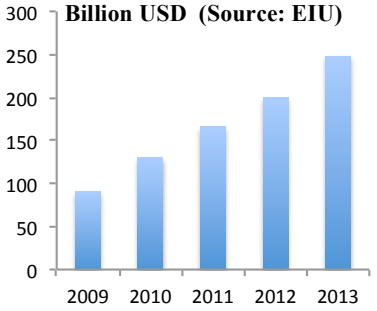
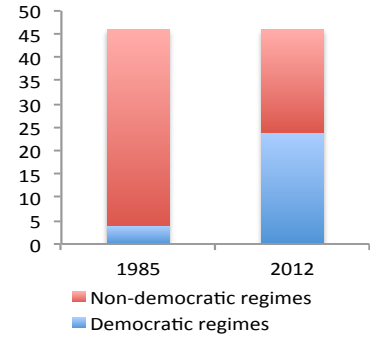


Figure 41: Number democracies in Africa (Source: Ourworldindata.org)



Omnia.

Sub-Saharan Africa macroeconomics

Sub-Saharan Africa is the poorest region in the world, where most of the population lives with less than 2$ a day. Its backwardness has many possible explanations, from colonial rule to random border implementation, lack of linguistic homogeneity and lack of centralization of the state. The fact is that since most African countries gained their independence in the 60's and 70's until 2000, their economic performance has been rather poor, averaging low GDP growth rates or even negative rates in some cases. Low levels of education, hunger, conflicts, a population boom and weak institutions have all contributed to keep Sub-Saharan Africa as the poorest region in the world.

The fact is that most Sub-Saharan African countries have non-diversified economies where the primary sector assumes a huge importance. Commodities thus achieved a strategic importance for most African countries since they are able to export them and receive some needed currency from foreign countries. China has assumed a major relevance (figure 40) has a buyer of African commodities and also has a seller of manufacturing products and transportation equipment to the continent. But this dependence sometimes also presents risks, as many countries become overly dependent on a single commodity and don't establish any efforts to diversify their economies. As examples of this situation we can offer Zambia, where copper represents 85% of exports, Nigeria, where oil accounts for more than 90% of exports, and Botswana, where diamonds represent more than 50% of exports (Source: Observatory of Economic Complexity).

While all of this is still true nowadays for many countries, there has also been a noticeable trend showing that things have been improving since the beginning of the millennia until now. With the ending of long conflicts, the spread of democracy, the fall of some authoritarian regimes and the overall stabilization of governments and institutions, Sub-Saharan Africa has entered a period of inclusive growth, which leveraged by the 2000's commodity boom in many countries laid the foundation for the appearance of middle classes. These new middle classes' surge is noticeable when looking at Africa's impressive pace of housing development and cell phone ownership growth.

An impressive fact on Africa's recently acquired economic drive was its resistance to the 2008 crisis. Sub-Saharan Africa is one of the few regions in the world,

Figure 42: Investment as a percentage of GDP among selected countries (source:IMF)

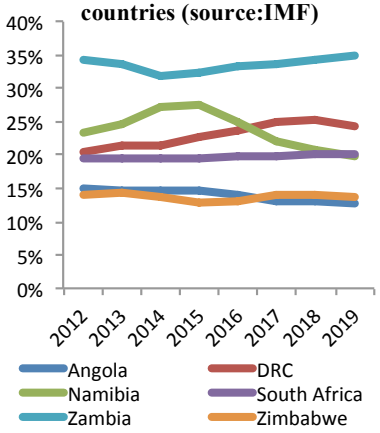


Figure 43: Percentage of Sub-Saharan Africa population living with less than 1$ and 2$ by year (Source:EIU)

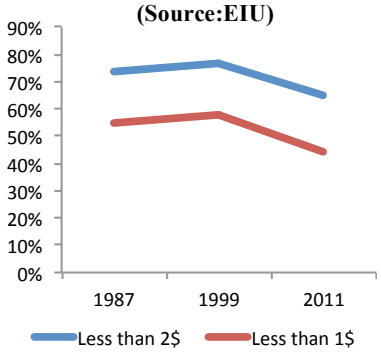


Figure 44: Inflation expectations for designated countries (Source: IMF)

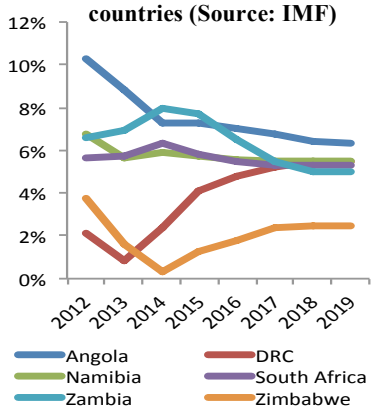


Figure 45: Property Rights Index, available countries measured on a 1 to 10 scale (Source: PR Alliance)

Country	IPRI Index	Comparble country
South Africa	6. 7 (Medium high)	Portugal
Zambia	5.1 (Medium)	Greece
Zimbabwe	3.8 (Very low)	Nigeria

which was able to recover quickly from the 2008 downturn and achieve regional GDP growth rates above 4% after 2010. We would also like to comment on some Sub Saharan countries:

Zambia - while one of the poorest countries in the region, it is also the one that has been catching up the fastest (expected 2014 GDP growth of 7%). It has a fairly stable and business friendly government, huge iron ore reserves and good agricultural prospects.

Angola – set for GDP growth of 5% in 2014, it is one of the richest countries in Sub-Saharan Africa besides South Africa thanks to its huge endowment of offshore oil. Its government is stable but the country struggles to develop as most of its infrastructure has been destroyed in the civil war and human capital is critically insufficient. Nonetheless, in terms of natural resources, it offers excellent prospects for agriculture and mining (with large untapped reserves).

Democratic Republic of Congo – it is a very poor country of 77 million people and with very weak government rule. Since it is really vast the government has been struggling to bring basic services such as education everywhere and it's public deficit is at a staggering 11.9%. Political analysts comment on the possibility of president Kabila wanting to rerun for elections in 2016 against the country's constitution, which would damage the country's democratic standing. The DRC also has an impressive endowment of natural reserves and excellent prospects for copper mining in the Katanga region. Agriculture and is set to grow its at 6% in 2014.

Zimbabwe – although it is the country with some of the best social indicators (highest literacy rate) in Sub-Saharan Africa it still is a very poor country, which is only set for 2% GDP growth in 2014. Zimbabwe has had many economic misfortunes caused by Robert Mugabe's dysfunctional authoritarian regime, which is very interventionist and definitely frightens investors. Property rights are very weak (figure 45) and nationalizations have happened in the past. Since the indigenization law of 2008 a big group of investors have left the country. Besides this, the country also had a crisis with hyperinflation in 2008-2009 that destroyed all confidence in the country's currency. Foreign investors are looking at possible candidates to succeed 90-year-old Robert Mugabe in order to figure which path the country may take. It is worthy mentioning that upon independence Zimbabwe had one of the most efficient agricultural industries in the world with very high crop yields.

