Global Network for Advanced Management Investment Competition

The Graduate School of Business

University of Cape Town

Investment Team:

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30 October 2016

Portfolio:

1. Harmony Gold Mining Company Limited (JSE:HAR) (Top Investment Idea)
2. Sibanye Gold Limited (JSE:SGL)
3. Rolfes Holdings Limited (JSE:RLF)
4. Pan African Resources plc (JSE:PAN)
5. Ansys Limited (JSE:ANS)

Top Investment Idea:

Harmony Gold Mining Company Limited (JSE: HAR)

Company overview

Company background

Harmony Gold Mining Company Limited is a publicly listed company, with its primary listing on the Johannesburg Stock Exchange Limited (JSE:HAR), a listing on the New York Stock Exchange (NYSE:HMY), and as International Depositary Receipts ("IDRs") on the Berlin exchange (HAM1) with a market capitalisation of R6.8 billion (US$560 million) at 30 June 2015. Harmony Gold Mining Company Limited is the third largest gold mining company in South Africa (SA), the 12th largest in the world and the 5th largest gold producer in the world. It has operations in SA & Papua New Guinea (PNG), 9 underground and 1 open pit and 2 exploration sites in PNG[1]. The company employs about 31,012 people (including contractors) in SA and 102 employees in PNG.

Its value proposition is that it is a "competitive, value focused gold mining company".

Target market

The company's key gold consumers are China, India and the United States, with the key demand for the gold being for jewelry, technology, investment and central banks and other institutions. Harmony has entered into short term gold forward sale contracts for a total of 432,000 ounces over a period of 24 months, representing approximately 20% of the company's total production. The sharp increase in the volatility of the R/kg gold price provided Harmony with an opportunity to lock in 20% of its gold sales at a very attractive average rate of approximately R682,000/kg. The limited size and duration of the hedge means shareholders retain full upside exposure on 80% of Harmony's future gold production for the next two years, after which shareholders will have 100% exposure to the gold price[2].

Technology

Investments in different types of technology such as ice plants for more effective cooling and decreased pumping, and rail-veyor for semi-automated horizontal ore transport system has enabled the company to mine more efficiently, a necessity given the constraints the mining industry has experienced in recent years[3] .

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[1] https://www.harmony.co.za/investors/news-and-events/company-announcements-2/announcements-2016/943-harmony-driven-by-excellence

[2] https://www.gold.org/supply-and-demand/gold-demand-trends

[3] https://www.harmony.co.za/investors/news-and-events/company-announcements-2/announcements-2016/943-harmony-driven-by-excellence

Shareholders

Under the strong leadership of the newly appointed CEO Peter Steenkamp in November 2015, the company has assumed a more aggressive strategy which has included higher production goals for 2017, identifying acquisition targets and paying out dividends for the first time since 2013. The ownership structure includes shareholders African Rainbow Minerals Ltd., Allan Gray Proprietary Ltd., Van Eck Associate Corporation and Retail Investors (North America).

Strategy

In terms of strategic positioning and competitors, Harmony Gold Mining Company Limited (hereafter referred to as Harmony Gold) is the 3rd largest gold mining company in SA and its largest competitors are AngloGold Ashanti and Gold Fields. In 2016 however, Harmony has managed to decrease its cost of production, outperform indices, the gold price (through locked in contracts) and its peers. According to FTSE/JSE Africa Gold Mining Index[4], which tracks five South African gold producers, all these achievements could allow Harmony to reclaim its position as the world's top gold producer.

Macroeconomic analysis

The macroeconomic climate is plagued with uncertainty making an analysis very difficult. The investment team has taken a view of some key events that will affect the macro economy and, more specifically, the Harmony Gold share price in the short-term. These key factors include Hillary Clinton being elected as the next US president which will strengthen the US dollar, SA's sovereign foreign currency being downgraded to sub-investment grade in December which will cause the rand to weaken and an increase in gold price driven by increased demand for gold. The net effect will boost Harmony Gold's share price, thus making it a good investment.

