

BAMBURI CEMENT PLC ACQUISITION

On **July 10, 2024**, Bamburi Cement Plc received an acquisition intent from Amsons Industries, which offered to purchase 100% of Bamburi's ordinary shares at a price of **KES 65** per share, with each share having a par value of KES 5.00 with the total consideration estimated at **KES 23.6Bn**.

Amsons is a Tanzania-based conglomerate, which has diverse interests in energy, construction, food, and transport, has made the acquisition offer to strengthen and diversify its presence in the East African region. The proposal follows Bamburi's recent divestiture from its Ugandan subsidiary. If the acquisition is successful (75% acceptance), Bamburi Cement Plc will be delisted from the NSE upon approval by the Capital Markets Authority.

In addition to the initial proposal, Bamburi received a competing offer from Savannah Clinker on **27th August 2024**. Savannah expressed its intention to acquire 100% of Bamburi Cement's ordinary shares at a proposed price of **KES 70** per share. Savannah Clinker, a Kenyan-based direct investment company, is involved in a range of activities, including mining, manufacturing, processing, packaging, marketing, and selling of cement. This competing offer has added a new dynamic to the potential acquisition of Bamburi Cement.

Bamburi declared a special dividend of **KES 18.25** following the completion of Hima Cement divestiture and it will be a one-time payment and shall be paid to all shareholders as of the book's closure on 20th September 2024 and not be on the account of the offers.

Differences Between the Offers

	Savannah Clinker	Amsons Industries (K)
Offer Price	KES 70 per share	KES 65 per share
Offer value	KES 25.4 bn	KES 23.6 bn
Long stop date for completion	28th February	28th November
Conditions of the offers	<ul style="list-style-type: none"> Approval of the transfer of mining licenses Approval by the Competition Authority of Kenya Subject to acceptance by holders of at least 60% of the issued shares of Bamburi. 	<ul style="list-style-type: none"> Approval of the transfer of the mining licenses Approval by COMESA Competition Authority and the East African Competition Commission Subject to delivery of the acceptances set out in the offer document
Special Dividend	<ul style="list-style-type: none"> Paid to existing shareholders 	<ul style="list-style-type: none"> Paid to existing shareholders

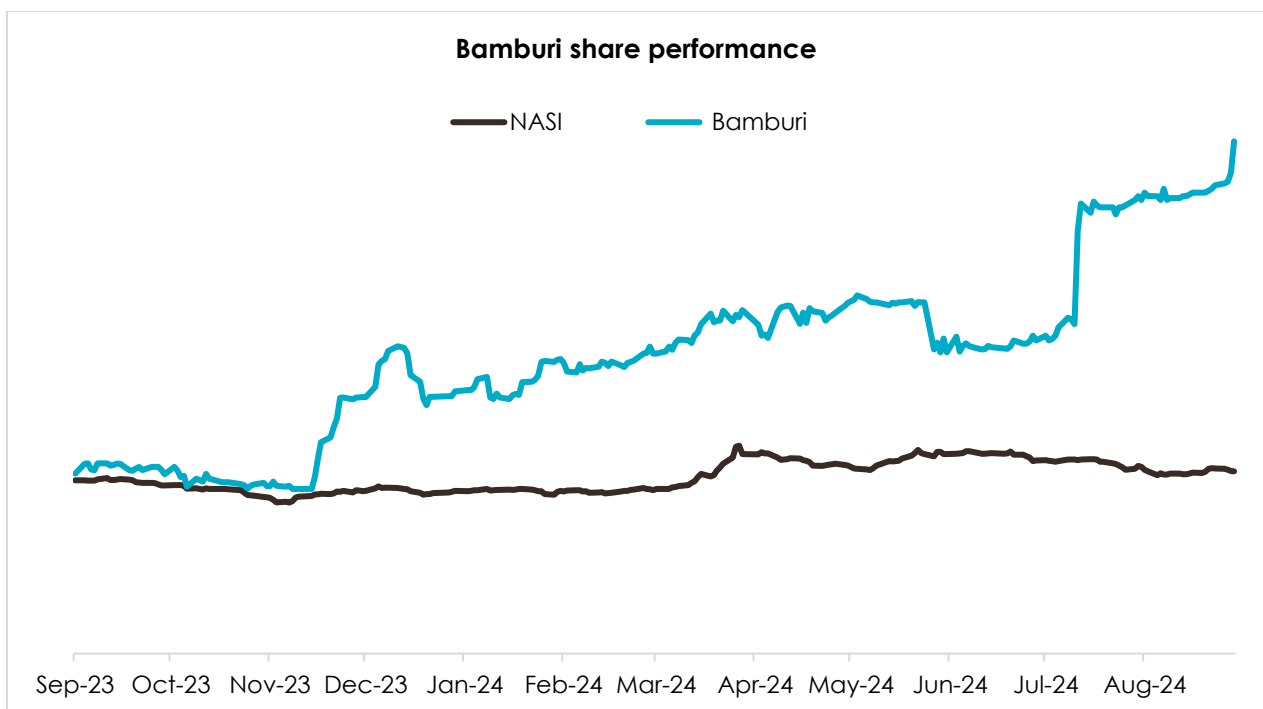
From our perspective, both offers from Savannah Clinker and Amsons Industries present attractive returns for Bamburi shareholders. We believe that whichever offer prevails is likely to receive strong shareholder support, potentially resulting in Bamburi's delisting from the NSE.