Coming back to the region as a whole, even with the good prospects of these last couple of years the challenges of development in Sub-Saharan Africa remain. Our expectation is that development will take time and will start at the very basics, like anywhere else in the world, with a "green revolution" boosting Africa's agricultural

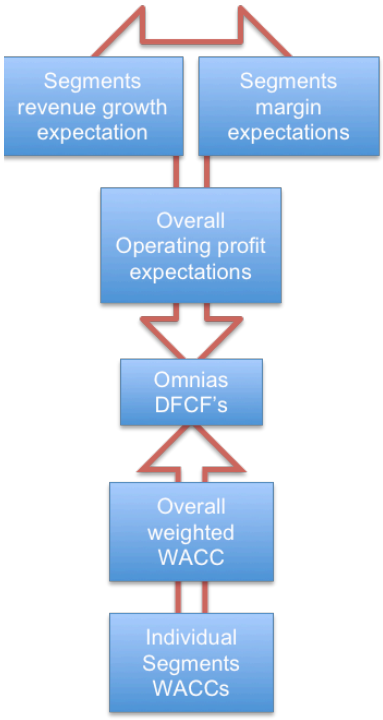
yield to it's potential and thus putting and end to Africa's food deficiencies. Only then issues like extreme poverty, low children enrollment in school and unavailability of resources to treat the AIDS epidemic will become priority.

Valuation

A sum of the parts

In order to access the value of Omnia Holdings, we decided to use the DCF method taking into account a forecast period of five years (2015-2019) where revenue growth and operating margins of each segment where computed individually taking into account several growth and profitability drivers and some one-off adjustments. Besides this forecast period, it was also assumed a perpetual growth rate (g) equal to South Africa's long term real (GDP growth) plus its price growth (inflation) to evaluate value creation after 2019. Moreover, all annual FCF's where discounted at a WACC rate, which tries to replicate Omnia's average cost of capital.

Figure 46: Scheme on method used to obtain Omnia's future Discounted Free Cash Flows



Furthermore, it was decided to compute each segments revenue and operating profit individually for each single year and then aggregate them in order to obtain Omnia's total FCF to investors taking into account the company's total assets, taxes, depreciation, debt, CAPEX, NWC and foreign currency adjustments (since we found it would be inaccurate to split these values between segments without more sensitive information). Nonetheless, for the sole purpose of understanding each segments individual value creation, a split of the company's total assets, taxes, depreciation, debt, CAPEX, NWC and foreign currency adjustments in proportion to each segments' revenues was also performed in order to obtain a rough approximation of each segments individual FCF.

After summing all years DFCF's discounted at the appropriate WACC the equity value of the company is obtained by subtracting the company's interest bearing debt, and non-controlling interests. Afterwards, this equity value is divided by the number of outstanding shares and we obtain the company's target price according to our assumptions. After all this was completed, we also found necessary to subtract the value of some risks that operating in Sub-Saharan Africa may imply (since 30% of Omnia's revenues come from underdeveloped African countries). We took this into account by computing a worst-case scenario associated to instability in the African continent to which we attributed a 5% probability.

Forecasts and basic assumptions

As we stated before our valuation included a 5-year forecast period where we calculated each segments yearly revenue growth and operating profit. In terms of revenue growth we computed an actual real growth in revenue and then added the inflation expectation for that year (for which we used the World Bank forecasts). In order to calculate the Agriculture segment's real revenue growth rate we took a look at the past evolution of the segments revenue and also looked to its volume and price component. We therefore assumed that fertilizer volume sales would grow at a yearly rate of 1% in South Africa and at a rate of 10% in remaining Africa[7]. Afterwards, the total expected real revenue growth was thus obtained by summing up fertilizer price (according to world prices) and volume contributions.

The real revenue growth rate for mining was calculated in a different way. In the Mining segment case we based ourselves on the assumption that the real growth rate for the sales of mining supply products (explosives and mining chemicals) will tend to evolve at a 6.6% worldwide yearly pace into the year of 2019. However we expect growth rates to be distinct in South Africa (mature mining market) and the other African countries and also different in the 2015-2016 (slower growth) period and the 2017-2019 period (faster growth) - due to different worldwide demand for metals and competition settings. In the period of 2015-2016 we expect South Africa's real revenues to decrease yearly at -3.3% and Other African countries revenues to be constant. For the following period, 2017-2019 we expect South Africa to recover a 6.6% yearly growth of mining revenues and other African countries to grow yearly at a rate of 9.9%.

Figure 47: Models forecasts for Agricultural segment

Agriculture	2015 f	2016 f	2017 f	2018 f	2019 f
Revenue growth	14.1%	15.5%	13.4%	12.8%	13.0%
Operating porfit margin	7.7%	7.9%	8.2%	8.5%	8.8%

Figure 48: Models forecasts for Mining segment

Mining	2015 f	2016 f	2017 f	2018 f	2019 f
Revenue growth	3.9%	3.6%	12.8%	12.8%	12.9%
Operating porfit margin	13.8%	13.8%	15.3%	16.8%	17.8%

Finally, in the chemical segment we assumed a real revenue growth rate of 0.6% for 2015-2016 and 2.8% growth for 2017-2018. These values where based in

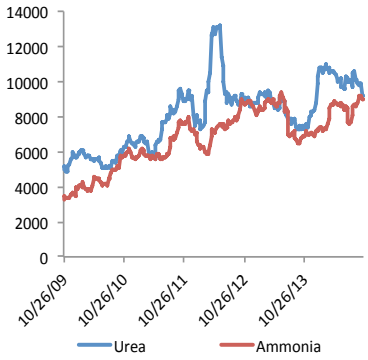
[7] South Africa's available arable land is already limited and fertilizer use is high for developing country standards. The remaining continent on the contrary has much more arable land to explore and farmers use minimal amounts of fertilizer. Additionally, relatively to the price component, we chose to adjust it relatively to the price evolution of the weighted mix of fertilizer types sold for South African agriculture, however the effect is marginal.

forecasts for bulk chemical distribution in South Africa taking into account South Africa's expected manufacturing activity for both periods. It also takes into account the expected growth in the very promising water treatment industry, which is related to Zetachem's activity.

Figure 49: Models forecasts for Chemicals segment

Chemicals	2015 f	2016 f	2017 f	2018 f	2019 f
Revenue growth	6.4%	6.1%	8.5%	8.5%	8.5%
Operating porfit margin	2.6%	3.0%	3.9%	4.9%	6.0%

Figure 50: Ammonia to Urea gap adjusted for USD/ ton of nitrogen (Source: Bloomberg)



Note on figure 50 – this graph was obtained from both Ammonia price índex (Bloomberg: GCFPAMMC) and Urea price índex (GCFPURMC) adjusted to the average nitrogen composition of Urea (46.65%) and Ammonia (82%).

