

**BAMBURI CEMENT PLC**

**INDEPENDENT ADVISOR CIRCULAR**

In relation to the take-over offer by Amsons Industries (K) Limited and Savanna Clinker Limited for the acquisition of 100% of the ordinary shares of Bamburi Cement Plc

**Prepared by:**



**23<sup>nd</sup> October 2024**

23<sup>rd</sup> October 2024

Independent Committee of the Board of Directors  
Bamburi Cement Plc

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Members of the Independent Committee of the Board:

**INDEPENDENT FAIRNESS OPINION ON THE PROPOSED TAKE-OVER OFFER BY AMSONS INDUSTRIES (K) LIMITED AND COMPETING OFFER BY SAVANNA CLINKER LIMITED**

We, Standard Investment Bank Limited ("SIB"), are delighted to submit our final assessment on the financial adequacy of the offer by Amsons Industries (K) Limited and Savanna Clinker Limited for the acquisition of 100% of the remaining ordinary shares of Bamburi Cement Plc.

This is in relation to the services of Independent Financial Adviser with respect to an engagement signed with the Board of Bamburi.

Approval has been obtained from the Capital Markets Authority (the "CMA") with respect of the compliance of this Independent Adviser's Circular as required under regulation 10 of the Capital Markets (Take-overs and Mergers) Regulations, 2002. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Circular. Approval of the Circular by the CMA is not to be taken as an indication of the merits of the Offer or of a recommendation by the CMA to the minority shareholders of Bamburi Cement Plc.

Please do not hesitate to contact me or Eric Musau, who is the Project Technical Leader in the event of any clarifications.

Yours sincerely,



Job Kihumba  
Executive Director

Authorized Signature 23.10.2024

Contact:

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Dear Sir/Madam

The Independent Board of Directors of Bamburi Cement Plc ('Bamburi') retained Standard Investment Bank ('SIB') to prepare a fairness opinion assessing the financial adequacy of the cash offer for Bamburi by Amsons Industries (K) Limited (a wholly owned subsidiary of Amsons Industries (T) Limited) and another cash offer by Savanna Clinker Limited.

The fairness opinion is intended solely for use by the Independent Board of Directors of Bamburi Cement Plc, which will refer to the fairness opinion in its statement assessing the aforementioned offer. It may be published in full and made available to interested parties. Use for any purpose other than an assessment of the financial adequacy of the offer is not permitted. In particular, the fairness opinion does not constitute a recommendation to the shareholders of Bamburi to either accept or reject the offer.

SIB prepared this fairness opinion as an independent corporate financial adviser and is being paid a reasonable fee for this. SIB is not receiving any compensation that is dependent on statements in the opinion or the success of the transaction. SIB confirms that it is suitably qualified as an assessor within the meaning of the duties and responsibilities of the Independent Adviser outlined under Section 11 of the Capital Markets (Take-overs and Mergers) Regulations, 2023 to prepare a fairness opinion and is independent of the offeror, the offeree company and persons acting in concert with them.

When preparing the fairness opinion, SIB assumed the accuracy and completeness of the information provided by Bamburi Cement Plc. The management confirmed that it was not aware of any facts or circumstances that would render the information provided either misleading, inaccurate or incomplete. SIB's responsibility is restricted to the careful and professional assessment thus verification of the plausibility of the information provided, and calculations made.

The evaluation exercise contemplates facts and conditions existing as of the date of this report. Events and conditions occurring after that date have not been considered, and we have no obligation to update our report for such events and conditions. Various assumptions have been made when preparing this report, which if changed can affect the approach and the conclusions made.

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## Acronyms and Abbreviations

CMA	Capital Markets Authority
Competing Offeror	Savanna Clinker Limited
DCF	Discounted Cash Flow
DDM	Dividend Discount Model
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBIT	Earnings Before Interest and Taxes
EV	Enterprise Value
GDP	Gross Domestic Product
IRR	Internal Rate of Return
KES	Kenya Shilling, Kshs or KES
KNBS	Kenya National Bureau of Statistics
NSE	Nairobi Securities Exchange
Offer	offer for acquisition of 100% of the remaining ordinary shares of Bamburi
Offeree	Bamburi Cement Plc (Bamburi)
Offeror	Amsons Industries (K) Limited - a special purpose vehicle set up by Amsons Industries (T) Limited
SIB	Standard Investment Bank, SIB, Independent Financial Advisor
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
y/y	year-on-year

## **Chapter 1. Introduction**

### **Background**

Bamburi Cement Plc (“Bamburi” or the “Company”) is listed on the Main Investment Market Segment of the Nairobi Securities Exchange with a market capitalization of KES 16.3bn as at 10 July 2024. The Group is primarily engaged in the manufacture and sale of cement and cement related products. It owns and operates 2 cement plants in Kenya (an integrated plant in Mombasa and a grinding plant in Athi River). The Group also owns and maintains a nature and environmental park created from rehabilitated quarries.

During 2024, Bamburi divested from its Ugandan subsidiary. The sale transaction was completed in the first quarter of 2024. Going forward, the company plans to focus fully on the Kenya and exports market to maximize shareholder value. The Group remains focused and convinced on maintaining a growth trajectory with improved performance and profitability in the future driven by innovation, operations excellence, energy cost reduction initiatives pegged on the revamped business strategy and the expected recovery of the economy.

The Company’s total share capital is KES 1,814,796, 345 divided into 362,959,275 registered shares with a nominal value of KES 5.00 per share (“Bamburi share” or “Share”). The Shares are fully paid-up and each carries a voting right.

### **Summary of the Two Offerors**

On 10<sup>th</sup> July 2024, Amsons Industries (K) Limited made an offer for acquisition of 100% of the ordinary shares of Bamburi Cement Plc. at an offer price of KES 65.00 (the “Amson’s Offer”) with a long stop date of 28<sup>th</sup> November 2025.

Amsons Industries (K) Limited is a special purpose vehicle set up by Amsons Industries (T) Limited for the purpose of purchasing Bamburi. The Offeror is a subsidiary of Amsons Industries (T) Limited, with Amsons Industries (T) Limited holding 90% of the paid-up shares in the Offeror and Mr Edha Abdallah Munif (Managing Director of Amsons) holding 10% of the paid-up shares in the Offeror.

Since 2000, Amsons Group has established itself as a leader in Tanzania, with diversified investments across key sectors including construction, transportation, cement, flour, inland container depots (ICDs), and liquefied petroleum gas (LPG). Amsons Industries (T) Limited operates 2 cement plants in Tanzania – in the same business line as Bamburi Cement Plc.

On 27<sup>th</sup> August 2024, Savanna Clinker Limited made a competing offer with notice to acquire 100% of the ordinary shares of Bamburi Cement Plc. at an offer price of KES 70.00 (the “Savanna’s Offer or Competing Offer”) with a long stop date of 28<sup>th</sup> February 2025 which has been amended to KES 76.55 in the final approved offer document. The offer is subject to acceptances by holders of at least 60% of the issued shares of Bamburi.

Savanna Clinker Limited is a private limited liability company incorporated in the Republic of Kenya on 17<sup>th</sup> June 2019. It is wholly owned by Mr. Benson Sande Ndeta, who also serves as Director in the Savanna Clinker. Benson 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 majority shareholder of Savanna Cement Limited until 18<sup>th</sup> November 2022 when his shares were transferred

to a third part. He is in the process of exiting as director of Savanna Cement Limited which was placed in administration on 21<sup>st</sup> July 2023.

If any of the Offers is accepted by shareholders owning at least 90% of the shares of Bamburi which are subject of the Offer, and the aggregate shareholding of an Offeror in Bamburi amounts to 90% or more of the shares of Bamburi, the Offerors intends to apply the provisions of the Take-over Regulations and Part XXIV, Division 4 of the Companies Act, 2015 to compulsorily acquire the remaining shares of Bamburi. The squeeze out notice will apply six weeks from the date of notice for Amsons offer.

If Amsons acquires at least 75% but fewer than 90% of the shares of Bamburi, it may take steps to delist the shares of Bamburi from the NSE, subject to receipt of necessary corporate and regulatory approvals. Savanna Clinker Limited has no intention to delist Bamburi in this scenario.

Standard Investment Bank Limited (“SIB” or “Independent Financial Advisor”) was founded in 1995 as a licensed stockbroker focusing on high value customer relationship management. SIB is licensed by the Capital Markets Authority as an investment bank and money manager. The firm is also stockbroker at the Nairobi Securities Exchange. SIB is one of the leading independent Kenyan financial services firms providing investment research, transaction advisory, securities trading & asset management services to a substantial and diversified client base that includes governments, fund managers, corporations, financial institutions, high-net-worth individuals and retail investors, in Kenya and the wider Eastern Africa region. In 2024, SIB was licensed by the Retirement Benefits Authority to manage retirement benefits schemes funds. Through SIB Najah, the firm provides Shariah-compliant investment solutions to the market, encompassing Investment Banking, Investment Management, Securities Trading, and Corporate Finance services.

