

## "Mafutha" will need help

Sasol is in discussions with the government about the possibility of building a new 80,000bpd coal to liquid (CTL) facility – project Mafutha – in South Africa. However, we calculate that the project's NPV of cash profits before tax would generate an internal rate of return (IRR) of only 2.7%. In order to make Mafutha viable, we believe that the government will have to offer the group tax concessions.

### Performance

Year End: 30 June	2005	2006	2007E	2008E	2009E
Turnover (Rm)	96,342	119,243	121,806	110,632	118,017
EBITDA (Rm)	18,040	21,030	29,514	27,905	30,354
Operating profit (Rm)	14,369	17,165	25,615	24,042	26,055
PBT (Rm)	13,903	16,874	24,780	22,940	24,662
Headline Net Profit (Rm)	9,437	10,372	16,141	14,952	16,084
HEPS - Fully Diluted (c)	1,697.5	2,250.0	2,547.3	2,367.3	2,578.7
HEPS - Fully Diluted (quote ccy) (c)	1,697.5	2,250.0	2,547.3	2,367.3	2,578.7
DPS (reporting ccy) (c)	540.0	710.0	786.4	841.5	900.4
DPS (quote ccy) (c)	540.0	710.0	786.4	841.5	900.4

Source: Company Accounts/Investec Securities Estimates

### Valuation

Year End: 30 June	2005	2006	2007E	2008E	2009E
Headline PE (x)	14.5	11.0	9.7	10.4	9.6
EV/EBITDA (x)	9.4	8.0	5.5	6.0	5.6
EV/EBITA (x)	11.8	9.8	6.3	7.0	6.5
Yield (%)	2.2	2.9	3.2	3.4	3.7
NPV - current	0.00	0.00	23,930.75	0.00	0.00

Source: Company Accounts/Investec Securities Estimates

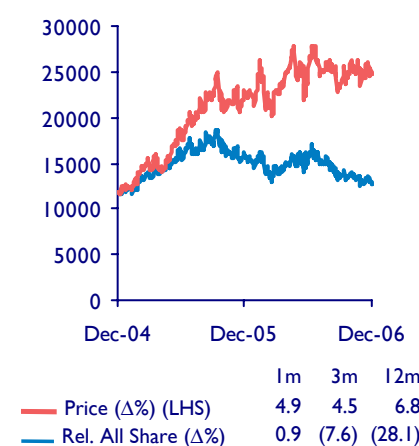
- We calculate that South Africa has 12% excess white product refining capacity. By 2012, however we believe that this will have turned into a 6% deficit.
- Expanding the country's synfuel refining capacity will meet the state's objectives of beneficiating the country's natural resources, reducing foreign exchange outflows and securing energy needs.
- However, based on our long-term crude oil price (\$50/bbl), rand depreciation rate, cost escalation and capex (\$6bn) forecasts, we calculate that the project IRR will not meet Sasol's WACC, let alone its internal project rate of return of WACC \*1.3. In our view, government will have to structure tax incentives in order for project Mafutha to become a viable proposition.
- Our forecast five-year average HEPS indicates a target share price of nearly 28300cps. We recommend a buy.

Refer to important disclosures starting on page 23

Market Cap	R154,105m
JSE Code	SOL
Target Price/Risk	28267c/Low
Total Return	15.6%

Free Float	100%
Average Daily Volume (000s)	2,484
12m high/low	28300c/19300c
Year End	June

### Share Price Performance



Source: JSE Securities Exchange

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