

PUBLIC ANNOUNCEMENT

BAMBURI CEMENT PLC

[Incorporated in the Republic of Kenya – Company No C.17/52]

THE CAPITAL MARKETS ACT

[CAP. 485A of the LAWS OF KENYA]

Announcement made pursuant to Regulation 6(1) and Regulation 13(1) of the Capital Markets (Take-overs and Mergers) Regulations, 2002 [“the Take-over Regulations”]

Competing Offer

by Savannah Clinker Limited (Company Registration number PVT-V7UE77V) to acquire up to 100% of the issued ordinary shares in Bamburi Cement PLC
For shares in Bamburi Cement Plc

1. Introduction

On 9 September 2024, the Board of Directors of Bamburi Cement Plc (“**Bamburi**”) received from Savannah Clinker Limited (“**Savannah**” or the “**Competing Offeror**”) an Offeror’s Statement (“**Competing Offeror’s Statement**”) issued pursuant to Regulation 4(4) and Regulation 13(1) of the Take-over Regulations in respect of the proposed acquisition by Savannah of up to one hundred percent (100%) of the issued ordinary shares in the capital of Bamburi (the “**Offer Shares**”) for a cash consideration (the “**Competing Take-over Offer**”).

The terms of the proposed Competing Take-over Offer are that each shareholder of Bamburi will be offered Kenya Shillings seventy (KES 70/-) for each ordinary share of Bamburi.

Further information on the Competing Take-over Offer as contained in the Competing Offeror’s Statement is set out in the sections that follow, and according to the Competing Offeror’s Statement further details of the Competing Take-over Offer will be contained in the Competing Take-over Offer Document (the “**Competing Offer Document**”).

2. Information about the Parties

a. Incorporation and Registered Office

The proposed offeree is Bamburi Cement Plc, a public limited company incorporated under the laws of the Republic of Kenya (company number C.17/52) which is listed on the Main Investment Market Segment of the Nairobi Securities Exchange having its registered office at LR NO 209/6208, Kitui Road, Industrial Area and of P. O. Box 10921-00100, Nairobi, Kenya.

Savannah is a private limited liability company duly incorporated under the Laws of the Republic of Kenya on 17th June 2019 (registration number PVT-V7UE77V) having its registered office at 1 Makanda Drive, off Langata South Road, Karen and of P.O Box 1911 – 00502, Nairobi, Kenya.

b. Summary of the Competing Offeror’s Principal Activities

According to the Competing Offeror’s Statement, the principal activities of the Competing Offeror are mining, manufacturing, processing, packaging, marketing and selling of cement. The Competing Offeror is in the process of developing a limestone extraction and clinker processing plant in Kitui County, Kenya.

c. Share Capital and Ownership of Savannah

According to the Competing Offeror’s Statement:

- (i)

the nominal share capital of the Competing Offeror is KES 10,000,000.00 divided into 1,000 ordinary shares with a par value of KES 10,000.00 each.
- (ii)

the issued share capital of the Competing Offeror is KES 6,000,000.00 divided into 600 ordinary shares with a par value of KES 10,000.00 each. All the issued shares are fully paid up.
- (iii)

the Competing Offeror is wholly owned by Mr. Benson Sande Ndeta, who also serves as a Director in the Competing Offeror.
- (iv)

Mr. Benson Sande Ndeta has been involved in the cement sector for more than 20 years, commencing with his role as the Chairman of East African Portland Cement Limited in 2003. He was the majority shareholder of Savannah Cement Limited until 18th November 2022 when his shares were transferred to a third party.
- (v)

Mr. Benson Sande Ndeta is in the process of exiting as a director of Savannah Cement Limited which was placed into administration on 21st July 2023. There is no contractual, debt, guarantee, indemnity, accounting, tax or other relationship of any kind whatsoever existing or which has ever existed between the Competing Offeror and Savannah Cement Limited.

d. Board of Directors of Savannah

According to the Competing Offeror’s Statement, the directors of Savannah are as follows:

Name	Position	Address
Benson Sande Ndeta	Executive Chairman	P.O. Box 1911 – 00502, Nairobi
Dr. Steve Omende Mainda, FID, EBS	Non- Executive	P.O Box 24554 – 00502, Nairobi
Tabitha Ndunge Mutemi, OGW	Non-Executive	P.O Box 52683 – 00100, Nairobi
Geofrey Aluvala Shimanyula	Non – Executive	P.O. Box 1911 – 00502, Nairobi
Martin Robert Ochieng	Non-Executive	P.O Box 30151 – 00100, Nairobi
Peter Mukiza	Non – Executive	P.O. Box 1911 – 00502, Nairobi
Andrew Buglass	Non-Executive	P.O. Box 1911 – 00502, Nairobi

e. Savannah’s Subsidiaries and Associate Companies

According to the Competing Offeror’s Statement, the following company is related to and associated with Savannah:

Colburn Kenya Limited which was incorporated under the laws of the Republic of Kenya on 18th September 2015 (registration number CPR/2015/207936) and is a wholly owned subsidiary of the Competing Offeror. Its principal activities include holding all legal and beneficial title to the 600 acres of land located in Kitui County with limestone deposits and handling the limestone mining operations.

f. Existing Interests of the Competing Offeror in Bamburi

According to the Competing Offeror’s Statement, the Competing Offeror does not directly or indirectly, either by itself or any related companies or any persons associated with the Competing Offeror, own or control any shares in Bamburi and does not have an option to acquire any of the Offer Shares.