Furthermore, the likelihood of the sale falling through is minimal, as both offers are highly attractive and are expected to gain widespread shareholder approval.

We also anticipate that the share price will remain stable and is unlikely to dip below the offer price of **KES 65**, even after the books close for the special dividend of **KES 18.85** per share.

Share Performance

As of 4th September 2024, Bamburi Cement's share price has surged by **73.3%** since 10th July 2024, when Amsons Industries announced its intention to acquire up to 100% of the company's ordinary shares. Year-to-date (YTD), the stock has risen by an impressive **116.7%**, up from KES 36 at the start of the year.



Source: Company financials, NCBA IB Research

Bamburi Cement's future and strategic direction will be significantly shaped by the outcome of the acquisition proposals from Amsons Group and Savannah Clinker. The success of either proposal is poised to have a major impact on the company's trajectory, with the sale expected to be finalized by 2025.

1H2024 Financial Performance

Bamburi PLC announced their 1H2024 financial results recording a significant increase in profit from continued operations by 131.7% to **KES 526.0Mn** from KES 227.0Mn in 1H2023. The performance was on the back of positive topline supported by high quality premium product.

Bamburi however, recorded a loss from discontinued operations which includes the disposed business from the divesture of Ugandan subsidiary Hima Cement.

Highlights

Operating Cost: Increased by 3.8% to KES 10.9Bn. The surge is partly attributable to increased cost of inputs particularly on price of fuel, power and raw materials. The company has suffered from low quality power over the years which has severely impacted operations leading to higher cost in equipment maintenance.

Turnover - Total turnover increased by 6.3% to KES 22.0Bn. The revenue growth was supported by high quality premium products strategy. The market was soft during the period and was also adversely impacted by unusually heavy rains and social disturbances linked to the rejection of the finance bill 2024. These twin effects impacted consumption of its products.

Profitability: Bamburi's PAT from continuing operations improved by 131.7%. PBT from continuing business operations also increased by 114.8% to KES 696Mn compared to the previous half year. The performance was driven by an improvement in industrial operational efficiency and cost optimization initiatives.

Financial Summary

Bamburi Cement Plc	Key Metrics Y/Y
Turnover	▲ 3.8% to KES 10.9Bn
Total Operating Cost	▲ 0.2% to KES 10.1Bn
Operating Profit	▲ 76.4% to KES 0.5Bn
Profit Before Tax	▲ 114.8% to KES 0.7Bn
Taxation	▲ 75.3% to KES 170Mn
Profit After Tax from continuing Operations	▲ 131.7% to KES 526Mn
Loss from discontinued operations	▲ 908.6% to KES 1.4Bn
Loss for the year	▲ 1,095.5% to KES 0.9Bn
LPS	▲ KES 2.46 from KES 0.36
Dividend Per Share (Special)	▲ KES 18.25

Source: Company financials, NCBA IB Research

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