### Summary of Work Performed

- i) **Review of the Group’s business operating environment:** We carried out a high-level review of the key industries in the economy as well as the manufacturing sector in which the cement sector falls under. This was done to obtain an understanding of the of the Group’s business operating environment and possible prospects for the future;
- ii) **Financial Analysis:** In order to obtain a better understanding of the historical financial performance of the Group, we carried out a financial analysis using consolidated audited financial statements and other business and financial information. This analysis also provided information that was used in testing the assumptions applied in development of the financial projections;
- iii) **Review of Financial Projections:** Management developed financial projections for the operations in Kenya which we then analyzed and challenged considering the above knowledge. Certain analysis has led to adjustments in the management projections, which then served as base case projections to formulate the Pro forma Group Financial Statements;
- iv) **Valuation of Bamburi.** We carried out research on listed companies in Kenya and obtained assumptions on cost of capital that would be applicable to the Group. These provided the benchmark required to determine the cost funding for the Group and an intrinsic valuation.
- v) **Fairness Opinion.** In order to further check the plausibility of the results of the valuation methods obtained, we deployed a market-value-based valuation method by undertaking a share price analysis. We analyzed the share price development over the last 12 months in order to draw conclusions about Bamburi's market value prior to the take-over offer announcement.
- vi) **Disclosures.** Information and Statements required in an Independent Advisor’s Circular

## Sources of Information

For the purposes of our opinion set out in this circular, we have used various sources of information including:

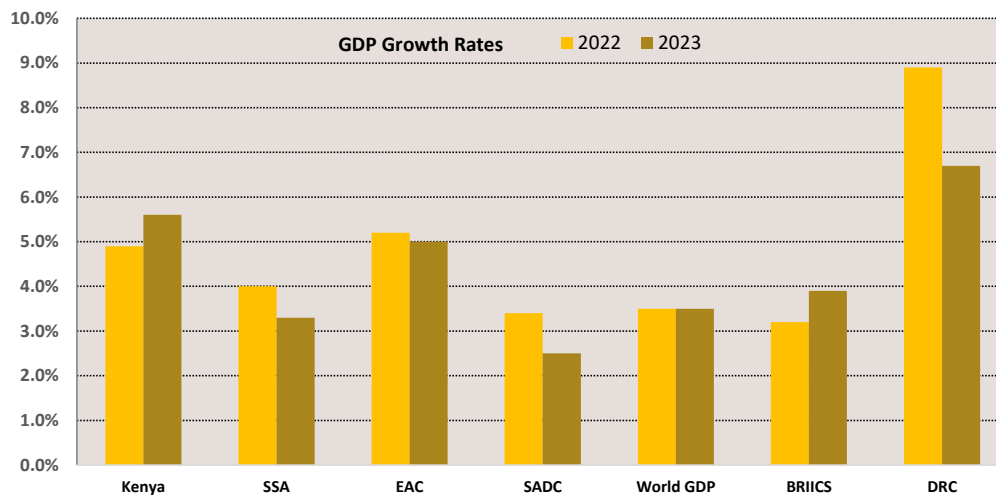
- i) Reviewing certain publicly available information including consolidated audited financial statements and other business and financial information of Bamburi, Amsons and Savanna Clinker;
- ii) Reviewing certain internal financial statements and other financial and operating data concerning Bamburi;
- iii) Reviewing Bamburi pro-forma financial statements for 2024 and 2025 prepared by management and adjusted by us;
- iv) Asset Valuation report relating to portfolio valuation on various properties located in Nairobi, Machakos, Kajiado, Kilifi, Mombasa and Kwale Counties dated December 2022.
- v) Reviewing Information provided by management through various correspondence with management to improve understanding of the numbers and strategy;
- vi) Reviewed current and past operations and financial conditions and prospects of the company, including a limited review of the industry and business;
- vii) Review of certain industry and capital markets data to establish various valuation parameters;
- viii) Review of research material by SIB staff on the industry to understand the environment under which Bamburi operates;
- ix) Review of other third-party sources including the internet, public databases and company websites among others.
- x) Reviewed, for information purposes only, the two Offer Documents
- xi) Performed such other analysis and reviewed such other information and considered such other factors as we have deemed appropriate



## Chapter 2. Review of Economy, Industry & Company

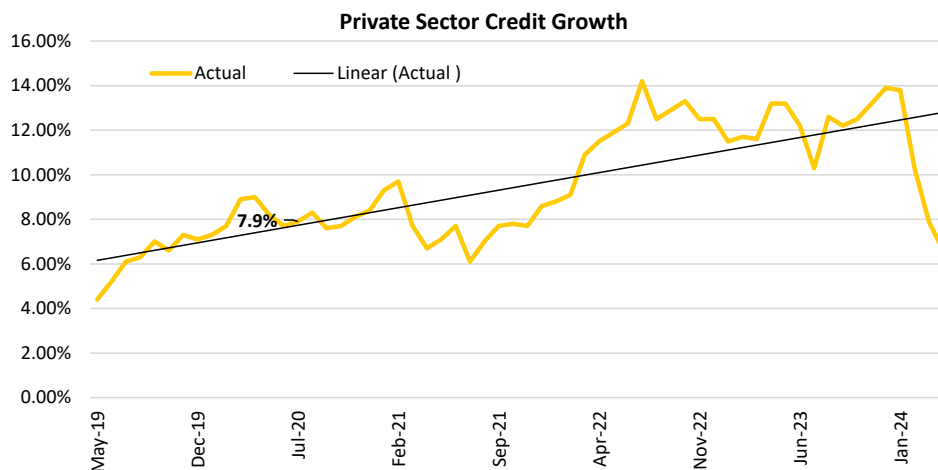
### Overview of Kenyan Economy

Kenya's real GDP growth rate was 5.6% in 2023, compared to a growth of 4.9% in 2022. Kenya's economy is projected to remain resilient in 2024 mainly supported by a robust services sector, strong performance in agriculture aided by anticipated adequate rainfall and a decline in global commodity prices that is expected to reduce the cost of production.



Source: SIB, KNBS

In 2024, uncertainties that have emerged include youth led protests that led to the deletion of all clauses in the Finance Bill 2023/24, and the cutting of budget spending. Combined with uncertainties around tax revenue increases and the prospect of new taxes, high interest rates are likely to persist despite which could slow the private sector construction sector. Government led initiatives fueled by the mandatory housing levy contributions and Kenya Mortgage Refinance Company is likely to shape the sector in coming years. A notable upward shift in the yield curve has been noted as investors demanded higher rates for government papers. This has also had an impact on credit growth, which has slowed.

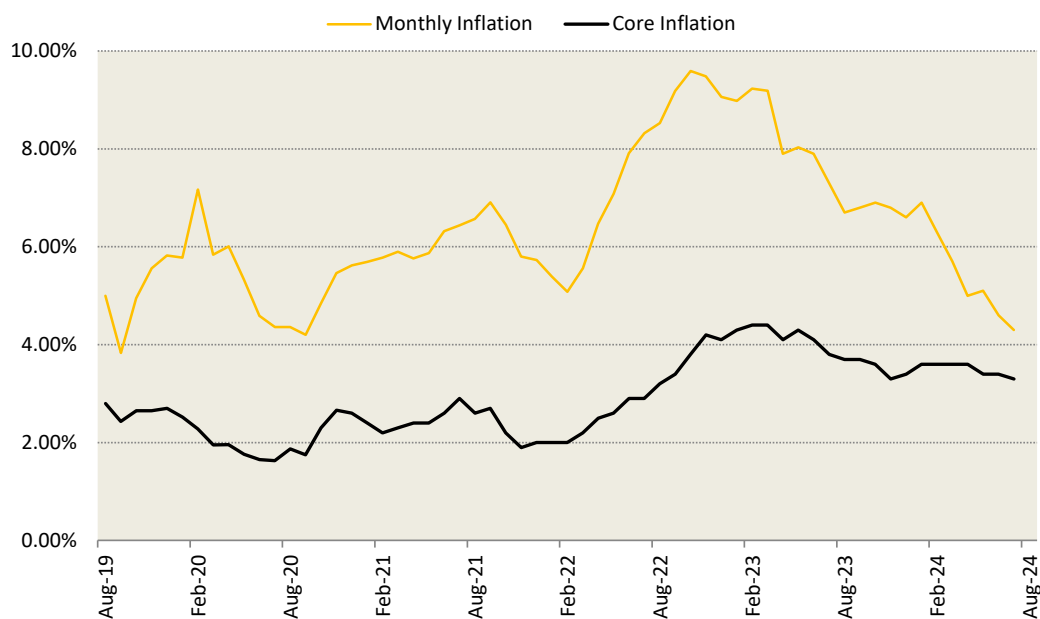


Source: SIB, Central Bank of Kenya

The Monetary Policy Committee raised the CBR by 50bps to 13.0% in Feb 24, up 50bps from 12.5% in Dec 24 (10.5% in Oct 24). This was lowered 25bps to the current level of 12.5% in August 2024. Lending rates rose in the 1Q24 as banks priced in CBR rate increases, coupled with the continued implementation of risk-based pricing and loan book repricing. Savings and term deposit interest rates surged in response to the high-interest rate, as customer demanded higher returns for their deposits.

Inflation declined in 1Q24, with the slower growth in the general price levels largely due to the deceleration in both food & fuel inflation. Interest rates were raised initially to contain inflation, then later to manage a weakening currency which would have posed inflation risk. Inflation is anticipated to remain within the Central Bank of Kenya (CBK) target in 2024.