Additionally, none of the directors of the Competing Offeror hold any shares in Bamburi.

g. Summary of Financial Statements of the Competing Offeror

According to the Competing Offeror’s Statement, the Competing Offeror was incorporated in 2019 and it prepares its financial statements as at 31 December of each year, its financial end year date. According to the Competing Offeror’s Statement, the paragraphs below set out the information extracted from the Competing Offeror’s audited accounts for the two (2) financial years that ended on 31 December 2023 and 31 December 2022, respectively. In addition according to the Competing Offeror’s Statement, the audited accounts were prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, Cap. 486 Laws of Kenya, and audited by Gemal and Company.

Statement of Comprehensive Income

	2023	2022
REVENUE	KES	KES
Revenue	-	-
Staff Costs	-	-
Administrative and operating expenses	(750,000)	(3,500,000)
Profit/ (Loss) before tax	(750,000)	(3,500,000)
Income tax charge	-	-
Net profit/(loss) for the year	(750,000)	(3,500,000)

Statement of Financial Position

Equity	2023 KES	2022 KES
Share Capital	10,000,000	10,000,000
Retained Earnings	(13,539,054)	(12,789,054)
Capital Reserves	603,912,579	603,912,579
Total Equity	600,373,525	601,123,525
Represented by: Non-current assets		
Property plant and equipment	330,190,986	330,190,986
Investment in subsidiary	60,000	60,000
Exploration capital costs	271,872,539	271,872,539
	602,123,525	602,123,525
Current liabilities		
Other Accounts payables	1,750,000	1,000,000
Total current liabilities	1,750,000	1,000,000
Net current assets/(liabilities)		
	(1,750,000)	(1,000,000)
	600,373,525	601,123,525

Statement of Changes in Equity

Share Capital		Retained earnings	Capital Reserves	Total
2023	KES	KES	KES	KES
At 1st January 2023	10,000,000	(12,789,054)	603,912,579	601,123,525
Net profit/ (loss) for the year		(750,000)		(750,000)
Additions during the year Issued during the year				
At 31 December 2023	10,000,000	(13,539,054)	603,912,579	600,373,525
	Share Capital	Retained earnings	Capital Reserves	Total
2022	KES	KES	KES	KES
At 1st January 2022	10,000,000	(9,289,054)	590,296,959	591,007,905
Net profit/(loss) for the year		(3,500,000)		(3,500,000)
Additions during the year			13,61,5,620	13,615,620
Issued during the year				
At 31 December 2022	10,000,000	(12,789,054)	603,912,579	601,123,525

Statement of Cash Flows

Cashflows from operating activities Operating loss before taxation	2023 KES (750,000) 750,000	2022 KES (3,500,000) 500,000
Working capital changes Other account payables		
Net cash generated from/(used in) operating activities		(3,000,000)

Cash flow from investing activities		(10,61,5,620)
Purchase of Land		(13,615,620)
Investment in subsidiary		
Exploration capital costs	13,615,620	
Net cash flow from/(used in) investing activities		
Cash flows from financing activities		13,615,620
Share capital		
Owners' capital		
Net cash flow from/(used in) financing activities		
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at start of year	-	-
Cash and cash equivalents at end of year	-	-
Cash ans	-	-

According to the Competing Offeror’s Statement, since its incorporation, the Competing Offeror has spent more than KES. 650,000,000 on the technical feasibility work required to demonstrate the viability of its clinker and cement business. Over the last ten years, its (now) wholly- owned subsidiary, Colburn Kenya Limited, has meticulously acquired the full legal and beneficial title to over 600 acres of land in Kitui County (containing a surveyed estimate of at least 50 years' worth of highest quality limestone). Having signed a c.US\$415,000,000 financing transaction for the development of the extraction site and processing facility with US investors in mid Q2 2023, a c.US\$380,000,000 FIDIC ‘Silver Book’ contract was signed with Sinoma International. Engineering Co. Ltd (Sinoma) in Q4 of the same year. Sinoma is recognised as one of the top three EPCs globally for the development of cement and related facilities.