In order to achieve each segment's contribution to operating profit we obviously also had to calculate an expected rate of operating profit[8]. In Agriculture we achieved this by calculating the average operating profit rate from 2004 until the period and then performed some one-off adjustments for the increasing value added by the services offered under Nutriology® and also for the Urea-Ammonia gap widening effects. Taking a look at the Urea-Ammonia gap effect on margins we decided to perform an analysis on how this gap has impacted Omnia in the past and concluded that a wide Urea-Ammonia gap (being Urea relatively more expensive than Ammonia) favors Omnia's margins. Unfortunately, as we can see in figure 50, this gap has been quite narrow in the past 2 years due to Chinese surpluses of Urea flooding the international market. This situation is expected to reverse in the medium term as China absorbs more of its Urea and the increasing production of natural gas worldwide starts rendering more Ammonia to the market as well. However, in our analysis we do not expect for the Urea-Ammonia gap to widen significantly in 2015 only in the years to follow.

Figure 51: 5 year mining segment evolution of revenues relative to volume and price growth

For the Mining segment, our margins where obtained by adding to the previous years margin one off adjustments such as plant improvements, post-strike recoveries (Losberg in 2014) and also effects from price adjustments. Regarding price adjustments we assumed a big price readjustment for the year of 2015. This price decrease was assumed based on Omnia's past actions. As observable in figure 51, Omnia has always been able to grow the volume of products the Mining segment sells even in bad years for the mining industry. The company achieved this by exerting deep price discounts in those less positive years (2010) perhaps with the objective of getting rid of inventory. We assumed therefore, that Omnia's

[8] All minor one-off adjustments are presented in appendix 3 and where calculated with information provided in Omnia's past anual reports. Minings adjustment "Recovery post Losberg strike" was calculated by reverting the monetary losses caused by such strikes and presented in Omnia's 2014 Annual report. Agricultures "Value adding services (increased value)"and Chemicals' "Zetachem water opportunity" values where educated guesses based on information from the reports as well.

Figure 52: Zetachem is a Chemical segment company which focuses on domestic and industrial water treatment

ZETACHEM
SPECIALITY CHEMICALS
A member of the Omnia Group

Figure 53: Segments Beta calculations

Agriculture	Values
Risk free US	**2.30%**
Inflation differential	**2.95%**
Beta Sector levered	**0.97**
Beta relevered	**0.86**
Market risk premium	**6%**
Cost of equity	**10.41%**

Figure 54: Segments Beta calculations

Mining	Values
Risk free US	**2.30%**
Inflation differential	**2.95%**
Beta Sector	**1.11**
Beta relevered	**0.93**
Market risk premium	**6%**
Cost of equity	**10.83%**

Figure 55: Segments Beta calculations

Chemicals	Values
Risk free US	**2.30%**
Inflation differential	**2.95%**
Beta Sector	**0.82**
Beta relevered	**0.73**
Market risk premium	**6%**
Cost of equity	**9.63%**

actions in the challenging year of 2015 will be similar and thus we discounted 3% on 2015's operating profit margins, which would be related to a possible 19% drop in the Mining segments selling prices. This price decrease is compensated for in years where mining activity is expected to rebound (2017, 2018 and 2019).

Lastly, the Chemical segment's yearly operating profit margins where achieved by adding to the previous years margin one-off adjustments such as cost savings due to streamlining efforts, increased value added from Zetachem's operations, improving performance from South Africa's manufacturing sector and also pressure effects from weak mining activity.

The WACC

As said previously our valuation of the future FCF's was made taking into account a WACC which replicates Omnia's average cost of Capital. In order to calculate it properly we had to estimate Omnia's cost of debt and cost of equity in the long term. As we stated before, our valuation assumes a constant D/EV of 4% in the future, so we did not have to do any adjustments for shifting capital structure.

Omnia's cost of debt stands at around 8% and was achieved by adding to South Africa's risk free rate a corporate default spread (2.75%) related to Omnia's credit rating of Baa1 (according to Moody's). Furthermore, South Africa's risk free rate of 5.25% was achieved by adding to the risk free rate of the US (2.3%) an inflation differential (2.95%) of South Africa's long term inflation (implicit on 20 years TIPS) relatively to US inflation.

The South African risk free rate was not only useful to calculate cost of debt but also to calculate Omnia's cost of equity. In fact for the purpose of our valuation we did only achieve Omnia's overall cost of equity by calculating 3 different costs of equity, one for each segment of the company's activity, and then doing a weighted average between them relatively to the segments' contribution to the overall operating profit. In order to achieve the segmental cost of equity we used an average of three comparable companies' unlevered betas with Omnia's own unlevered beta. These betas where obtained by using the past 5 years companies' USD excess returns relatively to the S&P MSCI World index. This method was really useful since it gave us a notion of which segments are more and less risky (Mining is the most risky – Re=10.88% and Chemicals is the least – Re= 9.66%). Finally after performing all of this and assuming an equity risk premium of 6% we achieved Omnia's cost of equity of 10.58%.

Figure 56: Omnia's overall cost of equity calculations

Costs of equity	Re	Share of 2014's Operating Profit
Cost of equity Agriculture	10.41%	30%
Cost of equity Mining	10.83%	59%
Cost of equity Chemicals	9.63%	11%
Omnia's overall cost of equity	**10.57%**	

In the end with a 4 constant debt to equity ratio, a cost of debt of 8% and a cost of equity of 10.58% we achieved a WACC rate of 10.39% for Omnia as of 2015. Additionally besides our 4% D/EV ratio assumption, many items such as CAPEX, inventories and cash are assumed to grow at the same pace of Omnia's revenues. And finally, we would also like to add that our main assumption of 4% debt to EV ratio is, in our opinion, very reasonable since the company will have some financing needs but is already at a really low level of debt.

Price target and sensitivity analysis

Figure 57: Sensitivity Analysis of Target price relatively to WACC and perpetuity growth

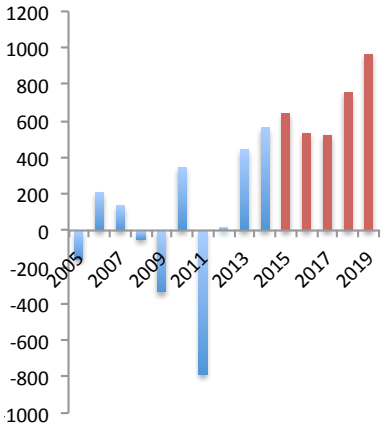
g \ WACC	11.20%	10.80%	10.40%	10%	9.60%
5.5%	156	169	184	201	223
6.0%	168	184	203	224	251
6.5%	184	203	226	253	287
7.0%	203	226	256	291	338
7.5%	228	257	296	345	413

After performing all of the steps we described in this chapter, discounting all of the expected FCF's at our 10.39% WACC and taking into account their value as a perpetuity we finally achieved a ZAR 226 target price for Omnia's outstanding shares. This value is pretty higher than the actual stock price of the company (as of 6 January 2015), which is ZAR 179 per share. We are confident that the actual value of Omnia as of today is much closer to our valuation result than to the market price since currently, investors are overly pessimistic towards Omnia due to the state of mining activity in Africa (and worldwide).