### Kenya Inflation – 5 Years



Source: SIB, KNBS

Manufacturing sector grew by 2.0 per cent in the year under review compared to a growth of 2.6 per cent recorded in 2022. The share of the sector to GDP, was 7.6 per cent in 2023. The volume of output grew by 2.8 per cent in 2023 compared to a growth of 3.7 per cent in the previous year. The highest growth in volume of output was recorded in the following agro processing subsectors: Prepared Animal Feeds (17.0 per cent), Dairy Products (16.4 per cent), Prepared and Preserved Fruits and Vegetables (11.6 per cent) and Meat and Meat Products (10.1 per cent). The non-food subsectors that recorded growths included Leather and Related Products; Plastic Product; and Fabricated Metal Products except machinery and equipment at 21.7, 16.2 and 15.3 per cent respectively, in 2023.

## CAPITAL MARKETS

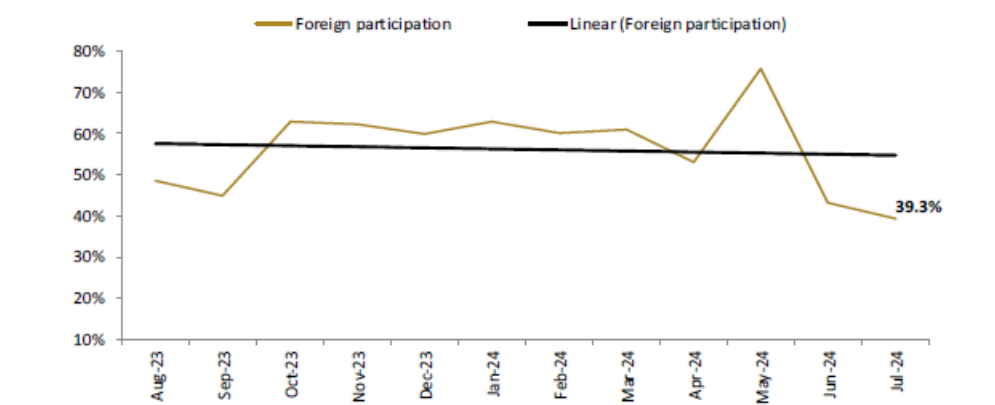
### Summary Trading Statistics

	CY19	CY20	CY21	CY22	CY23	1Q24	2Q24	Jun-24	Jul-24
NASI	18.5%	-8.6%	9.4%	-23.4%	-27.7%	22.8%	-3.2%	-3.1%	-3.4%
N10 Index					-9.2%	27.3%	-3.3%	-4.6%	-2.1%
NSE 20 Index	-6.3%	-29.6%	1.8%	-11.9%	-10.4%	16.7%	-5.5%	-3.8%	0.8%
NSE 25 Index	15.5%	-16.7%	9.6%	-16.3%	-24.0%	25.0%	-3.8%	-3.4%	1.9%
NASI points	166.41	152.11	166.46	127.47	92.11	113.09	109.49	109.49	105.73
N10 index points					907.51	1155.41	1117.39	1117.39	1093.91
NSE 20 Index points	2654.39	1868.39	1902.57	1676.10	1501.16	1752.43	1656.50	1656.50	1669.73
NSE 25 Index points	4100.57	3415.24	3743.90	3133.64	2380.23	2975.42	2861.04	2861.04	2806.48
Turnover (USD m)	1517.7	1,358.1	1,213.7	753.5	558.05	133.9	216.94	38.74	45.12
Avg. daily (USD m)	6.07	5.39	4.84	3.06	2.26	2.13	3.62	2.04	1.96
Net foreign flow (USD m)*	18.5	-261.6	-90.6	-197.9	-79.10	-16.2	22.69	3.24	-5.04
Nigeria Turnover (USD m)	5338.6	5,764.9	4,791.4	5,528.3	5423.70	1116.77	741.08	241.16	
Nigeria foreign flow (USD m)*	-251.1	-632.3	-64.4	27.6	-77.27	-17.90	-40.49	-3.87	

Source: NSE data, Standard Investment Bank, Bloomberg; \* Net inflow

The Nairobi Securities Exchange (NSE) benchmark 20-Share index has risen 9.5% in 2024 (16 August 2024) to 1,643.81 points – with large caps being the main driver of performance. Foreign investor participation has remained robust, with a net outflow of USD 16.2m in 1Q24 and a net inflow of 22.7m in 2Q24.

#### Foreign Investor Participation



Source: NSE Data, Standard Investment Bank,

## SEPTEMBER PERFORMANCE

### Top 10 Movers

Company	Price	% Sep	% YTD	Turnover (USD k)	Net flows (USD k)	Mkt-cap (USD m)	% foreign portion	% of total turnover
Safaricom	15.00	3.4%	7.9%	11,241.4	28.9%	-3,201.2	4,651.7	59.3%
Equity Group	43.85	6.8%	30.3%	5,879.9	15.1%	72.6	1,280.8	56.3%
KCB Group	34.70	9.3%	58.4%	5,650.8	14.5%	2,577.9	863.1	26.4%
BK Group	33.50	6.0%	-6.4%	3,119.3	8.0%	1,037.4	232.5	83.3%
Bamburi Cement	58.75	-24.2%	63.9%	2,691.3	6.9%	-1,130.3	165.1	25.0%
EABL	154.75	2.0%	35.7%	1,546.3	4.0%	820.4	947.2	45.0%
StanChart	210.00	3.8%	29.6%	1,108.5	2.9%	409.4	614.2	19.2%
Kenya Power	3.50	72.4%	146.5%	905.5	2.3%	-15.7	52.9	0.9%
Co-op Bank	13.35	-1.5%	17.1%	729.3	1.9%	3.8	606.3	0.4%
KenGen	3.00	17.6%	49.3%	631.4	1.6%	-170.4	153.1	14.6%

### Top 10 Gainers

Company	Price	% Sep	% YTD	Turnover (USDk)	Net flows (USD k)	Market-Cap (USD m)	% Foreign Portion
E.A. Portland Cement	31.65	304.7%	295.6%	13.7	-0.5	22.0	1.9%
Kenya Power	3.50	72.4%	146.5%	905.5	-15.7	52.9	0.9%
Carbacid	22.75	33.8%	51.7%	227.3	-42.7	44.9	9.7%
Trans-Century	0.42	27.3%	-19.2%	11.2	0.0	1.2	0.0%
Unga Group	16.30	24.0%	-3.3%	7.2	-0.1	9.6	0.6%
Car & General (K)	25.50	21.4%	2.0%	2.7	0.0	15.8	0.0%
Kenya Orchards	22.95	17.7%	17.7%	269.0	0.0	2.3	0.0%
KenGen	3.00	17.6%	49.3%	631.4	-170.4	153.1	14.6%
Centum	9.48	15.9%	12.9%	617.5	-363.0	48.8	29.4%
Kenya Re-Insurance	1.29	13.2%	-31.4%	555.6	-40.1	55.9	7.3%

### Top 10 Losers

Company	Price	% Sep	% YTD	Turnover (USDk)	Net Flows (USDk)	Market-Cap (USD m)	% Foreign Portion
Bamburi Cement	58.75	-24.2%	63.9%	2,691.3	-1,130.3	165.1	25.0%
Standard Group	5.60	-12.5%	-27.6%	0.5	0.0	3.5	0.0%
Home Afrika	0.31	-11.4%	-16.2%	4.6	0.0	1.0	0.0%
Sasini	16.75	-5.6%	-16.3%	10.0	0.0	29.6	0.3%
Crown Paints Kenya	30.20	-5.6%	-15.3%	4.2	0.0	33.3	0.0%
BAT Kenya	343.50	-3.0%	-15.7%	338.8	-34.3	265.9	20.3%
Sanlam Kenya	6.34	-2.5%	5.7%	2.3	-0.8	7.1	17.5%
Stanbic	117.25	-2.1%	7.8%	499.6	443.6	358.8	44.5%
ABSA Bank Kenya	14.05	-1.7%	22.7%	525.8	22.7	590.7	3.1%
Co-op Bank	13.35	-1.5%	17.1%	729.3	3.8	606.3	0.4%

Source: NSE Data, Standard Investment Bank

Year to date, the share price has outperformed the Nairobi All Share Index as shown above, with the offer being a major catalyst. The stock is tightly held with over 90% of the company controlled by the top 10 shareholders.

