

# African Rainbow Minerals Limited



**Investec**  
Securities

SA: Investec Securities Ltd

12 January 2007

General Mining

South Africa

Buy

8800c

## The Star of the ARM Stable Shines Yet Again

### Event:

ARM and LionOre have announced an increase in the reserves and resources at Nkomati.

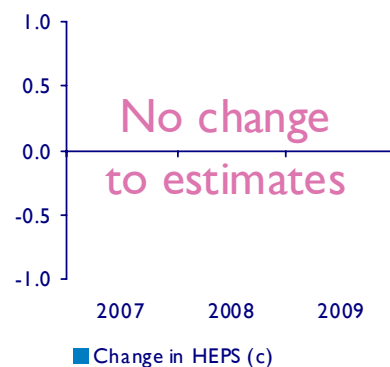
### Impact:

The life of mine has increased by approximately seven years. No impact on earnings at this stage.

### Recommendation:

We maintain our Buy recommendation on ARM with a target price of 12 000ps (15x rolling HEPS), implying a 12-month potential total return of 36%.

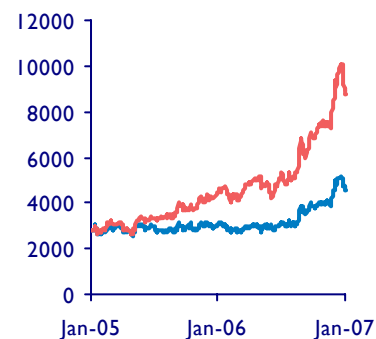
### Impact On Estimates



Source: Investec Securities Estimates

Market Cap	R 18,344m
JSE Code	ARI
Target Price/Risk	12000c/Medium
Total Return	36.4%

### Share Price Performance



Source: JSE Securities Exchange

### Performance

Year End: 30 June	2005	2006	2007E	2008E	2009E
Turnover (Rm)	5,485	4,622	2,810	3,316	3,337
EBITDA (Rm)	2,014	1,552	1,775	1,974	1,795
Operating profit (Rm)	1,588	1,112	1,652	1,725	1,518
PBT (Rm)	1,470	1,002	1,513	1,634	1,502
Headline Net Profit (Rm)	339	462	1,465	1,784	1,576
HEPS - Fully Diluted (c)	165.5	223.8	709.8	864.1	763.1
HEPS - Fully Diluted (quote ccy) (c)	165.5	223.8	709.8	864.1	763.1
DPS (reporting ccy) (c)	0.0	0.0	0.0	0.0	0.0
DPS (quote ccy) (c)					

Source: Company Accounts/Investec Securities Estimates

### Valuation

Year End: 30 June	2005	2006	2007E	2008E	2009E
Headline PE (x)	53.2	39.3	12.4	10.2	11.5
EV/EBITDA (x)	9.7	13.0	12.8	10.9	11.4
EV/EBITA (x)	12.4	18.1	13.7	12.5	13.5
Yield (%)	0.0	0.0	0.0	0.0	0.0
NPV - current	0.00	0.00	113.78	0.00	0.00

Source: Company Accounts/Investec Securities Estimates

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Refer to important disclosures starting on page 4.