Gold demand

The gold price, currently at $1,283.70 an ounce[5], will have a significant effect on Harmony Gold's share price and thus a prudent analysis of the gold price is necessary. Demand for gold has decreased in the third quarter of this year and there is a net surplus of gold in the market[6]. This has caused the gold price to drop in recent times, however the forecast for the demand for gold is more positive. With the current and upcoming festivals namely Diwali and the Chinese New Year, the Asian demand for gold is expected

[4] ABSA, https://www.absa.co.za/indices/jse-indices/

[5] Source: Business Day Live, http://www.businesslive.co.za/bd/, 29 October 2016.

[6] Source: Mining.com, http://www.mining.com/physical-gold-market-largest-surplus-decade/

to increase. This, combined with an increase in Western investment interest in gold, the gold price should rally in the next 6 months[7].

US dollar and US Fed interest rates

The US dollar is likely to strengthen over the short-term which will have a negative impact on the gold price. Should Hillary Clinton be elected as the US president in November, which is highly likely, the dollar will strengthen due to increased global confidence in the US market. The market should correct itself over the next 6 months should any knee-jerk reactions occur during the elections. The stronger dollar will however favor Harmony Gold as the company exports in US dollars, and this, combined with a weaker rand, will boost Harmony's earnings.

Another factor that will likely limit a gold price rally, is the expected rate hike by the US Fed in December. An interest rate increase will put pressure on the gold price and will weaken emerging market currencies as funds will be diverted out of emerging markets towards the US dollar.

Despite the stronger dollar and increase in US Fed interest rates playing against the gold price, analysts expect gold to average $1420 an ounce[8] in 2017.

South African rand

A pending decision by the credit rating agencies to downgrade SA's sovereign foreign currency from BBB-rating to a sub-investment grade, or junk status, is weighing heavily on the local markets. The probability of a downgrade is high. Given the increasing amount of political infighting in the governing party, a student uprising which has destabilized the tertiary education system, dismal performance of the state owned enterprises and poor economic growth prospects (forecasted GDP growth for 2017 of only 0.1%[9]), it is difficult to justify any other decision. A downgrade to sub-investment grade will cause the rand to weaken and will negatively affect the Johannesburg Stock Exchange (JSE) with the financial services companies being affected the most. The weakening rand will have a positive effect on Harmony as they are a net exporter in US dollars. In addition, the market will run for stability which can be found in gold. This should boost the gold shares in the near term.

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[7] Source: Ross Strachan, Manager of Precious Metals Demand at Thompson Reuters GFMS, http://www.mineweb.com/regions/south-africa/listen-thomson-reuters-gfms-bullish-on-the-gold-price/

[8] Source: Ross Strachan, Manager of Precious Metals Demand at Thompson Reuters GFMS, http://www.mineweb.com/regions/south-africa/listen-thomson-reuters-gfms-bullish-on-the-gold-price

[9] Source: Engineering News, http://www.engineeringnews.co.za/article/imf-lowers-south-africas-forecast-gdp-growth-for-2017-2016-10-04

All things being considered, the macroeconomic environment is largely unstable and it is difficult to predict how the market dynamics will react. The investment team has therefore decided to focus on a few key events that they feel strongly about thus adding certainty to the performance prediction of Harmony Gold. A rising gold price combined with a weaker rand relative to the US dollar will favor the results of Harmony Gold which should translate into its share price.

External factors to consider

We identified the following opportunities Harmony Gold could consider as part of their strategy:

- Recycle gold
- Access to low debt facilities
- Automating – mechanized (increase outputs and efficiencies) – counter labor strikes
- Company's overall aspiration to increase its annual production profile to 1.5Moz within 3 years.
- Mine's life of mine plan will be included in Harmony's production update, which will be released on the 10th of November 2016.
- Plunge in the value of the South African rand, which reduces the domestic cost of production.
- The rand began a freefall against the dollar, fueled by a weakening South African economy and a stronger US dollar.
- Expansion in SA and into Africa
- Golpu Stage 2 prospecting
- Kili Teke prospect
- Diversification into copper mining

Given the current environment, Harmony Gold also needs to consider the treats to its long-term sustainability and address these where necessary:

- As of 26th April 2016, Van Eck Associate Corporation, an Asset Management company, now owns 10.10% of Harmony Gold's ordinary shares
- Rising US Fed interest rates will put pressure on the gold price
- AngloGold Ashanti & Goldfields have embarked on cost cutting measures which will reduce their production costs. Harmony Gold still has the highest cost of production than any other gold mining company due to its labor intensive process.