Being our estimated actual value of each Omnia Holdings share ZAR 226, we would obviously advise investors to BUY these shares. According to our valuation, an investor buying today a share of Omnia Holdings and selling it one year from now would earn a 19.7% excess return on the investment (assuming a risk free for South Africa of 5.25%).

Taking a look at the chart relative to the performed sensitivity analysis we can conclude that our models target price is truly sensitive to changes in both the WACC and the perpetuity growth rate (g). If our WACC was only 0.8% higher, our recommendation would shift from BUY to HOLD, and if besides that, the perpetuity growth rate would be 1% lower our recommendation would instead be SELL.

Figure 58: Omnia's FCF's (ZAR's) available to investors according to model (with



Shareholder value creation at Omnia

Omnia has been very effective in creating value for its shareholders. The company has been doing this not only in the most obvious ways (through sustainable revenue growth and operating margin increase) but also through other means such as clever debt management, streamlining efforts, well-planed investments and through the disposal of unnecessary assets.

Figure 59: Omnia's Gross FCF's (ZAR's) according to model (with expectations)

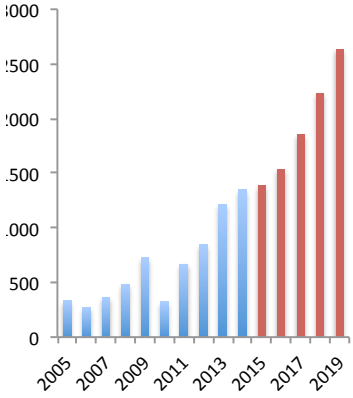
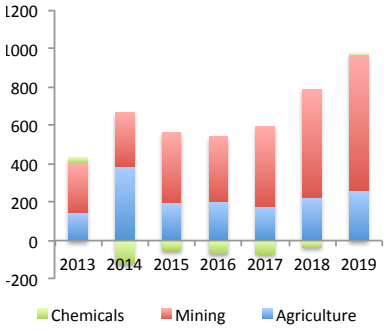
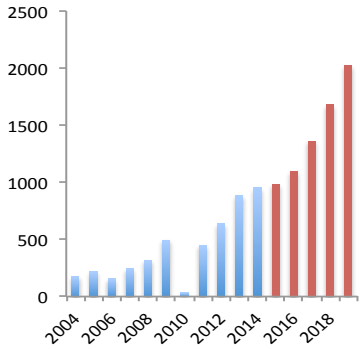


Figure 60: Sectors expected contribution to FCF available to investors (analysis based on model)



Note on figure 60 – this graph does not provide a real brakdown of FCF per segment since the company does not provide the necessary information to do that. Instead it is an analysis attempt performed with rather simple assumption (i.e. CAPEX divided by segments revenue share) which main objective is to show that as of today the Chemicals segment almost certainly has a negative contribution to Omnia's overall FCF.

Figure 61: Omnia's historical and expected Headline Earnings per share (ZAR's) according to model



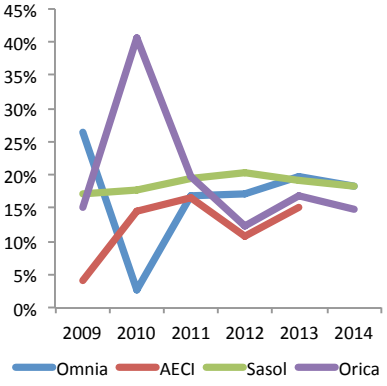
Looking at figure 58 we can observe that Omnia has generated solid FCF's over the last two years while the previous years where not as favorable. In 2011, according to our model, Omnia had such a negative FCF value due to a big spike in both CAPEX and NWC probably due to the big investment in the Sasolburg plant that began operating in the following year. As seen in the same figure, we expect 2015-2019 FCF's to be quite considerable as Omnia keeps growing and profiting from investments it made in the past. In order to ascertain more accurately Omnia's FCF growth from operations, in figure 59 we present Omnia's growth in Gross FCF's, which is much more stable.

According to our model, not all segments' revenue generates the same value for shareholders (FCF's). The Mining segment is by far the most important one for shareholder value and is expected to account for about 72% of Omnia's FCF's in 2015, Agriculture also has an important contribution due to it's size (segment with biggest revenues). On the other side, operating at really low margins and with a considerable asset base, we expect the Chemical segment to actually have, in most recent years, a slight negative contribution for shareholder value (negative FCF's).

We are confident that, besides what was already mentioned, some of the drivers for Omnia's past value added where it's CAPEX and it's non-constant dividend policy. We say this because Omnia in the past has had a very erratic dividend policy, which in some years distributed at high payout ratios and in some other years, distributed at very low payouts or even did not distribute any dividends. We believe that Omnia's past success story has been related to picking only the best investment opportunities and making the cash available for those. This basically means that Omnia is not strained by any conditions in terms of dividend policy (such as a constant payout ratio) and basically has the ability to distribute lots of cash in years that investment prospects seem shabby and distribute at lower payout ratios when the opposite situation is verified. This is obviously value adding since it increases the chance of doing profitable investments.

Finally, another possible driver for Omnia's success is its LTIP's (Long Term Incentive Plans). Omnia is obviously a very shareholder value oriented company and tries to get all of its key people to have the same attitude. Its cash and equity settled remuneration schemes are therefore an optimal instrument to get interests aligned. Through these instruments Omnia is able to transfer some of the firm's equity to the management team under certain conditions (performance goals) and by doing so the company is incentivizing employees to work harder and most importantly to work for the benefit of the shareholder, in order to get rewarded.

Figure 62: Comparable companies Return on Equity evolution (Source: Bloomberg)

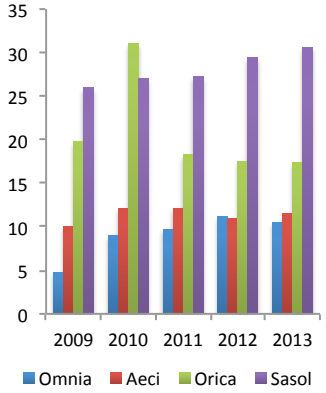


Investors in turn are rarely damaged by dilution of their shares with these schemes since most of them purchase existing shares from the market instead of issuing new ones.

Comparable companies

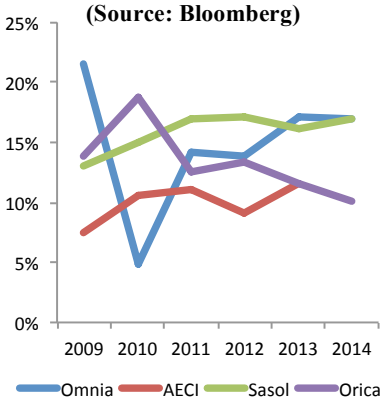
As was stated before, our WACC value was obtained by doing a weighted average of each segments' betas. These betas in turn where calculated by averaging the betas of the segments three comparable companies and Omnia. In our comparable picks we aimed for closeness of operating activity, geographic diversification and also, when possible, we searched for developing countries' firms.