## Industry Overview

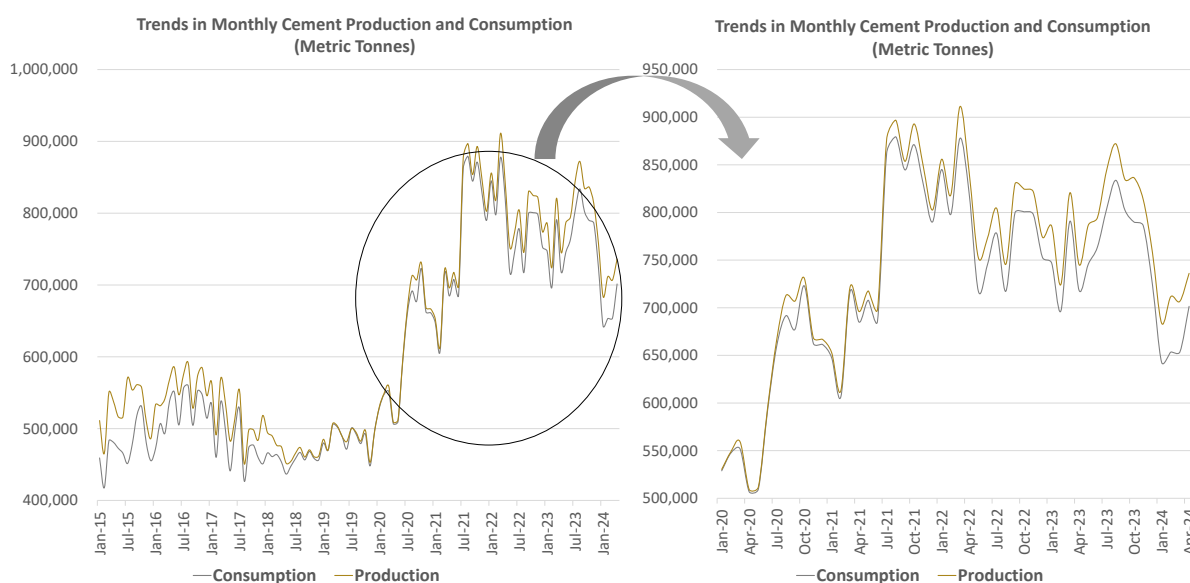
Cement production decreased from 9,791.4 thousand tonnes in 2022 to 9,616.0 thousand tonnes in 2023 according to the Economic Survey 2024. The last 15 years has seen the Kenya cement industry expand, both in additional capacity and new players. Prior to that, the industry had three main manufacturers namely Bamburi Cement, East African Portland Cement and ARM Cement. The newer players have gradually taken and consolidated market share, relegating erstwhile market leaders to grapple for survival as their market share dwindled. Lafarge (now Holcim Group), whose tentacles once touched Kenya's three major cement companies has seen its lead weakened considerably; with increased competition and subsequent price undercutting weighing negatively on overall sector profitability of the listed cement players.

Below are the estimated capacities of various cement companies operating in Kenya:

in million tonnes per annum (Mtpa)	Cement Capacity	Clinker Capacity
Bamburi Cement	3.2	1.1
National Cement/Simba (incl. ARM)	3.6	6.2
Mombasa Cement	3.9	2.6
Savannah Cement	1.5	0
EAPC	1.3	0.5
Rai Cement	0.7	
Ndovu cement	0.3	
<b>Total</b>	<b>14.5</b>	<b>10.4</b>

Source: SIB Estimates

## Volume of Cement Production and Consumption in Kenya



Source: SIB, KNBS

## Company Overview

In 2023 Bamburi Cement sales increased by 3% attributable to strong export and domestic sales. Bamburi Cement Plc has reported a drop in its per-share earnings from KES 0.56 in 2022 to a per share loss of KES 0.21 in 2023. The negative performance was largely attributable to the booking of losses from discontinued operations in Uganda (KES 1.1bn). Profit from continuing operations however saw the group post net profits of KES 670.0m (+159.7% y/y). The performance could have been better, save for elevated operating expenses related to higher freight and electricity tariffs. Power quality was also poor during the period increasing not only lost opportunities from sales but also higher maintenance cost with reduced life of refractors and motors.

The group posted a 6.3%y/y growth in its topline with revenues reported at KES 22.0bn driven by higher volume (+1.7%) and better pricing (+3.4%). Operating profits climbed 48.3%y/y to KES 1.0bn with the period's operating margins rising by 130bps to 4.6% in 2023. Net finance income came in at KES 38m vis-à-vis a net finance cost of KES 30m in 2022 – likely on robust growth in earnings on Bamburi's cash deposits with local banks as interest rates climbed in the period under review. Restatements in finance income were done, with the exclusion of finance costs linked to Hima Cement.

The board of directors has declared a first and final dividend payment of KES 5.47 (vis-à-vis KES 0.75 in 2022) – driven by a vast improvement in operating cashflow which was the main driver of dividend. The dividend was paid on or about 25th July 2024 to shareholders on the register at the close of business on 24th May 2024.

## Group Structure – Primary Subsidiaries

Company		% interest	Country of incorporation
<b>Bamburi Cement Plc</b>	<b>Holding Company</b>		<b>Kenya</b>
<b>Bamburi Special Products Limited</b> The leading supplier of Readymix concrete and Precast concrete blocks with operations in Nairobi and Mombasa	Subsidiary	100%	Kenya
<b>Lafarge Eco Systems Limited</b> The environmental arm of Bamburi Cement whose operations are in sustainable land use and quarry rehabilitation.	Subsidiary	100%	Kenya
<b>Diani Estates Limited</b> Diani's principal activity is management of land reserves on behalf of its parent company, Bamburi Cement.	Subsidiary	100%	Kenya
<b>Binastore Limited</b> Binastore principal activity is to promote the distribution of parent company's products.	Subsidiary	100%	Kenya

## East African Portland Cement Plc Stake

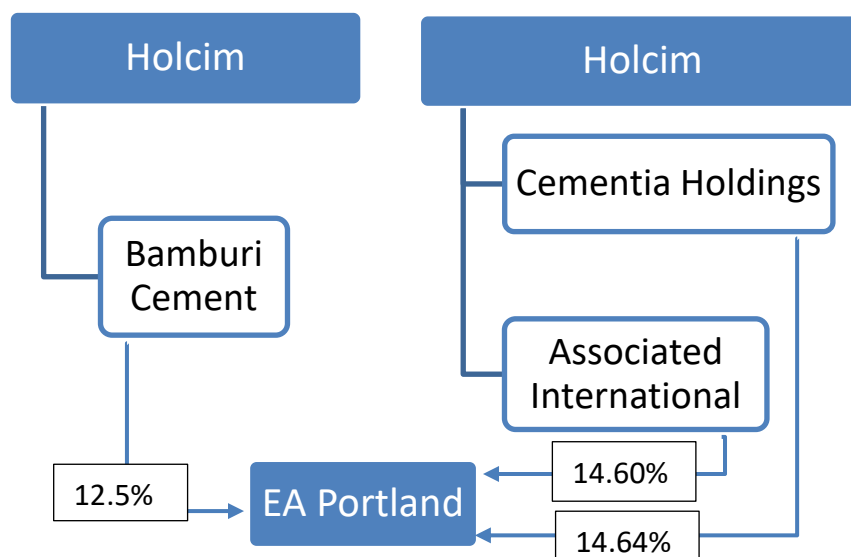
East African Portland Cement Plc (EAPC) was incorporated in 1933 as the first cement manufacturer in East and Central Africa. The company started as a trading company importing cement mainly from England, and is now an integrated cement manufacturer with an installed grinding capacity of 1.3 million tonnes. The principal activity of the company is the manufacture and sale of cement.

EAPC was listed on the Main Investment Segment of the Nairobi Securities Exchange (NSE) in 1972. Its nominal share capital is KES 450,000,000 divided into 90,000,000 ordinary shares with a par value of KES 5 per share.

Bamburi Cement Plc directly holds a 12.52% stake or 11,265,068 shares as shown below:

Shareholding	% Ownership	Number of Shares	Country
National Social Security Fund	27.00%	24,300,000	Kenya
The National Treasury	25.33%	22,799,505	Kenya
Cementia Holdings AG (Holcim)	14.64%	13,180,442	Switzerland
Associated international Cement (Holcim)	14.60%	13,144,442	United Kingdom
Bamburi Cement Limited	12.52%	11,265,068	Kenya
Other investors	5.90%	5,310,543	
<b>Total</b>	<b>100.0%</b>	<b>90,000,000</b>	

Cementia Holdings and Associated International (affiliated to Holcim) hold a separate combined stake of 29.24% or 26,324,884 shares East African Portland Cement Plc.



The disposal of Bamburi Cement Plc is in line with Holcim's exit in African markets, in line with the group's portfolio optimization strategy laid out in 2015 – following the merger of Holcim and Lafarge. As of 2023, Holcim's principal investments in Africa (by geography) are now in just four countries (Kenya, Nigeria, Algeria, and Egypt) following signed agreements to divest from Uganda, Tanzania, and South Africa. Given Holcim has already committed to exit Bamburi, it is likely that the firm will also exit EAPCC.

## **Positioning in the Industry: Competitive advantage, Threats and Opportunities**

Bamburi holds a strong brand reputation within Kenya's construction sector which is likely a key attraction for the buyer. The company has been a market leader especially with innovations around low carbon (green) cement positioning itself strategically for green pegged investments and financing in the construction sector.

Volatile energy and fuel prices as a result of global supply chain uncertainty, recurring power outages have in the past had a severe adverse effect on Bamburi's production and logistical costs. To this end, the firm signed a Power Purchase Agreement (PPA) with an Independent Power Producer, to set up two Solar Plants adjacent to the company's Mombasa Plant (14.5MW) and Nairobi Grinding Plant (5MW) – expected to account for 30% of power supply with cost savings and better reliability during the day.

While Bamburi Cement Plc plans to increasingly focus on the domestic market and export after the disposal Hima in Uganda, competitors are also making significant progress. In 2024, Devki Group launched a Cemtech Limited plant early in 2024 with a six million metric tonnes of clinker capacity annually. This is more than the total clinker requirement in Kenya (5 million metric tonnes per annum) – which suggests exports will be a key plank for the facility. Cemtech Limited facility's stated objective is to reduce import of clinker in the markets of Uganda, Rwanda and Burundi. Without additional investment in clinker capacity in the near term, Bamburi Cement Plc may have to rely on competitors for the critical raw material with Kenya having raised the tariff on imported clinker from 10% to 25%.