In addition, according to the Competing Offeror’s Statement, the Competing Offeror as per the financial model below, is expected to generate an EBITDA of not less than US\$150,000,000 per year for the five years following the end of the 36–month construction and optimisation period, with a cumulative net cashflow over the period in excess of c.US\$1,200,000,000. These projections are an extract from a detailed and robust financial model put together as part of the original financing, advised on by Strata Global Ltd, regulated in the United Kingdom under the ambit of the Financial Conduct Authority.

Financial Projections covering Year 2024 to Year 2031

Revenues DETAILS	2024 1 CONSTRUCTION	2025 2	2026 3 OPTIMISATION	2027 4	2028 5	2029 6 OPERATION	2030 7	2031 8
Clinker USD	\$0	\$0	233,208,067	\$293,610,509	\$304,736,414	\$317,151,846	\$330,073,101	\$344,463,459
Cement USD	\$0	\$0	\$51,625,914	\$68847,994	\$71,456,880	\$74,368,143	\$77,398,016	
Total Revenues USD	\$0	\$0	\$284,833,981	\$362,458,503	\$376,193,294	\$391,519,989	\$407,471,117	\$425,235,834
Cumulative Revenues	\$0	\$0	\$284,833,981	\$647,292,485	\$1,023,485,779	\$1,415,005,767	\$1,822,476,885	\$2,247,712,719
EBITDA	\$0	\$0	\$177,916,491	\$234,528,709	\$246,430,522	\$259,505,509	\$273,118,620	\$288,093,399
Cumulative	\$0	\$0	\$177,916,491	\$412,445,201	\$658,875,723	\$918,381,232	\$1,191,499,851	\$1,479,593,251
Percentage to Revenue	0.00%	0.00%	62.46%	64.70%	65.51%	66.28%	67.03%	67.75%
DSCR Market /V 1.5			1.500	1.500	1.500	1.500	1.500	1.500
DSCR Project Annual	0.000	0.000	6.783	4.471	4.698	4.947	5.205	5.492
CO2 & Social DETAILS	\$0	\$0	(\$4,447,912)	(\$5,863.218)	(\$6,160,763)	(\$6,487,638)	(\$6,827,965)	(\$7,202,335)
Interest (Debt)	\$0	\$0	(\$14,066,988)	(\$27,028,408)	(\$25,479,692)	(\$23,836,659)	(\$22,093,566)	(\$20,244,318)
Withholding Tax	\$0	\$0	(\$1,055,024)	(\$2,027,131)	(\$1,910,977)	(\$1,787,749)	(\$1,657,017)	(\$1,518,324)
Depreciation	\$0	\$0	(\$4,664,016)	(\$4,343,183)	(\$4,343,183)	(\$4,343,183)	(\$4,343,183)	(\$4,343,183)
Net Cashflow	\$0	\$0	\$153,662,551	\$195,266,770	\$208,535,907	\$223,050,279	\$238,196,888	\$254,785,239

3. The terms and conditions of the Competing Take-Over Offer

a. The Competing Take-Over Offer

According to the Competing Offeror’s Statement, the Offer Shares will be acquired free from all liens, charges, encumbrances, and other interests and together with all the rights now and thereafter attaching thereto, save in relation the right of the selling shareholders to receive (i) any special dividend declared and paid by Bamburi in relation to the proceeds received from the completed divestment of Bamburi’s shareholding in Hima Cement Limited, Uganda, and (ii) if, for any reason (in the event of any extensions), the Competing Offer is not completed by 23.59 hours Nairobi time on 30th June 2025, any dividends declared, made or paid by Bamburi in respect of Bamburi’s financial year 2024.

In addition, the consideration for the Offer Shares is to be satisfied in whole in cash at the Competing Take-Over Offer Price to the shareholders of Bamburi who submit their Form of Acceptance on or before the Closing Date (as defined in the Competing Offer Document).

The completion of the Competing Offer, including the payment, in cleared funds, of the Competing Offer Price for all the Shares tendered by shareholders accepting the Competing Offer is expected to be made by 28th February 2025 (“**Long Stop Date**”), or such later date as may be set with the approval of the CMA to facilitate the meeting of any outstanding conditions of the offer.

b. Competing Offer Price

According to the Competing Offeror’s Statement:

The Competing Offer Price will be KES 70.00 for each ordinary share of Bamburi.

This Competing Offer Price represents as on 9th July 2024:

- (i) a premium of 53.34% to the closing price of the ordinary shares of Bamburi;
- (ii) a premium of 64.55% over the 30–day volume–weighted average price (“VWAP”) of KES 42.54 per ordinary share;
- (iii) a premium of 56.91% over the 90–day VWAP of KES 44.61 per ordinary share; and
- (iv) a premium of 78.48% over the 180–day VWAP of KES 39.22 per ordinary share.

c. Irrevocable Undertakings and options to acquire the Offer Shares

The Competing Offeror confirms that it has not received any irrevocable undertakings from any of the existing shareholders of Bamburi in relation to the Competing Offer.