Figure 63: Comparable companies EBITDA to Revenue multiple evolution (Source: Bloomberg)



For the Agriculture segment our chosen comparable companies where: CF Industries, a nitrogen fertilizer from the US; Engro Chemical, a fertilizer and seeds company from Pakistan and Yara, a big international fertilizer producer and distributer based in Norway. In the Mining segment our comparable pickings felt on explosive manufacturing companies, which products where fabricated recurring to nitrogen. The companies are: Incitec Pivot (Australia), AECI (South Africa) and Orica (Bloomberg: ORI:AU), a big international group based in Australia. For the Chemical segment the chosen companies add to be focused exclusively in chemical distribution and repackaging. Also, we looked at which sort of chemicals where being distributed and looked for companies which handled plastics, polyurethanes and other specialty chemicals. The comparable companies for the Chemical segment where therefore: Liuzhou Chemical (China), Brenntag (Germany) and DKSH (Switzerland).

Figure 64: Comparable companies Retur on Invested Capital evolution (Source: Bloomberg)



However, the afore mentioned comparable companies where only chosen in order to understand better the implicit risk of each of Omnia's segments. Few of these companies would be comparable to Omnia as a whole. So, in order to get some fewer insights of the industry's characteristics we also looked at information relative to two companies which in our opinion are the ones that compare the best with Omnia's full range of activities (AECI and ORICA[9]). We also added another company (Sasol), which provides a solid country benchmark. Comparable information is therefore presented in figure 65.

[9] Orica's data on figure 65 relative to market capitalization

Figure 66: Comparable companies Debt to Equity multiple evolution (Source: Bloomberg)

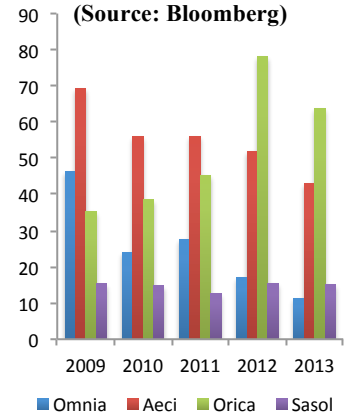


Figure 65: Comparable companies information (Source: Bloomberg)

	Market Capitalization	Price to Earnings ratio	EPS	Debt to Equity ratio	ROIC
Omnia	12.225	12.76	14.02	6.36	16.9%
AECI	17.261	16.3	8.25	20.56	11.6%
Sasol	260.652	6.6	60.16	9.4	17.0%
Orica	66.403	11.43	15.57	66	10.1%

Figure 67: USD-ZAR depreciation over the last year, 1USD=X ZAR's(Source: Bloomberg)

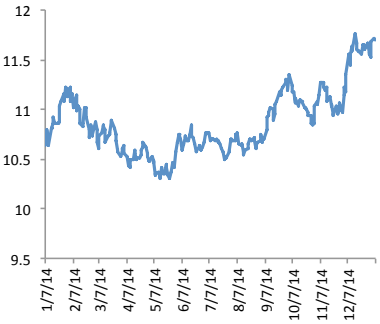


Figure 68: Market reaction to indigenization of mining resources, August 2013 (Source: Bloomberg)

Company	Segment	Price drop
Impala Platinum	Mining	-3.30%
Anglo American Platinum	Mining	-3.45%
Barclays	Financial	-0.25%

Risk of instability

In the beginning of this Valuation chapter we mentioned that our valuation method accounted for the risks of having activities in some of the worlds less stable regions through scenario analysis. In fact our valuation methodology relies on a *worst-case scenario* where we account for all risks of instability such as higher inflation in South Africa, natural resource reapportionment in smaller African countries, decline in mining activity, droughts, war and also a decreased overall demand for Omnia's products.

Since the political situation in Africa's southern half has been quite stable in these past 2000-2014 period (unlike for much of the 1970's, 1980's and 1990's) and there is no apparent instability grooming in any of Omnia's main countries of operation, we found legitimate to attribute to this worst-case a low probability of 5%. The instability scenario's target price is obtained by tweaking South Africa's long term inflation rate, each segments margins and yearly revenue growth rates, and also by writing off 10% of Other African countries' expected profits[10] (due to possible resource nationalism or destructive conflicts). Although this scenario seems quite extreme we are confident it is not overstating risks since, since when looking at the past we have seen that when things go wrong in Africa companies do hit rock bottom. Therefore it comes as no surprise that according to this worst-case scenario the target price of Omnia becomes 0 since according to our model the company loses all of its value (since target price becomes negative).

We also found useful to identify some red flags that could reveal to investors an increasing probability of instability in Africa. First, we would like to mention the persistence of the mining bust, which could trigger mine closures or employee lay-offs with possible damaging effects for the economy. Secondly, we would like to mention the appetite Zimbabwe has been developing towards resource nationalism, which can influence other populist regimes in Africa towards such

[10] Check appendix 6 for instability scenarios assumptions.

measures and create in Sub-Saharan Africa a wave of nationalizations of the sort South America experienced recently (figure 69). Thirdly, we would also add South Africa's out-of-control financial situation, which could generate a downgrade of the country's credit rating, out-of-control inflation and a severe depreciation of the rand. Investors should also be on the lookout for riots, strikes or even terrorist attacks at major mining or agricultural regions of Southern Africa such as Zambia, Namibia, Mpumalanga (SA) or the Free State (SA). And finally we would like to highlight the political situation of countries in the region such as Zimbabwe and the DRC since they now face possible tensions in the transition of political leaders (Robert Mugabe is getting a successor and Joseph Kabila is set to abandon power in 2016).

Figure 69: Late 2000's South America nationalization wave (Source: Financial Times news)

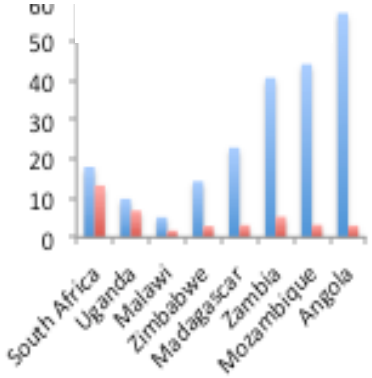
	Venezuela	Argentina	Bolivia	Ecuador
2006-2007	Oil	–	Oil and Telecoms	–
2009-2010	Banking, Fertilizers and Oil	_	Electricity	Oil
2011-2012	Transport	Oil	Electricity	_

In the long term

Segments' future

It is our view that Africa will probably become increasingly targeted by international investors for the years to come. With the stabilization of the continent, international demand growing, and Africans disposable income on the rise, international companies will invariably start making footholds in the continent.