Bamburi has initiated but not approved the Matuga Integrated Plant project – estimated to cost KES 32Bn, with a proposed spend of KES 15.6Bn in 2024), and an estimated commissioning date of 2027. Bamburi Cement has no debt, and ended 2023 with a cash position of KES 4.7Bn. This positions the company in making additional investments, dividend and taking on additional debt.

Decline in government infrastructure projects spend and consumer purchasing power as well as stunted private sector credit growth and inflation caused by new levies and taxes has adversely affected the business environment. In an environment where government facing financial constraints coupled with high interest rates, we see likelihood of fewer large projects (or delay of planned projects), which may affect overall demand for cement in the short term. While Kenya had a decline in cement demand in 2023, there could be opportunities around government led affordable housing programme and projects done under public private partnerships.

Globally, the traditional European giants have slowed expansion while Chinese players (and increasingly domestic players) have assertively pursued opportunities beyond their home market. This has led to the emergence of players with a different funding profile and potentially more aggressive on pricing, eroding margins. In recent years however, cement industry challenges have resulting in a moderate increase in cement selling prices.



## Business Outlook

Despite the current challenging operating environment, Bamburi Cement Plc remains steadfast in efforts to drive positive performance in 2024 and beyond. The firm continues to accelerate its strategy execution with focus on commercial execution excellence, innovation, digitalization coupled with industrial and operational efficiency.

The Group expects to achieve profitable growth across all its businesses, fueled by sustainable building solutions and operational excellence.

Below is the unadjusted forecasts for years 2024 and 2025 ending December as provided by management:

		Actual	Forecast		Forecast	
Income Statement		2023	2024	Growth %	2025	Growth %
<b>Turnover</b>	<b>m KES</b>	<b>22,027</b>	<b>21,006</b>	<b>-4.6%</b>	<b>21,531</b>	<b>2.5%</b>
Operating costs	m KES	(18,891)	(16,418)	-13.1%	(16,731)	1.9%
Depreciation	m KES	(1,513)	(1,554)	2.7%	(1,507)	-3.0%
Group technical fees	m KES	(469)	(800)	70.6%	(824)	3.0%
Other gains/(losses)-net	m KES	-132	(229)	73.5%	(114)	-50.0%
<b>Profit from operations</b>	<b>m KES</b>	<b>1,022</b>	<b>2,005</b>	<b>96.2%</b>	<b>2,354</b>	<b>17.4%</b>
Finance costs-net	m KES	38	151	296.2%	75	-50.0%
<b>Profit before income tax</b>	<b>m KES</b>	<b>1,060</b>	<b>2,156</b>	<b>103.4%</b>	<b>2,429</b>	<b>12.7%</b>
Taxation	m KES	(390)	(647)	65.8%	(729)	12.7%
<b>Profit for the Period</b>	<b>m KES</b>	<b>670</b>	<b>1,509</b>	<b>125.2%</b>	<b>1,701</b>	<b>12.7%</b>

Source: Bamburi Cement Plc

## Chapter 3. Valuation

### Valuation Approaches

The principal determinant of value for a company is its ability to generate future free cash flow, which is a direct result of revenue growth, profitability and capital investment requirements.

Under the main valuation approaches considered in investment literature and practice, we considered the following valuation and pricing approaches:

Intrinsic Valuation Approach	Relative Valuation Approach	Asset-Based Approach	Historical Share Price
<ul style="list-style-type: none"> <li>- Discounted Cash Flow</li> <li>- Dividend Discount Model</li> </ul>	<ul style="list-style-type: none"> <li>- EV/EBITDA Multiple</li> <li>- Precedent Transactions</li> </ul>	<ul style="list-style-type: none"> <li>- Net Asset Valuation</li> </ul>	<ul style="list-style-type: none"> <li>- Share Price Analysis</li> </ul>

**We used Intrinsic Valuation Approach** as our primary intrinsic tool for valuation. One common method of valuing a company based on future free cash flow generation is the Intrinsic/Income Valuation approach as well as the Dividend Discount Model. In employing DCF, we discounted Bamburi's projected cash flows, to their present value using a rate of return, that reflects the relative risk of the investment, as well as the time value of money. While these methods allow for a detailed valuation analysis, it also requires information that is not widely available and a number of highly subjective assumptions.

**We also relied on the Relative Valuation approach.** In Relative Valuation approach, the prices at which companies trade in the public markets are reflected as a multiple of revenue, Price to Book (PB), Price to Earnings (PE), EBIT (earnings before interest and taxes) and EBITDA (earnings before interest, taxes, depreciation and amortization) among others. It should be noted that valuations of these individual companies could vary substantially even in the same industry as a result of factors such as size, geographical coverage, capital structures, growth prospects and margins. Relative valuation works on the assumption that stock market values correctly price the shares of an entity, which is true only under efficient market conditions.

**An Asset-based approach** focusses on the company assets or the fair market value of the total assets less total liabilities to determine what could be used to recreate the business.

In order to further check the plausibility of the results of the valuation methods obtained, we deployed a market-value-based valuation method by undertaking a **share price analysis**. We analyzed the share price development over the last 12 months in order to draw conclusions about Bamburi's market value prior to the take-over offer announcement.

## Valuation Details

SIB was able to carry out the going concern valuation based on the historical financial statements, financial forecasts and business plans of the Company. SIB considered the information provided by Bamburi to be plausible and consistent.

### Intrinsic Valuation Approach

In valuing Bamburi Cement Plc and its subsidiaries, we relied on the Discounted Cash Flow (DCF) Method (income valuation approach). This approach is based on the theory that the market value of the ordinary shares of a company based on the value of cash flows that the company can be expected to generate in the future. When applying this valuation approach, we discounted the projected cash flows to their present value using a rate of return that reflects the relative risk of the investment, as well as the time value of money.

**The Discounted Cash Flow method is the primary valuation method we used to assess the offers:**

The valuation process comprised a number of different steps, which were undertaken to arrive at a valuation. The goal was to determine the following:

**Value of the business operations.** This comprises the value of the core operations of the company. It does not include any non-core activities and debt financing arrangements. It reflects the value generated in utilising the existing operating assets (including net working capital) of the company. The business value assumes that an investor purchasing the business would effectively buy the operating assets and takeover the existing contracts with employees and business relationships. The investor would not take over existing or contingent liabilities (other than working capital liabilities) of the business.

**Enterprise Value.** This comprises the value of the business including any value attributable to the non-core operating activities or assets. It includes the value of assets and operations financed by both debt and equity.

**Equity Value of the company.** This comprises the value of the business plus any value attributable to the non-core operating activities or assets and less any debt financing arrangements. The equity value of the company is an estimate of the price at which 100% of the issued and fully paid-up ordinary shares in the company would be exchanged between a willing buyer and a willing seller.

We define the capital structure of a company as the mixture of equity and debt finance used by the company to finance its operations. The decision on what mix of equity and debt capital to have is called the financing decision. The financing decision has a direct effect on the weighted average cost of capital (WACC). The WACC is the simple weighted average of the cost of equity and the cost of debt. The weightings are in proportion to the market values of equity and debt; therefore, as the proportion of equity to debt vary, so will the WACC. Bamburi had no debt – we added back cash in the business as at end of 2023 (less dividend paid for the year)

### Discounting Assumptions

For the market risk premium and the risk-free rate, we used NYU Stern's country default spreads and risk premium estimates. We estimated beta by regressing stock returns of Bamburi against market returns (Nairobi All Share Index) over a period of 10 years

We estimated the future free cash over the forecast period using an exit EV/EBITDA of 6.5x, resulting in an implied terminal growth rate of 12.6%. We then estimated the cost of equity from a rational investor's point of view and calculated the Present Value of cumulative future free cash flows and the Present Value of the above terminal value.

### WACC Calculation

The cost of equity used in discounting the cash flows is derived by building up the value on a theoretical basis as shown in the table below to arrive at a rate of 16.1%. This cost of equity is a measure of the return investors would require in return for the risk of investing in a Kenyan company.

Cost of Equity Assumptions:	Oct-24
Risk free rate	4.60%
Beta	0.30
Market Risk Premium	15.57%
Cost of Equity - adjusted to currency	16.07%

For the market risk premium and the risk-free rate, we used NYU Stern's country default spreads and risk premium estimates – curated for Moody's sovereign credit rating downgrade to Caa1 from B3 for Kenya. A beta of 0.3 – derived from the counter's price volatility against the market over the past 10 years. We further treated the cost of equity to sovereign risk spread (6.8%) – derived from the yield spreads between the US 10-year Treasury and the KENNINT 01/23/2034 Kenyan Eurobond yield.

Using the Discounted Cash Flow approach, our primary tool for valuation, we obtained a value of **KES 74.30** per ordinary share of Bamburi, with a valuation range of **KES 59.17 – 91.52** for the company as shown below.