Harmony Gold company analysis

Internal company analysis

Strengths	Weaknesses
• Increase in earnings for the year ended 30 June 2016, primarily due to a 21% increase in the average rand/gold price. • Completed a joint venture with Hidden Valley mine in PNG • Paying first dividend in 3 years • Currency hedge - 90% of Harmony's operations are based in SA • In comparison to competitors 19.19 PE[10] ratio is below the industry average of 31.8[11] • Generating robust margins and earnings	• Company not beating cost of capital[12] • Still high costs of production • Low safety record – 4 fatalities were reported in 2016 alone. • According to the financial statements • According to the financial statements Harmony Gold has not been able to sustain profitable in recent years.

Financial analysis

The following section consists of a financial analysis of Harmony Gold. The company focuses on gold mining, exploration, extraction and processing with their main product being gold bullion. 90% of the company's operations occur in SA whilst the other 10% take place in PNG. Since the group operates internationally, its exposure to exchange risk makes it sensitive to rand/US dollar changes. Over the past year the SA rand slowly strengthened against the US dollar, showing a clear depreciation in value just after the "Nenegate" debacle in December 2015 when South African president Jacob Zuma suddenly removed Nhlanhla Nene from his role as finance minister, replacing him with the less familiar David van Rooyen. This incident resulted in the sudden depreciation of the rand as a result of this unprecedented situation.

Despite difficult trading conditions and with a looming credit rating downgrade anticipated for SA in December 2016, Harmony Gold managed to increase their revenue and profits over the past year.

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10 Source: Google Finance, https://www.google.com/finance?cid=546726076775263
11 Source: Credit Suisse Holt Analysis tool
12 Source: Guru Focus, http://www.gurufocus.com/term/wacc/HMY/Weighted%2BAverage%2BCost%2BOf%2BCapital%2B%2528WACC%2529/Harmony%2BGold%2BMining%2BCo%2BLtd

Revenue for the year ended 30 June 2016 increased to R18.334 billion (2015: R15.435 billion), whilst the exchange rate contributed significantly to this 18.8% rand growth in revenue (US Dollar: -6.2%). Gross profit turned around to R2.548 billion (2015: loss of R3.618 billion), operating profit came in at R1.592 billion (2015: loss of R5.193 billion). Net profit for the period attributable to owners of the parent improved to R949 million (2015: loss of R4.536 billion), while headline earnings was 221 cents per share (2015: loss of 189 cents per share).

Profitability

A Du Pont analysis shows an increase in return on equity (ROE) to 3.37% (2015: -16.96%). This is mostly attributable to an overall increase in net margin from -29.39% in 2015 to 5.18% in 2016. Total asset turnover (TAT) increased to 0.50 times (2015: 0.43 times) and their equity multiplier decreased to 1.31 times (from 1.35 times in 2015). As a high volume, low margin business, small changes in their profit margins are seen as significant and thus the increase in gross margin of 13.9% (2015: -22%) is a positive signal as they managed to increase the profitability of sales in a challenging economic environment. Operating profit turned around R1.592 billion (2015: loss of R5.193 billion) with a reduction in operating costs of 17.1%. This is mostly due to adjustments made in the impairment of assets and a reduction in employment termination and restructuring costs.

Harmony Gold increased their ability to generate profits over their assets and an increase in ROA (Return on Assets) of 2.56% (2015: -12.55%) shows they are using their assets more efficiently. In support of this, plant, property and equipment (PPE) remained fairly consistent over the past year (from a decrease of 10.6% in 2015), only increasing by 1.3% in 2016. The quality of their earnings increased by 77%, indicating that they were able to generate more cash from operations. The company is showing increased profitability with a revenue increase (18.8%) above the annual South African inflation rate (6.1%[13]) indicating their ability to perform in tough economic conditions.

Efficiency

Harmony Gold decreased their operating cycle from 10.59 days in 2015 to 0.9 days in 2016 and funds were tied up for a shorter time without earning a return. Although inventory had a slightly slower turnover of 26.98 days (2015: 24.75 days), they managed to decrease their collection period to 13.02 days (2015: 17.64 days) and increase their settlement period to 39.10 days (2015: 31.80 days), decreasing pressure on cash flow.