Neither the Competing Offeror nor any related company or person associated with the Competing Offeror has an option to acquire any of the Offer Shares.

The Competing Offeror is not acting in concert with any person.

d. Confirmation of Financial Arrangements

According to the Competing Offeror’s Statement, pursuant to paragraph (2) of the First Schedule of the Take-Over Regulations, the Competing Offeror’s Transaction Advisor, Faida Investment Bank Limited, has received a letter from a leading, professionally regulated international firm confirming that: (a) they act for the Competing Offeror, (b) the Competing Offeror is in receipt of sufficient funding for this specific transaction; and (c) that the funding is “free and unencumbered” for such purposes.

The consideration for the acquisition of the Offer Shares under the Competing Offer will be in the form of cash and the Competing Offer shall not be satisfied in whole or in part by a share swap. The shareholders of Bamburi who accept the Competing Offer shall be paid in cash in full in accordance with the timeline and details provided in the Competing Offer Document.

e. Conditions of the Competing Take-over Offer

According to the Competing Offeror's Statement, the Competing Offer will be subject to the fulfilment or the waiver (to the extent legally possible and at the discretion of the Competing Offeror) of, inter alia, the following conditions by no later than the Closing Date as may be set out in the Competing Offer Document:

- (i) the written approval of the Cabinet Secretary for Mining, Blue Economy and Maritime Affairs to the change in the ownership or control of Bamburi pursuant to sections 51 (6) and (7) of the Mining Act, No. 12 of 2016, Laws of Kenya with respect to all mining licenses held by Bamburi or its subsidiaries including, but not limited to, the Katani Mining Licence (Registration Number ML/ 2017/00110) issued to Bamburi on 8th October 2018 for a term of 25 years and the Ngurunga Mining Licence (Registration Number ML/2019/0056) if it is issued prior to the Completion of the Competing Offer;
- (ii) receipt of applicable regulatory approvals including an approval of the take-over ensuing out of the Competing Offer from the Competition Authority of Kenya.
- (iii) Completion of the Competing Offer will also be subject to acceptances by holders of at least 60% of the issued shares of Bamburi, subject to any applicable waivers.

4. Agreement, Arrangement and Understanding Regarding the Offer Shares

According to the Competing Offeror's Statement:

- (i) there is no existing or proposed agreement, arrangement or understanding relating to the Offer Shares between the Competing Offeror or any related company or person associated with or acting in concert with the Competing Offeror and the holders of the voting shares to which the Offer Shares relates.
- (ii) no payment or any other benefit shall be made or given to any director of Bamburi or of any company which is a related company to Bamburi as a consideration for, or in connection with, his retirement from office.
- (iii) there is no agreement or arrangement made between the Competing Offeror and any of the directors of Bamburi in connection with or conditional upon the outcome of the Competing Offer.
- (iv) the Competing Offeror is not aware of any material change in the financial position or prospects of Bamburi since the date of the latest Balance Sheet laid before Bamburi’s general meeting.
- (v) there is no agreement or arrangement by which the Offer Shares acquired by the Competing Offeror in pursuance of the Competing Offer will or may be transferred to any other persons.

5. Continued Listing of Bamburi

According to the Competing Offeror’s Statement, the Competing Offeror does not intend to de-list Bamburi from the Nairobi Securities Exchange. However, should the Competing Offeror achieve acceptances of 90% or more of the Offer Shares, the Competing Offeror shall in accordance with the Take-Over Regulations, offer the remaining shareholders a consideration that is equal to the prevailing market price of the voting shares or the price offered to the other shareholders of Bamburi, whichever is higher, and the provisions of the Companies Act, Cap. 486 Laws of Kenya, shall apply.

6. Continuation Of the Business and the Continued Employment of the Employees of Bamburi

According to the Competing Offeror’s Statement, the shareholder and management team of the Competing Offeror, a Kenyan company, have extensive and long–standing experience and reputation in the cement manufacturing and distribution sector in Kenya, the broader region and the Indian sub–continent. As such, the Competing Offeror believes that it has the experience to strengthen Bamburi’s position as a leading player both in the Kenyan and East African cement market.

The Competing Offeror attaches great importance to the reputation, expertise and experience of the existing management and employees of Bamburi. Therefore, the Competing Offeror intends to provide avenues for employee growth, advancement and retention for the Kenyan employees of Bamburi.

According to the Competing Offeror’s Statement, the Competing Offeror confirms that, following completion of the Competing Offer, the existing contractual and statutory employment rights, including in relation to pensions of all Bamburi employees will remain in force in accordance with the applicable law.

Further details regarding the continuation of the business and the retention of the employees will be included in the Competing Offer Document.

Dated 10th September 2024

By order of the Board

For and on behalf of Bamburi Cement Plc