Free Cash Flow Model (KES, '000)	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28
FCFF	2,467	2,976	2,258	2,620	3,265
Terminal Value					27,092
Time	0.14	1.14	2.14	3.14	4.14
Discount Factor	0.98	0.84	0.73	0.63	0.54
Present value	2,416	2,511	1,641	1,641	16,374

Value of the firm - continued operations	24,582.59
Value of (debt)/cash	2,387.00
Book value of Equity	26,969.59
Number of shares	362.96
Value per share	<b>74.30</b>

### DCF Sensitivity Continued Operations

		WACC				
		14.07%	15.07%	16.07%	17.07%	18.07%
EV/EBITDA multiple	4.52	64.98	63.44	61.96	60.53	59.17
	5.52	71.62	69.84	68.13	66.49	64.92
	6.52	78.25	76.24	<b>74.30</b>	72.45	70.67
	7.52	84.89	82.64	80.48	78.41	76.43
	8.52	91.52	89.04	86.65	84.37	82.18

Since the company has no debt, the weighted average cost of capital (WACC) was a function of equity – thus the cost of equity was the discounting factor used in getting the present value of future cashflows. The terminal value of the business, estimating its value to perpetuity, was calculated as a function of the average EV/EBITDA exit multiple of listed peers in Sub-Saharan Africa multiplied by the FY28 EBITDA estimates. We assumed only replacement CAPEX and ignored any major expansion plans.

To verify the plausibility of this valuation, we looked at other valuation methods as set out below:

### Dividend Discount Model

Using the **Dividend Discount Model** approach, we obtained a value of **KES 59.19** per ordinary share of Bamburi, with a valuation range of **KES 44.32 – 76.12** for the company as shown below.

Dividend Discount Model	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28
Dividends	1,684	1,773	1,870	1,976	2,091
Terminal Value					27,092
Time	0.14	1.14	2.14	3.14	4.14
Discounting factor	0.98	0.84	0.73	0.63	0.54
Present Value	1,650	1,496	1,359	1,238	15,741

Value of equity	21,483
Number of Shares	363
Fair Value per share	<b>59.19</b>

### DDM Sensitivity Continued Operations

		WACC				
		14.07%	15.07%	16.07%	17.07%	18.07%
EV/EBITDA multiple	4.52	49.58	48.18	46.84	45.55	44.32
	5.52	56.22	54.58	53.01	51.51	50.07
	6.52	62.85	60.98	<b>59.19</b>	57.47	55.82
	7.52	69.49	67.38	65.36	63.43	61.58
	8.52	76.12	73.78	71.54	69.39	67.33

## Relative Valuation Approach

EV/EBITDA Methodology. EV is Enterprise Value and is one measure of total firm value. It is the sum of the market value of all claims against a company's assets, including claims by equity holders and debt holders.

Based on our own estimated 2.91Bn EBITDA for 2024, and a market multiple of 6.52 found through getting the median of African cement companies (26<sup>th</sup> August 2024), we obtained a value of **KES 52.34/=** per ordinary share. Management of Bamburi Cement have a 2024 EBITDA forecast of at least KES 3.5Bn – without factoring technical fees of KES 800m.

Relative to its peers, the offer price represents a 24.2% premium to Amsons offer and 46.3% premium to Savanna Clinker Offer.

## Precedent Transactions

Precedent transaction analysis is a method for valuing a company by comparing the price paid to similar companies that have been sold in the past. In this case, we compared the multiples paid by buyers of cement companies in Africa in the recent past.

Date	Target	Acquirer	Country	EV/EBITDA
Jun-23	Intercement Africa	Huaxin	South Africa	4.80x
Apr-23	Oman Cement	Huaxin	Oman	5.60x
Dec-22	Lafarge Zimbabwe	Fossil	Zimbabwe	7.00x
Dec-21	Lafarge Malawi, Zambia	Huaxin	Malawi, Zambia	5.40x
Nov-23	Hima Cement	Sarrai	Uganda	8.03x
Median EV/EBITDA multiple				<b>5.60x</b>

Source: Adopted from Project Sydney - RSM Independent Valuation Report for the sale of Hima shares

Based on our estimated KES 2.91Bn EBITDA for 2024, and a precedent transaction for Hima Cement of 8.03 relating to Hima Cement, we obtained a value of **KES 64.46/=** per ordinary share.

Amsons offer price represents a 0.84% premium to the Hima Cement transaction multiple, while Savanna Clinker's Competing Offer represents an 18.8% premium.

## Asset-Based Approach

An Asset-based approach focuses on the company assets or the fair market value of the total assets less total liabilities to determine what could be used to recreate the business. The company had a recent valuation of assets dated 27<sup>th</sup> January 2023 with respect to a valuation done in 2022. We have removed dividend from disposal of Hima Cement Uganda - following the completion of the transaction on 5<sup>th</sup> March 2024. The resultant higher NAV figure was compared to share price as set out below:

Shareholders Equity (1H24) - KES m	31,160
Special Dividend with respect to Hima cement - KES m	(6,624)
Shareholders Equity - KES m	24,536
Book value per Share	67.60

Amsons Offer Price	65.00
Discount to Book Value	-3.85%
Savanna Clinker Offer Price	76.55
Premium to Book Value	13.24%

Amsons offer is 3.9% Lower to the asset value calculated while Savanna Clinker offers a premium of 13.2%. It is worth noting that over half of companies at the NSE trade at below book value.

### East African Portland Cement Plc Stake

EAPC's capital and liquidity management has been erratic in the period of ownership, on occasion demanding capital injection from its shareholders. It held a rights issue in 1996 where it raised KES 1 billion from the shareholders, and channelled towards the rehabilitation and modernisation project (together with additional debt and retained earnings). The rights issue was priced at KES 14.00, a 25% discount from the average trading price of the counter as at the announcement in February 1996. The Company considered holding another rights issue in 2020 but it was not well received, with the consideration that EAPC had alternative options such as asset sales. In the last three years EAPC has focused on clearing its debt using fixed assets.

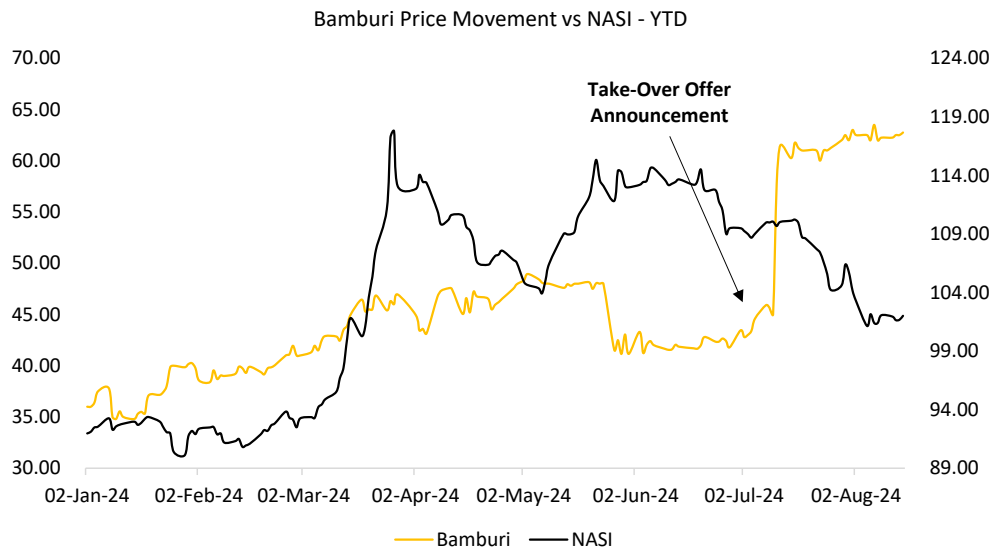
The legal status of East African Portland Cement Plc (EAPC) has been a longstanding matter of discussion as to whether it qualifies as a State Corporation. Historically, shareholding by the National Government and by the National Social Security Fund (NSSF) were viewed as Government shareholding - with the combined shareholding constituting a majority (50% plus one). EAPC's legal status has impeded its commercial competitiveness.

EAPC Plc delivered a revenue of KES 3.0Bn in 2023. The company has not paid any dividend since the year 2014 and has been posting an EBITDA loss since for an almost similar period. EAPC has been disposing some of its land assets in order to restructure its balance sheet. The most recent is the land disposal to pay off a KES 6.8Bn loan, with the remaining investment property valued at KES 25.9Bn as at June 2023 (shareholders equity is at 19.2Bn due to substantial payables). There are plans to raise another KES 10Bn via land sales but historically the process has been lengthy with encumbrances in place, including squatters.