[13] Source: Statistics SA, http://www.statssa.gov.za/publications/P0141/P0141September2016.pdf

Fixed asset turnover (FAT) increased to 0.61 times (2015: 0.52 times), whilst PPE only increased by 1.3%. They have thus increased their ability to generate returns using their current assets, whilst new assets most possibly have not yet had an opportunity to generate profits to its full capacity. The company is operating more efficiently with both an increase in operating cash flows as well as a decrease in overall operating cycle.

Liquidity and cash flow

The current ratio decreased from 1.90 times in 2015 to 1.71 times due to an increase of current liabilities against current assets. The company will be able to cover their short-term borrowings using current assets, whilst still allowing enough opportunity for assets to work positively to generate growth opportunities for the company. The acid ratio is acceptable at 1.13 times (2015: 1.12 times). Harmony Gold has sufficient liquidity as well as improved cash flow management with an increase in cash from operations to R4.513 billion over the last year (2015: R2.006 billion). However, given the demand driven nature of the gold industry, inventory increases need to be monitored to ensure consistent future liquidity.

Leverage

During the last financial year (ending June 2016) Harmony Gold decreased their total liabilities to R8.851 billion (2015: R9.384 billion) whilst assets increased by 2.5% to R37.030 billion (2015: R36.137 billion). The lower financial risk is evident in a decrease in the company's debt ratio to 23.0% (2015: 25.97%). This is a positive signal to the market in the current economic conditions with interest rate hikes of 1% over the past year[14]. A decrease in the debt equity ratio to 31.41% (2015: 35.08%) shows that less assets are funded by debt, lowering their credit risk.

The increase in profit positively impacted Harmony Gold's interest cover ratio to 5.81 times (2015: -19.67 times), decreasing the impact debt has on the company's profits. Harmony Gold has sufficient profits to make current interest payments against them. Overall, Harmony Gold decreased their financial risk, a responsible decision with raising interest rates in SA.

Market analysis

Harmony Gold has a PE ratio of 19.19[15]. This is much less than its competitors Sibanye Gold (39.67), AngloGold Ashanti (53.24) and DRD Gold (44.26), showing that the market is currently less positive about their ability to generate profits in future than their peers however, it also may indicate that the share is

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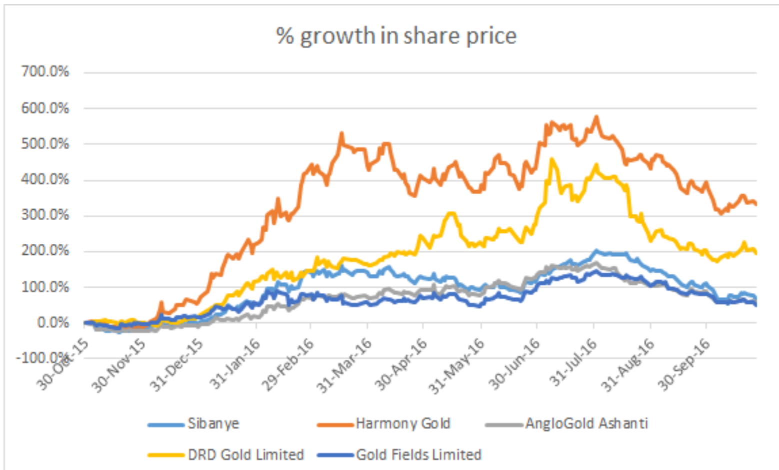
[14] Source: South African Reserve Bank, https://www.resbank.co.za/Research/Rates/Pages/Rates-Home.aspx

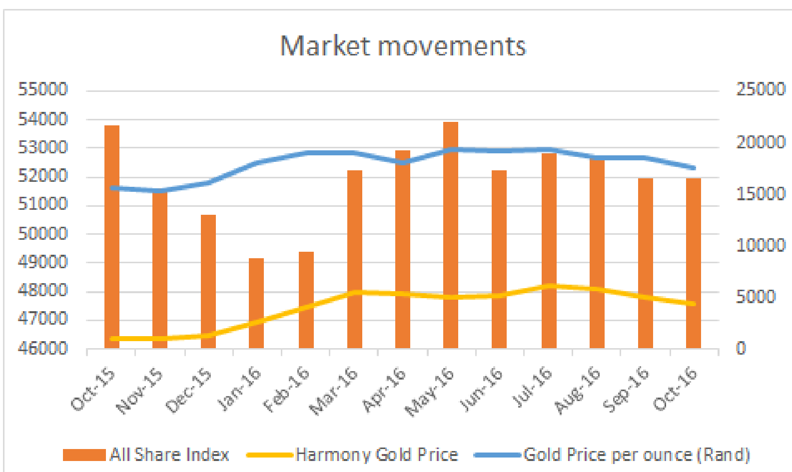
[15] Source: Google Finance, https://www.google.com/finance?cid=546726076775263

