

# AfriSam back on track, says CEO

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Afrisam CEO Stephan Olivier says "the health of the company has been restored" since the cement firm's balance sheet and shareholder registry were overhauled after a costly empowerment deal in 2007.



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"We're a very stable organisation - the empowerment-related debt challenges are behind us and we are focused on defending our South African business and growing the business faster in the rest of Africa," he said.

AfriSam is the product of a black economic empowerment deal whereby Swiss firm Holcim offloaded most of its stake in the company to a local consortium in 2007.

The transaction was funded by onbalance-sheet debt, which later had to be restructured, while AfriSam's complicated ownership and funding structure was also unwound.

Its major shareholders are now the Public Investment Corporation (PIC) - after the state investment body converted AfriSam debts to equity - and Pembani Group.

Mr Olivier said while AfriSam had stabilised, margins across the industry had been under pressure since 2010 due to slack demand and increased competition.

Slightly larger JSE-listed rival PPC said this week its lower sales volumes in SA were resulting in "margins being squeezed", but said volumes were growing in some other African markets.

The companies are evaluating a merger partly in an effort to build scale as multinational producers target the South African market, and also to bolster their efforts to grow elsewhere in Africa.

Mr Olivier said unlisted AfriSam "favourably" compares its performance metrics against the likes of PPC. Perceptions that

AfriSam was heavily indebted "are misinformed", he said, adding that the firm's debt-to-equity ratio "is not out of line with industry peers".

AfriSam has spent at least R1.5bn on what it calls "efficiency upgrades" to its plants over the past decade - or capital expenditure excluding general maintenance.

This included a R80m project to further upgrade its Ulco cement facility in the Northern Cape.

The investments "have kept us up to speed" with the technologies and efficiencies that new operators had brought to the South African market, Mr Olivier said.

Excluding the latest newcomer to the market, Mamba Cement - which is constructing an inland plant and is partly backed by Chinese capital, SA's installed cement capacity is nearly 20-million tonnes before imports. Demand hovers around 13million tonnes a year, meaning the industry has about 7-million tonnes of unutilised capacity, some of which sits in AfriSam's plants.

With selling prices and margins under pressure in SA, both PPC and AfriSam are trying to grow their rest-of-Africa business.

PPC has projects under way in Ethiopia, Rwanda, Zimbabwe and the Democratic Republic of the Congo. The company is evaluating at least one other project, in Algeria, but said this week it would struggle to execute further growth projects due to financial constraints.

Outside of SA, AfriSam has a 68% stake in a Tanzanian company and is adding a second kiln line to grow capacity at its Tanzanian plant, from where it exports to countries including Rwanda, Burundi, Uganda and the Congo. The kiln is planned to be commissioned in the fourth quarter of this year.

Mr Olivier said AfriSam was looking for other opportunities across the continent, with its main focus on Central to East Africa, but said competition for "suitable and fairly priced" deals was fierce.

Meanwhile, should Holcim's merger with French cement giant Lafarge go ahead, Holcim will have to sell its roughly 2% stake in AfriSam within three years, according to the Competition Commission's conditions in approving their merger.

This would ensure Holcim did not have access to AfriSam's commercially sensitive information, the commission said last year.

*Source: Business Day*