Share Price - 4th October 2024	46.25
Number of Shares held	11,265,068.00
<b>Investment Value</b>	<b>521,009,395</b>

## Historical Share Price Analysis

### Bamburi Year-to-date Share Price Performance

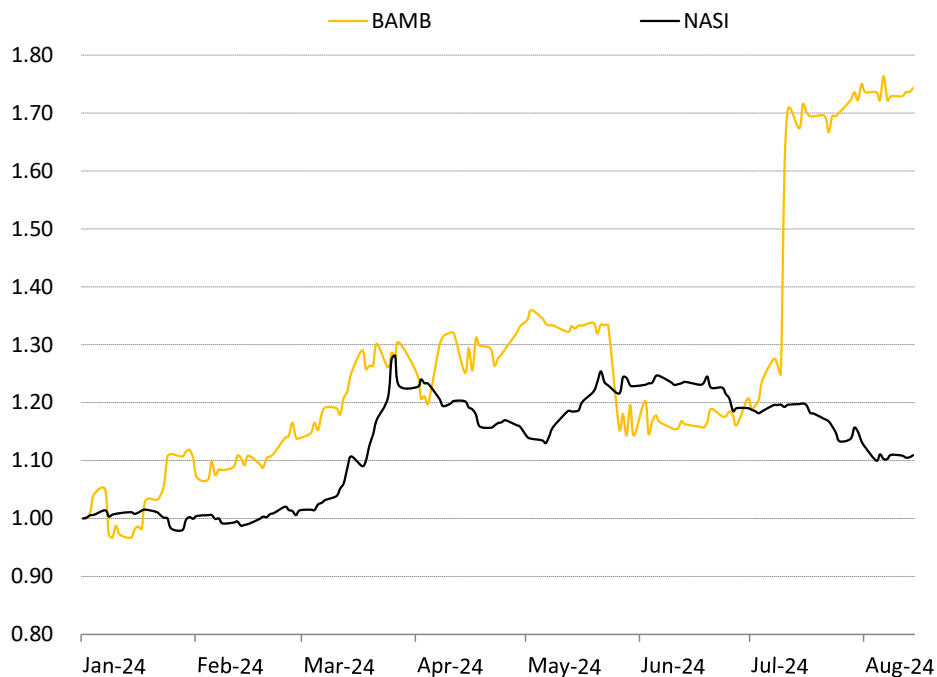


Source: NSE Data, Standard Investment Bank

13<sup>th</sup> February 2020 is the last time the share price was above Amsons offer price of KES 65.00.

16<sup>th</sup> January 2020 is the last time the share price was above Savanna Clinker offer price of KES 76.55.

### Bamburi vs NASI – Base Year January 2024



Source: NSE Data, Standard Investment Bank

Year to date, the share price has outperformed the Nairobi All Share Index as shown above, with the offer being a major catalyst.



### Bamburi vs NASI Share Index – Base Year January 2013



Source: NSE Data, Standard Investment Bank

Over the last 10 years, an investor in Bamburi would have underperformed the NASI. As the graph above demonstrates, since beginning of 2013, Bamburi has underperformed the Nairobi All Share Index, falling by 66.3% versus a 4.4% increase in the benchmark index over more than a decade for the share price as at 23<sup>rd</sup> August 2024.

Bamburi outperformed the benchmark index climbing 78.5% as at 23<sup>rd</sup> August 2024 to KES 64.00 as the benchmark index rose 8.3%. The offer by Amsons of KES 65.00 represents a 51.0% premium on the 90-day volume weighted average price (VWAP) of 43.05 at which shares of Bamburi traded on the Nairobi Securities Exchange up to 10 July 2024 (being the last trading day before the Notice of Intention for the purchase was issued).

	Price	Premium to Offer Price of KES 65/=	Premium to Offer Price of KES 76.55/=
<b>90 days vwap</b>	43.05	51.0%	77.82%
<b>120 days vwap</b>	42.89	51.6%	78.48%
<b>180 days vwap</b>	39.14	66.1%	95.58%
<b>12 months vwap</b>	35.58	82.7%	115.15%

### Special Dividend

A special dividend of KES 18.25 per share was paid for the account of ordinary shareholder of Bamburi Cement from the disposal of Hima Cement Uganda - following the completion of the transaction on 5<sup>th</sup> March 2024. Book closure was on 20<sup>th</sup> September 2024 with payment made on 27<sup>th</sup> September 2024

## Chapter 4. Fairness Opinion

### Summary Valuation Results Table

Valuation Method	per share (fair value estimate)	Fair Value Estimate (KES m)	Amson Offer Premium/(Discount)	Savanna Clinker Premium/(Discount)
Discounted Cash Flow	74.3	26,970	-12.52%	3.02%
Dividend Discount Model	59.2	21,483	9.82%	29.33%
Precent Transaction (Hima Cement)	64.5	23,395	0.84%	18.76%
Relative Multiple (African Peers)	52.3	18,998	24.18%	46.25%
Asset Based Approach	67.6	24,536	-3.85%	13.24%
Share Price - 90 Day VWAP	43.1	15,644	50.81%	77.61%

The table above summarizes the results of our valuation analysis. The table above summarizes the results of our valuation analysis. Based on the intrinsic valuation approach (DCF and DDM), our primary tools for valuation, we obtained a base value of **KES 66.75**.

Valuation Method - continued operations	Fair Value Estimate	Weighting	Weighted Fair Value Estimate
DCF	74.30	50.0%	37.15
DDM	59.19	50.0%	29.59
Estimated value of continued operations			<b>66.75</b>

The plausibility of this valuation has been verified using market-based valuation methods as shown. asset based method had the highest valuation at KES 67.6 per share while Share Price analysis method had the lowest value at KES 43.1 per share.

### Limitation and Scope of the Review Report

This report and opinion was compiled solely and expressly on the basis that we shall not be liable for any direct, indirect or consequential loss for damage suffered by any party arising from the fulfilment of the transaction expressed under the assignment. This report is intended for the use by the Independent Board of Directors of Bamburi and its shareholders, the Capital Markets Authority of Kenya ("CMA") and the Nairobi Securities Exchange ("NSE") in connection with the acquisition of shares of Bamburi by Amsons Industries (K) Limited, and hence may not be reproduced or used for any other purposes without SIB's prior written consent.

This report does not constitute a recommendation to any ordinary shareholder of Bamburi as to how to vote at any meeting relating to the proposed acquisition or any matters relating to it, nor as to the acceptance of the transaction. The purpose is to provide a fairness and reasonableness opinion as required under the regulations cited above. While every care and diligence were taken to ensure its soundness on the basis of information available, we assume no responsibility to anyone if this review opinion is used or relied upon for anything other than its intended purpose.

Our report holds true as at the date of issue of the report, and based on the current economic and regulatory conditions and the assumptions made thereon as well as the information made available to us by Bamburi's management or publicly published by Bamburi up to the date of this report. Accordingly, we are under no obligation to update this report because of events and transactions occurring subsequent to the date of this report.

We have consented to the issuing of this report in the form and context in which it is to be included in the Shareholder Circular to the Shareholders of Bamburi.

## Fairness and Reasonableness Opinion

On the basis of the review performed, and after taking into consideration the underlying valuation of Bamburi Cement Plc and in addition to all the accounting and financial information, the assumptions on current economic and regulatory environment, nothing has come to our attention that the proposed acquisition by both Amsons Industries (K) Limited at KES 65.00 per share and Savanna Clinker at KES 76.55 is not fair and reasonable – with the attendant differentiating conditions relevant to consider:

Conditions	Savanna Clinker	Amsons Industries (K) Limited
Price	KES 76.55	KES 65.00
Conditions Precedence	Set out in paragraph 4.9 of the Competing Offer document.	Set out in paragraph 12.1 of the Offer document.
Mining and Regulatory Approval	Includes approval of change of ownership control of all mining licenses held by Bamburi or its subsidiaries (including Katani and Ngurunga); and regulatory approval from the Competition Authority of Kenya.	Includes approval of change of ownership control of mining licenses relating to Katani and Ngurunga; and regulatory approval from COMESA Competition Commission.
Threshold Acceptance Condition	The offer is subject to acceptances by holders of at least 60% of the issued shares of Bamburi, unless waived.	None.
Acceptance	Partial acceptance allowed	Partial acceptance not accepted. A shareholder is required to sell all their holdings.
2024 Dividend	None.	Shareholders will be eligible to receive dividends with respect to 2024 if the transaction does not close by 30 <sup>th</sup> June 2025.
Long Stop Date	The long stop date for the transaction is 28 <sup>th</sup> February 2025.	Long stop date for the transaction is 28 <sup>th</sup> November 2025.
Break fee agreement	None	Fincem and Kencen (Holcim entities) holding a combined stake of 58.6% have entered into a break fee agreement for USD 5.3m payable to all accepting shareholders on a prorated basis in the event of a break fee event.
Delisting	Will seek to delist if 90% threshold is achieved	Could delist from NSE if 75% threshold is achieved

## Chapter 5. Disclosures

Information and Statements required in an Independent Advisor's Circular

### Disclosure of interests held by Standard Investment Bank and its employees in Bamburi Cement Plc or the any of the Purchasers

Name of Person/Entity	Relation to SIB	Number of Shares in Bamburi	% of total issued share capital
Nahashon Kabiru Mungai	Employee	152,400	0.042%
Eric Musau	Employee	16,000	0.004%
Gerry Kiruthu	Employee	10,000	0.003%
Collins Ogechi Mekubo	Employee	1,000	0.000%
Wesley Manambo	Employee	800	0.000%
Dan Murage Kariuki	Employee	500	0.000%
Mansa X Fund (Clients Fund)	Special CIS Fund	3,024,600	0.833%
<b>Total</b>		<b>3,205,300</b>	<b>0.883%</b>

Standard Investment Bank is eligible to act as an Independent Adviser under Section 11 of the Capital Markets (Take-Overs and Mergers) Regulations, 2002.