not overpriced. They recently declared a dividend of R0.50 for the year ending 30 June 2016. This was the first dividend since 2013, and sent a positive signal to the market that the management team is confident about their ability to generate profits in future.

The company also showed a significant growth in share price compared to its competitors over the past year, indicating an increased demand in Harmony Gold shares (see table below).



Regardless of a volatile All Share Index (see graph below), Harmony Gold managed to steadily increase their share price over the past year, supported by an overall increase in the price of gold (Rand).



Harmony Gold had a good year, with increased revenues (above that of inflation) and increased profit margins despite a difficult economic environment. These movements are in the right direction supported by increased efficiency and decreased financial risk. Positive market signals and the ability to outperform peers over the past year increases confidence in the CEO Peter Steenkamp's ability to lead, and makes this an ideal investment in anticipation of a sovereign credit rating downgrade to sub-investment grade in December 2016.

Forecast

Harmony Gold's current share price is R 42.20[16]. With the below calculations we determine the following about the warranted (future valuation of Harmony Gold using the price to earnings equation:

$$Price/EPS_1 = \frac{1}{(r_e - g)}\left(1 - \frac{g}{ROE}\right)$$

HEPS (cents)	500	
r_e	8.5%	
g	1%	SA's GDP Growth 2017
ROE	3.4%	
Value per share	**R 47.06**	**11.5%**

Our valuation estimates the share price is 11.5% below its value. However, our valuation is based on 2016 financials and we are awaiting Harmony's 6 month interim financials, which will provide both a better indication of growth in sales and profit margins achieved so far in 2016. Despite this, we are positive that, regardless of the tough market and economic conditions in SA, the depreciation of the SA rand and an appreciating gold price, Harmony could maintain their growth in the future.

Considering the value that still needs to unlocked in the Harmony share price stemming from and increased gold price, Harmony's new exploration sites and mine life plans which could increase Harmony's production update, which will be released on the 10th of November 2016 and a 21% increase in earnings for the year ended 30 June 2016, Harmony's share price is poised for growth.

Conclusion

In the midst of the current economic and political situation in SA we believe Harmony Gold to be a good investment choice, both over the short-term (November 2016 - April 2017) and the long-term. We expect SA to be downgraded to sub-investment grade, and the market to experience volatility over the next few months. We also believe the SA rand will weaken against the US dollar and the Rand gold price to increase.

[16] 28 October 2016 closing price.

The recently appointed CEO, Peter Steenkamp, managed to make good progress over a short period of time, and the latest financial statements showed improved profitability, efficiency and cash flows. Harmony also managed to pay their first dividend in three years, further increasing market confidence in their ability to create value in future. As mentioned, the current PE ratio is well below the industry average, and we believe the company could be undervalued. Our valuation supports this with an upside to the share price of 11.5%.

Appendix

Profitability			2016	2015	2014	2013
Gross Margin	Gross Profit	Sales	13.9	-23.4	-2.6	-3.4
Operating Margin	EBIT	Sales	8.7	-33.6	-10.1	-12.7
Net Margin	Net Profit	Sales	5.2	-29.4	-8.1	-16.7
Return on Total Assets	Net Profit	Total Assets	2.6	-12.6	-3.1	-6.3
Return on Equity	Net Profit	Total Equity	3.4	-17.0	-4.1	-8.3
Liquidity			**2016**	**2015**	**2014**	**2013**
Current Ratio	Current Assets	Current Liabilities	1.7	1.9	2.4	2.0
Acid Test ratio	Current Assets - Inventory	Current Liabilities	1.1	1.1	1.6	1.4
Efficiency ratios			**2016**	**2015**	**2014**	**2013**
Fixed Asset Turnover	Sales	Fixed Assets	0.6	0.5	0.5	0.5
Total Asset Turnover	Sales	Total Assets	0.5	0.4	0.4	0.4
Inventory Turnover	Inventory	Cost of Sales	27.0	24.8	34.8	31.4
Debtor Collection Period	Accounts Receivable	Sales	13.0	17.6	22.1	26.7

