

# Anglogold Ashanti Limited



SA: Investec Securities Ltd

31 October 2006

Gold Mining

South Africa

Buy

31074c

## Q3 2006 - getting ready for 2007

Angogold Ashanti's Q3 FY2006 numbers were not exceptionally good or bad. What is clear, though, is that the group is positioned to deliver a strong improvement in FY2007. This outlook is compounded by the strong likelihood, in our opinion, that the group may be a takeout target. We reduce our earnings outlook to I 303cps for FY2006 (from I 553cps), but upgrade our recommendation to Buy from Hold.

### Performance

Year End: 31 December	2004	2005	2006E	2007E	2008E
Turnover (Rm)	14,562	15,801	21,148	24,167	24,713
EBITDA (Rm)	3,346	3,522	8,634	11,025	12,095
Operating profit (Rm)	915	306	5,015	7,198	8,192
PBT (Rm)	517	(1,082)	4,591	6,932	8,084
Headline Net Profit (Rm)	567	(1,008)	3,593	5,417	6,119
HEPS - Fully Diluted (c)	278.9	(272.9)	1,305.4	1,968.2	2,223.1
DPS (c)	367.4	231.8	913.8	1,377.7	1,556.2

Source: Company Accounts/Investec Securities Estimates

### Valuation

Year End: 31 December	2004	2005	2006E	2007E	2008E
Headline PE (x)	111.4	(113.9)	23.8	15.8	14.0
EV/EBITDA (x)	28.6	28.0	11.9	9.6	8.5
EV/EBITA (x)	104.4	322.3	20.5	14.7	12.6
Yield (%)	1.2	0.7	2.9	4.4	5.0
NPV - current	30,123.54				

Source: Company Accounts/Investec Securities Estimates

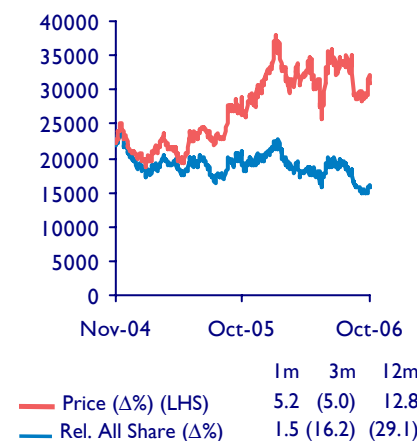
- Although AngloGold Ashanti is set to deliver an 8% expansion from the offshore base in FY2007, we believe the South African base could possibly show a deteriorating performance in FY2007.
- We expect these additional ounces to be generally higher margin. We expect the impact on profitability will be positive. We forecast earnings will jump 51%, from I 303cps in FY2006 to I 968cps in FY2007.
- Given this outlook, as well as the company's P/E rating of some 18x twelve months forward (based on our forecasts), we believe there is a strong possibility of a bid for AngloGold Ashanti. especially with Anglo American currently looking to sell 42% of the company.
- We upgrade our recommendation from Hold to Buy, with a target price of 36 000cps (from 34 000cps before), based on a conservative 20x forward P/E rating.

Refer to important disclosures starting on page 16

Market Cap	R85,534m
JSE Code	ANG
Target Price/Risk	36000c/High
Total Return	15.4%

Free Float	75%
Average Daily Volume (000s)	522
12m high/low	38700c/24700c
Year End	December

### Share Price Performance



Source: JSE Securities Exchange

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