Figure 70: African countries Potential (blue) vs In-use (red) arable land



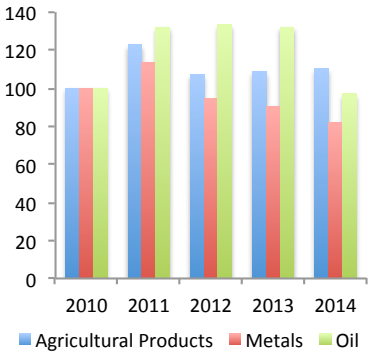
This flock of investment is already being felt in Africa's agriculture since many countries (UAE, Canada and Saudi Arabia) and international companies are already actively buying land in Africa for the purpose of developing agricultural activity in there. This is happening because, as the world population is growing, the land currently used in agriculture is becoming stressed out by intense farming practices and so more land is in need for agriculture. Africa becomes the obvious solution for the problem since it holds half of the planets unused arable land (figure 70). The continent has thus been called "agricultures final frontier" since it is the only region in the world that has not been through the green revolution and offers a great potential for food production or even biofuels.

Figure 71: Countries holding largest mineral reserves (Source: Businessinsider, 2010)

Top 5 countries in terms of mining reserves		Estimated reserves
1	South Africa	2,459 Billion USD
2	Russia	1,636 Billion USD
3	Australia	1,588 Billion USD
4	Canada	1,000 Billion USD
5	Brazil	726 Billion USD

Under this scenario, Omnia obviously has much to gain. In the future Omnia will probably not only supply it's actual costumers but also main international companies which will get implemented in African lands and smaller farmers which will become aware of fertilizer's capability of boosting their land plots yields and profits. Basically, the Agriculture segment's potential resides in the fact that in the medium term South African fertilizers will be in very high demand, since many African countries are not manufacturing them yet and international fertilizer firms

Figure 72: World commodity price evolution since 2010 (Source: IMF)



are yet to go in these regions.

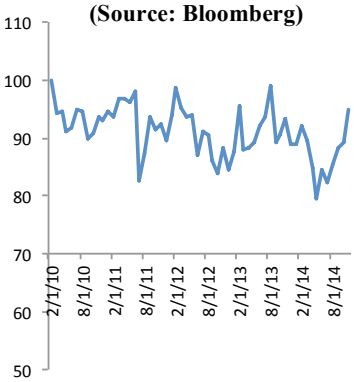
Relatively to the mining segment, long-term prospects remain very promising. Not only South Africa holds the world's largest mineral reserves (valued at 2.5 trillion dollars – figure 71), but Sub-Saharan Africa also holds some of the world's most generous reserves. It is also worthy of mention that most Sub-Saharan African countries still hold reserves of the higher grade minerals in the world (especially iron ore) which make its reserves even more valuable. This is due to the fact that these countries where involved in so many periods of instability since the 60's-70's that mining companies never had the possibility to extract this prized minerals.

However, as stated before, while the long term potential is also stellar for Omnia's explosives and mining chemicals, some less positive issues remain. Firstly, as we already mentioned several times, the current commodity bust period will bring several setbacks for Omnia since it will find harder to get the same revenues from its existing supply contracts and hard to even maintain them. Additionally, resource nationalism is *en vogue* among Africa's leaders as these countries governments are becoming increasingly aware of the wealth their lands hold. This may further complicate mining companies activities.

Finally, despite its lackluster performance nowadays, Omnia's Chemical segment also has some promising growth opportunities. Water treatment chemicals seem like the sort of product that will be in high demand in Africa's near future. Most African cities still lack basic water treatment sanitation systems and many African regions will eventually suffer from water shortages. Therefore Zetachem, Omnia's water treatment Chemical division is poised for very high growth since it already has much of the necessary know-how in this activity. Another category of chemicals from which Omnia may start profiting a lot in the near future is oil & gas extraction associated chemicals. Southern Africa is the region where most of the newly discovered gas reserves have been being found. Mozambique is set to become a big producer of natural gas and will join Angola, Nigeria and Equatorial Guinea as a major African player in the segment. Hydraulic fracturing (fracking) will also start anytime soon in Africa and this type of extraction is even more chemical intensive than regular drilling. Omnia, being already a provider of this type of chemicals should start focusing more on this type of products.

Moreover, even Omnia's most traditional chemical products such as plastics and polyurethanes offer enticing growth prospects. If macroeconomic conditions improve, South Africa's manufacturing activity will eventually pick up. In fact

Figure 72: South Africa's Purchasing Managers Index (PMI) 5 year evolution (Source: Bloomberg)



according to the country's PMI index[11] (figure 72) such rebound may already be happening fuelled by the depreciation of the Rand (figure 67). In fact, South Africa has the potential to become a regional manufacturing powerhouse as investors looking for proximity production plants (like Mexico is for the US, or China is for Japan and South Korea) are more likely to build manufacturing plants in South Africa to supply the rest of Sub-Saharan Africa than to go for other smaller and less stable African country.

Observable investment policy

Although Omnia does not disclose much of its investment projects that are still in the planning phase we can assume (by looking at Omnia's past actions) that Omnia's management is proactively looking for ways to improve growth and profitability. Also, as it was said before, Omnia's flexible dividend policy as helped the company pick only the best investment opportunities available.

In the recent past, the Sasolburg plant represented a very big investment on Omnia's behalf. However, this type of investment is out of line with Omnia's investment choices. Usually Omnia's investments are smaller and tend to focus on streamlining its processes in order to make them more efficient and thus increasing the profit margin. Omnia tends to go for safer, capacity adding or productivity enhancement investments. Although the company has entered new segments and made some acquisitions in the past, it has always stayed close to it's core competence, being a fertilizer related company specialized in Africa.

Figure 73: Omnia overall historical and estimated ROIC (according to own model)

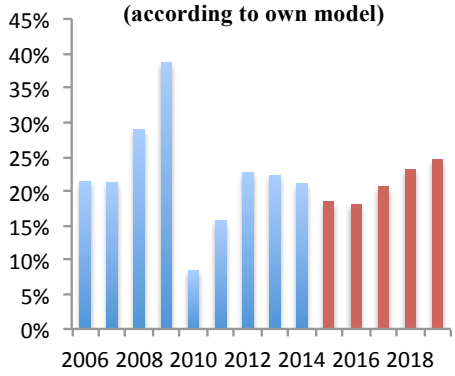
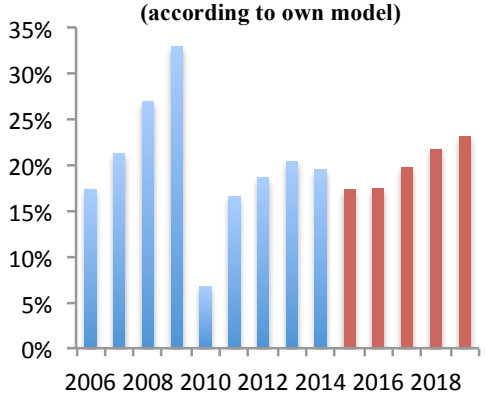


Figure 74: Historic and estimated average ROIC (according to own model)



[11] The PMI Index (Purchasing Managers Index) is a proxy indicator for manufacturing activity performance. It is calculated taking into account new orders, inventory levels, production, supplier deliveries and the employment environment.