### Stated Intentions regarding the continuation of business

Amsons intends to operate the business of Bamburi in a similar manner to which it currently operates, with a view to enhancing its operations based on the Offeror's experience in the industry and the region. To do so, the Offeror aims to invest further prudently, and provide avenues for employee growth and retention, for Kenyan employees. Amsons, who operates cement plants in Tanzania, respects Bamburi's vision and team and believes it has the experience to strengthen Bamburi's position as a leading player in the East African cement market. It will continue to carry on the principal business of Bamburi.

Savanna Clinker Limited stated intention is to continue to carry on the principal business of Bamburi. The introduction of costs and quality controls, processes and innovative and efficient management systems will unlock shareholder value from Bamburi's operations. In addition, closer integration where possible and practical, of the Competing Offeror and Bamburi's operations will provide opportunities to extract synergies in administration, marketing, production, distribution, selling and information technology. The Competing Offeror's existing relationships with leading US carbon capture technology businesses will also provide for the combined group to become a leader in the region with regard to carbon mitigation activities among leading industrials, a key long-term ambition of the Competing Offeror.

### Stated Intentions regarding any major changes to be introduced in the business or any other major change in the structure of the offeree;

Amsons has identified areas in Bamburi that require investment, including investment in plant modernization and if the market supports the investment, the construction of a clinker plant at Matuga to ensure its cement plants are self-sufficient in terms of the availability of raw materials. This

will work hand in hand in lowering the production costs for Bamburi's cement and concrete products, to ensure the products are available in the market at a competitive price and with a guaranteed level of quality. Amsons is considering making these investments in an accelerated process.

Savanna Clinker Limited does not expect to implement material changes to the Bamburi organizational structure or to the terms and conditions of employment in the balance of the skills and functions of the management and employees of Bamburi in the short term.

#### **Long-term stated commercial justifications for the proposed take-over offer**

The entry by Amsons into the Kenyan cement sector will allow the Offeror to take advantage of opportunities within the region whilst enhancing trade between the East African Community member countries. Amsons intends to increase Bamburi's revenue growth by increasing Bamburi's access to regional markets, and, as with the Amsons Group of Companies' ethos, will implement its strategic plans in a responsible and sustainable manner. Doing so, will enhance Bamburi's productive capacity in accordance with Bamburi's existing vision.

Savanna Clinker Limited has secured USD 400m of financial commitments and executed an industry standard FIDIC 'Silver Book' EPC contract with the World's leading cement and ancillary services contractor, for the development of a limestone extraction and 8,000 metric tons per day state-of-the-art clinker processing plant in Kitui County, Kenya. The said plant is due for completion before the end of 2026. The ability to supply Bamburi with clinker from a geographical location so proximate to its main grinding center at the Athi River location, will reinvigorate Bamburi's zone of natural advantage and allow Bamburi to regain its ability to produce its core products at capacity utilisation.

#### **Stated Intentions regarding the continued employment of the board of directors, management and employees of the offeree and of its subsidiaries**

Amsons intends to provide avenues for employee growth and retention, for Kenyan employees. If Offeror acquires effective control of Bamburi, the firm intends to use its resulting shareholder votes to appoint the majority of the board of directors of Bamburi.

Savanna Clinker Limited attaches great importance to the reputation, expertise and experience of the existing management and employees of Bamburi. Therefore, it intends to provide avenues for employee growth, advancement and retention for the Kenyan employees of Bamburi.

#### **Information regarding service contracts with its directors.**

##### **Executive Directors**

	<b>Directors name</b>	<b>Position</b>	<b>No. of shares</b>	<b>FY 2023 Remuneration (KShs'000)</b>
1	Mohit Kapoor	Group CEO	None	76,004
2	Eugene Antera	Director	None	7,797

<b>Independent Director's &amp; NSSF Director Remuneration</b>			
<b>Year</b>	<b>2023</b>		
<b>Name</b>	<b>Annual Fees</b>	<b>Sitting Allowance</b>	<b>Total</b>
Chairman	1,912,756	2,749,585	4,662,340
Non- Executive Director's	888,531	2,349,297	3,237,828

\*For NSSF, Annual Fees is paid to NSSF, while Sitting Allowance is paid to the NSSF Nominee Director

In 2024, shareholders approved a 7% increase in the fees payable to Independent Director's and NSSF Director.

**Information regarding dealing of voting shares**

None of the directors of the Company have dealt in the voting shares of the Company during the period commencing 12 months prior to the beginning of the take-over offer and ending with the latest practical date prior to sending the offer document.

**Does Bamburi hold directly or indirectly, any voting shares or convertible securities in the offeror? If so, the number and percentage holding of such voting shares and convertible securities;**

No.

**Do directors of Bamburi Cement Plc hold, directly or indirectly any voting shares or convertible securities in the Bamburi or Amson? If so, the number and percentage holding of such voting shares and convertible securities so held;**

One Bamburi director has 1000 shares (0.0003%) in Bamburi Cement Plc and is still considering the offers. No director has voting shares in the offerors

**Intention of directors of Bamburi in respect of their own beneficial holdings to accept or reject the take-over offer.**

An independent board was formulated to handle the independent advisor circular and the overall shareholder circular to the minority shareholders. On 10 July 2024, Amsons had entered into an irrevocable undertaking by Fincem Holding Limited (106,360,798 shares) and Kencem Holding Limited (106,360,797 shares) which informed the formation of the independent board. Amsons, on 2 October 2024, with mutual agreement of Fincem and Kencem, terminated the irrevocable undertaking.

**Any other information relevant for the informed assessment of the holders of voting shares and their professional advisers.**

If Amsons offer does not close by 23:59 hours Nairobi time on 30<sup>th</sup> June 2025, any dividends declared, made or paid by Bamburi in respect of Bamburi's financial year 2024 will be paid to shareholders of Bamburi Cement. We estimate the FY24 dividend to be at most, unchanged to FY23 level if profitability is unchanged.

Amsons, on 2 October 2024, with mutual agreement of Fincem and Kencem, terminated the irrevocable undertaking which had been entered on 10<sup>th</sup> July 2024. This means that Bamburi shareholders are at liberty to evaluate the Offer and any other competing offers that may be made and should feel unrestrained.

**Top 10 Shareholders as at 15th September 2024**

	Shareholder	No. of Shares	% Shareholding
1	Fincem Holding Limited	106,360,798	29.30%
2	Kencem Holding Limited	106,360,797	29.30%
3	Standard Chartered Nominees RESD A/C KE11396	56,906,640	15.68%
4	Aksaya Investment Holdings Limited	42,657,690	11.75%
5	Standard Chartered Nominees RESD A/C KE11443	10,147,700	2.80%
6	SIB A/C Mansa-X Fund	4,338,600	1.20%
7	Kestrel Capital Nominee Services Limited A/C 6	3,089,350	0.85%
8	Standard Chartered Nom A/C KE 11993	2,607,700	0.72%
9	Kestrel Capital Nominee Services Limited A/C 13	1,250,000	0.34%
10	APA Insurance Limited	1,059,300	0.29%
	<b>Shares selected</b>	<b>334,778,575</b>	<b>92.24%</b>
	Others	28,180,700	7.76%
	<b>Total Shares Issued</b>	<b>362,959,275</b>	<b>100.00%</b>



23th October 2024

**Independent Committee of the Board of Directors  
Bamburi Cement Plc**

**Kitui Road, Off Kampala Rd, Industrial Area, Nairobi  
P.O. Box 10921-00100, Nairobi.  
Tel: +254 (0) 20 6614358/ 2893000/ 709 724000  
Website: [www.lafarge.co.ke](http://www.lafarge.co.ke)**

**Members of the Independent Committee of the Board:**

**RE: INDEPENDENT FAIRNESS OPINION ON THE PROPOSED TAKE-OVER OFFERS**

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We, Standard Investment Bank Limited ("SIB"), are delighted to submit our final assessment on the financial adequacy of the offer by Amsons Industries (K) Limited and Savanna Clinker Limited for the acquisition of 100% of the ordinary shares of Bamburi Cement Plc.

This is in relation to the services of Independent Financial Adviser with respect to an engagement signed with the Board of Bamburi. Approval has been obtained from the Capital Markets Authority (the "CMA") with respect of the compliance of this Independent Adviser's Circular as required under regulation 10 of the Capital Markets (Take-overs and Mergers) Regulations, 2002. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Circular.

We consent to the issuing of this report in the form and context in which it is to be included in the Shareholder Circular to the Shareholders of Bamburi.

Yours sincerely,

Job Kihumba  
Executive Director

Authorized Signature 23.10.2024

Contact:

Job Kihumba: Mobile No: 0722-517090; Direct Landline: 2277036; [jkkihumba@sib.co.ke](mailto:jkkihumba@sib.co.ke)  
Eric Musau: Mobile No: 0722-293047; Direct Landline: 2277025; [emusau@sib.co.ke](mailto:emusau@sib.co.ke)

Kenyatta Avenue, 16th Floor JKUAT Towers; P. O. Box 13714, 00 800 Nairobi; Telephone: +254 77 733 3000, +254 20 227 7000, +254 20 227 7100; Email: [info@sib.co.ke](mailto:info@sib.co.ke)

Regulated by the Capital Markets Authority | Directors: Samuel Njunguna (Chairman); James Wangunyu (M.D.); Job K. Kihumba; George Akello; Pauline Mwai; Donald Wangunyu; Nicholas Wangunyu; Nahashon Mungai

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