Omnia's SWOT analysis

Strenghts	Weaknesses
▪ Reputation for hands on approach to business ▪ Diversification of fertilizer and mining product ranges ▪ African identity and close knowledge of management relative to African countries ▪ Smart, swift and ingenious management ▪ Incentive schemes and internal controls align interests between workforce and management	▪ Exposed to certain unstable regions (Zimbabwe, DRC) ▪ Overly exposed to ZAR/USD appreciation-depreciation ▪ Segments are interdependent (fertilizer, mining-chemicals and explosives) ▪ Exposed to strikes in Africa
Opportunities	**Threats**
▪ Huge African potential in agriculture (few parts of the world which had no "green revolution yet) – huge arable land and very low fertilizer usage outside SA ▪ Africa's demographic explosion which may lead to exponential consumption growth (food, manufacturing, construction, energy) ▪ Most African country's institutions in good path for stability (2000-2014) –lower risks ▪ Possible extension of chemical segments operations to oil & gas (much more profitable) and also to biofuels	▪ Resource nationalism may impact Omnia ▪ Government wants to extract higher rents from mining (lower margins for miners signifies lower prices charged by Omnia) ▪ Sasol and AECI may be stepping up and looking at Omnia's streamlining as an example

Appendix

Appendix 1 – Omnia Holdings Balance Sheet

Assets	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Non-current assets	**3293**	**3714**	**4270**	**4638**	**5051**	**5647**	**6310**	**7070**
PPE (Prop.Plant & equipment)	2705	3098	3672	**4611**	**5024**	**5620**	**6283**	**7043**
Intangible assets	522	516	537					
Available for-sale financial assets	18	21	34	0	0	0	0	0
Investments accounted for using the equity method	42	76	17	17	17	17	17	17
Deferred income taxes	6	3	10	10	10	10	10	10
Current assets	**4226**	**5306**	**6302**	**6750**	**7382**	**8270**	**9245**	**10348**
Inventories	2079	2892	3213	3493	3821	4280	4785	5356
Trade and other receivables	1943	2144	2751	2991	3271	3665	4097	4586
Defined benefit plan asset (2008)								
Cash and cash equivalents	204	270	338	265	290	325	363	407
Derivative finacial instruments (2009)								
Total Assets	**7519**	**9020**	**10572**	**11388**	**12433**	**13917**	**15556**	**17418**
Equity & Liabilities								
Equity								
Capital and reserves atributable to owners	**4027**	**4954**	**5918**	**1283**	**1283**	**1283**	**1283**	**1283**
Stated Capital	1289	1289	1289	1289	1289	1289	1289	1289
Treasury shares	-15	-9	-6	-6	-6	-6	-6	-6
Other reserves	133	389	655					
Retained earnings	2620	3285	3980					
Non-controling interest	1	-2	-6	-6	-6	-6	-6	-6
Total equity	**4028**	**4952**	**5912**	**6385**	**7032**	**7955**	**8978**	**10144**
Liabilities								
Non-current liabilities	**470**	**406**	**462**	**492**	**527**	**576**	**629**	**690**
Deferred income tax liabilities	257	293	342	372	407	456	509	570
% deferred taxes of payables	12%	10%	10%					
Provisions (before 2010)								
Debt	213	113	120	120	120	120	120	120
Current liabilities	**3021**	**3662**	**4198**	**4510**	**4874**	**5386**	**5948**	**6584**
Trade and other payables	2224	2883	3577	3889	4253	4765	5327	5963
Debt	131	130	84	84	84	84	84	84
Current portion of provisions								
Current income tax liabilities	29	58	68	68	68	68	68	68
Bank overdrafts	637	591	469	469	469	469	469	469
Total liabilities	**3491**	**4068**	**4660**	**5002**	**5401**	**5962**	**6578**	**7274**
Total equity and liabilities	**7519**	**9020**	**10572**	**11388**	**12433**	**13917**	**15556**	**17418**

Appendix 2 – Omnia Holdings past income statements

	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	**5537**	**7340**	**11111**	**8827**	**9368**	**10945**	**13432**	**16259**
Cost of Sales	-4398	-5841	-9045	-7438	-7403	-8552	-10360	-12647
Gross profit	**1139**	**1499**	**2066**	**1389**	**1965**	**2393**	**3072**	**3612**
Other operating income	18	14	30	77	85	70	67	115
Administrative expenses	-282	-394	-546	-487	-532	-591	-744	-908
Distributions expenses	-431	-522	-639	-674	-790	-928	-1137	-1324
Operating expenses	**-22**	**-13**	**-34**	**-26**	-41	**-59**	-27	-79
Other operating component	**-735**	**-929**	**-1219**	**-1187**	**-1363**	**-1578**	**-1908**	**-2311**
Operating profit	**422**	**584**	**877**	**279**	**687**	**885**	**1231**	**1416**
Finance expenses	-76	-137	-205	-217	-122	-80	-117	-143
Finance income	18	25	41	44	39	36	35	56
Share of profits of associates	0	0	5	3	-1	-2	-1	0
Profit before taxation	**364**	**472**	**718**	**109**	**603**	**839**	**1148**	**1329**
Income tax profit	-118	-159	-227	-51	-151	-207	-268	-337
Profit for the year	**246**	**313**	**491**	**58**	**452**	**632**	**880**	**992**
Attributable to:								
Equity holders	246	317	491	56	448	630	883	996
Minority interest	0	-4	0	2	3	-1	-3	-4
	246	**313**	**491**	**58**	**451**	**629**	**880**	**992**

Appendix 3 – Adjustments to each segments expected operating margin

Agriculture	2015 f	2016 f	2017 f	2018 f	2019 f
Value adding services (increased value)	0.1%	0.1%	0.1%	0.1%	0.1%
Urea-Ammonia gap (widening)	–	0.3%	0.5%	0.8%	1.0%
Total adjustment to margin	0.1%	0.4%	0.6%	0.9%	1.1%
Expected margin without adjustments	7.5%	7.5%	7.5%	7.6%	7.7%
Expected operating profit margin	7.7%	7.9%	8.2%	8.5%	8.8%

Mining	2015 f	2016 f	2017 f	2018 f	2019 f
Plant improvements	0.3%	–	–	–	–
Recovery Losberg Strike	0.8%	–	–	–	–
Severe price cutbacks/increases	-3.0%	–	1.5%	1.5%	1.0%
Total adjustment to margin	-2.0%	–	1.5%	1.5%	1.0%
Expected margin without adjustments	15.8%	13.8%	13.8%	15.3%	16.8%
Expected operating profit margin	13.8%	13.8%	15.3%	16.8%	17.8%

Chemicals	2015 f	2016 f	2017 f	2018 f	2019 f
Restucturing (2014)	0.3%	–	–	–	–
Zetachems water opportunity	0.1%	0.1%	0.2%	0.2%	0.3%
Improvements in manufacturing activity	–	0.4%	0.8%	0.8%	0.8%
Pressures from weak mining activity	-0.20%	–	–	–	–
Total adjustment to margin	0.15%	0.49%	0.95%	1.00%	1.05%
Expected margin without adjustments	2.4%	2.6%	3.0%	3.9%	4.9%
Expected operating profit margin	2.6%	3.0%	3.9%	4.9%	6.0%

Appendix 4 – Segments estimates for the forecast period and Cost of Goods Sold Estimates

	2012	2013	2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	**10945.0**	**13432.0**	**16259.0**	**17678.3**	**19333.4**	**21659.6**	**24214.5**	**27103.3**
Minning	3051.0	4379.0	5458.0	5669.8	5874.7	6624.2	7474.0	8437.8
Agriculture	4476.0	5399.0	6680.0	7622.3	8803.6	9986.4	11264.4	12726.2
Chemicals	3418.0	3654.0	4121.0	4386.2	4655.2	5049.0	5476.1	5939.3
Operating profit	**885.0**	**1231.0**	**1416.0**	**1485.5**	**1650.8**	**2032.8**	**2488.7**	**2977.2**
Minning	476.0	735.0	829.0	783.3	811.6	1014.6	1256.8	1503.3
Agriculture	323.0	443.0	431.0	588.5	699.8	819.2	961.2	1117.9
Chemicals	86.0	53.0	156.0	113.7	139.3	199.1	270.7	356.0
Revenue growth	**16.83%**	**22.72%**	**21.05%**	**8.73%**	**9.36%**	**12.03%**	**11.80%**	**11.93%**
Minning	45.84%	43.53%	24.64%	3.9%	3.6%	12.8%	12.8%	12.9%
Agriculture	21.63%	20.62%	23.73%	14.1%	15.5%	13.4%	12.8%	13.0%
Chemicals	-4.95%	6.90%	12.78%	6.4%	6.1%	8.5%	8.5%	8.5%
Operating margin	**8.09%**	**9.16%**	**8.71%**	**8.4%**	**8.5%**	**9.4%**	**10.3%**	**11.0%**
Minning	15.60%	16.78%	15.19%	13.8%	13.8%	15.3%	16.8%	17.8%
Agriculture	7.22%	8.21%	6.45%	7.7%	7.9%	8.2%	8.5%	8.8%
Chemicals	2.52%	1.45%	3.79%	2.6%	3.0%	3.9%	4.9%	6.0%
Total COGS	**-8552**	**-10360**	**-12647**	**-13751**	**-15038**	**-16848**	**-18835**	**-21082**

Appendix 5 – Comparable companies for segments' WACC calculations and relevant information

Comparable company	Country	Country corporate tax rate	Comparable segments	Short term debt	Long term debt	Market Capitalization	Book value of debt	Market value of equity	D/EV	E/EV	D/E	B levered	B unlevered
Omnia	South Africa	28%	_	553	120	15232	673	15232	4.2%	95.8%	4.4%	0.954	0.925
Incitec Pivot	Australia	30%	Mining	35	1806	4667	1841	4667	28.3%	71.7%	39.4%	1.211	0.949
CF Industries	USA	40%	Agriculture	0	4592	12705	4592	12705	26.5%	73.5%	36.1%	1.200	0.986
Liuzhou Cher	China	25%	Chemicals	2864	565	2148	3430	2148	61.5%	38.5%	159.6%	0.341	0.155
Engro chemic	Pakistan	34%	Agriculture	30594	62229	85078	92823	85078	52.2%	47.8%	109.1%	0.164	0.095
Yara	Norway	27%	Agriculture	3935	6057	84968	9992	84968	10.5%	89.5%	11.8%	1.562	1.439
AECI	South Africa	28%	Mining	1443	1002	15402	2445	15402	13.7%	86.3%	15.9%	1.012	0.908
Orica	Australia	30%	Mining	5357	19320	63923	24677	63923	27.9%	72.1%	38.6%	1.261	0.993
Brenntag	Germany	30%	Chemicals	4264	21392	94238	25656	94238	21.4%	78.6%	27.2%	1.140	0.957
DKSH	Switzerland	18%	Chemicals	709	594	55134	1303	55134	2.3%	97.7%	2.4%	0.845	0.829

* All monetary values are expressed in countries'own currencies

Appendix 6 – Methodology used to calculate the instability scenario and relevant information

Factors	add(+) or subtract(-) to actual rate in the first year of the forecast
LT Inflation SA	1%
Margins Minning	-4%
Revenue Minning	-5%
Margins Agriculture	-2%
Revenue Agriculture	-3%
Margins Chemicals	-2%
Revenue Chemicals	-2%
Nationalizations, government med	-10%

Trigers: continuing commodity bust, mine closures, civil war at any of the countries, continutionl of Zimbabwe's current political directions, riots and strikes in South Africa, terrorrist atack, SA inflation going out of control

Notes

*More volatility added to ZA

*A lot more volatility to other Africa, so minning is most exposed

*Worst countries in this scenario (Zimbabwe, Mozambique, DRC)

Appendix 7 – Historical and forecasted ratios for Omnia Holdings

	2012	2013	2014	2015 F	2016 F	2017 F	2018 F	2019 F
Financial ratios								
Debt to Equity	**0.9**	**0.8**	**0.8**	**0.8**	**0.8**	**0.7**	**0.7**	**0.7**
Interest cover ratio	**11.1**	**10.5**	**9.9**	**10.4**	**11.5**	**14.2**	**17.4**	**20.8**
Debt to Asset ratio	46%	45%	44%	44%	43%	43%	42%	42%
Activity ratios								
Inventory Turnover	**5.3**	**4.6**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**
PPE & Intangibles turnover	3.4	3.7	3.9	3.8	3.8	3.9	3.9	3.8
Total Asset Turnover	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Average Collection period	64.8	58.3	61.8	61.8	61.8	61.8	61.8	61.8
Profitability								
Operating profit Margin	**8%**	**9%**	**9%**	**8%**	**9%**	**9%**	**10%**	**11%**
Net profit margin	6%	7%	6%	6%	6%	6%	7%	8%
Return on Assets	8%	10%	9%	9%	9%	10%	11%	12%
Return on Equity	**16%**	**18%**	**17%**	**16%**	**16%**	**18%**	**19%**	**21%**
Earnings per share	9.5	13.3	14.8	15.0	16.7	20.8	25.7	30.9
Liquidity ratios								
Current ratio	**140%**	**145%**	**150%**	**150%**	**151%**	**154%**	**155%**	**157%**
Quick ratio	71%	66%	74%	72%	73%	74%	75%	76%
Cash ratio	7%	7%	8%	6%	6%	6%	6%	6%
Dividends								
Payout Ratio	**15%**	**35%**	**34%**	**53%**	**45%**	**47%**	**50%**	**54%**
Cash Flow per share	0.3	6.7	8.4	9.5	7.9	7.8	11.3	14.4
ROIC's								
ROIC	**23%**	**22%**	**21%**	**18%**	**18%**	**21%**	**23%**	**25%**
Average ROIC	**19%**	**20%**	**20%**	**17%**	**17%**	**20%**	**22%**	**23%**

Disclosures and Disclaimer

Research Recommendations

Buy	Expected total return (including dividends) of more than 15% over a 12-month period.
Hold	Expected total return (including dividends) between 0% and 15% over a 12-month period.
Sell	Expected negative total return (including dividends) over a 12-month period.

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