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Portfolio Information

Sibanye Gold Limited (JSE:SGL)

Sibanye Gold Limited (SGL) is a South African mining group that owns and operates gold, uranium and more recently platinum operations in SA. SGL's primary listing is on the JSE (JSE:SGL), is also listed in the NYSE (NYSE:SBGL) and has a market capitalization of R34.67 billion. The demand for gold decreased in 2016 but is forecasted to increase in 2017 due to demand driven by China and Western investments and therefore raise the gold price. SGL's $330 million acquisition of Anglo American Platinum's Rustenburg mines which is expected to go through at the end of October 2016, combined with the $294 million takeover of Aquarius Platinum last year, makes SGL SA's second-largest gold producer by market value and the world's 4th largest producer of platinum group metals.

The group's ROE has decreased by 14 percentage points over the last 3 years to 4%, driven down by a declining gold price and reduced financial leverage but the group has remained cash positive. SGL's PE ratio is 15.5, significantly less than the industry average of 31.8, indicating that its shares are fairly cheap relative to its competitors. Due to the recent strengthening of the rand gold price, SGL is expecting significant increases in its headline and normalized earnings per share. Thus, the forecasted increase in gold price combined with a weaker rand relative to the US dollar (South African sovereign foreign currency downgrade to sub-investment grade expected in December 2016), SGL will see boosted earnings in the next 6 months.

	2013	2014	2015
ROE	18%	10%	4%
Profitability	9%	7%	2%
Efficiency	0.97	0.78	0.80
Leverage	2.12	1.86	1.89

P/E	15.5	EPS	175.97
Forward P/E	6.82	DY	4.91%

Data retrieved from: Sibanye Gold website, Sibanye Gold Annual Financial Statements, Moneyweb and Google Finance

Ansys Limited (JSE:ANS)

Ansys Limited, listed on the JSE Altx[17] since June 2007, is an engineering technology company with a market capitalization of R461.04 million. The company provides niche world-class technology solutions in the defense, mining, rail and telecommunication industries to Southern Africa and the Middle East. Their solutions cater for various environments: from trackside measurement systems, onboard train cabin control, weapon systems integration (including avionics, simulators and test equipment), to name a few. Key clients include Airbus, AngloGold Ashanti, Denel and Schauenburg Systems.

The recent acquisition of competitor Parsec Holdings allowed for increased manufacturing capacity and extended market reach. The latest financial statements shows major increases in revenue in their defense and information security (802.1%) and in mining and industrial (1914%) divisions. The company is profitable, and recent profit increases to R15.998 million (923.9%) in defense and information security makes this company attractive.

Macroeconomic pressures such as recent terrorist attacks in Europe and the US, the use of electronics to control ISIS drones[18], and an expected increase in SA weapon trade for the first quarter of 2017[19] puts Ansys in a good position. Their ability to earn foreign currencies will increase their profits as the SA rand depreciates in December 2016. The current share price is low, trading at R1.00[20] a share, and further synergies are expected to be revealed in the mid-year results (February 2017).

	2014	2015	2016
ROE	-0.2	0.2	0.1
Profitability	-10.7%	4.0%	4.2%
Efficiency	0.7	1.7	1.1
Leverage	2.7	3.6	2.7

P/E	19.19	EPS	0.05
Forward P/E	18.81	DY	N/A

Data retrieved from: Ansys Limited Financial Statements, Thompson Reuters and Google Finance

[17] AltX is the alternative board for smaller companies to raise capital on the JSE.
[18] From: http://www.popularmechanics.com/military/weapons/a23525/usaf-attack-isis-drones-electronically/
[19] From: http://www.tradingeconomics.com/south-africa/forecast
[20] Price on 28 October 2016 (https://www.google.com/finance?cid=546726076775263)

Pan African Resources plc (JSE:PAN)

Pan African Resources (PAR) is an African-focused gold, platinum and coal producer with 7 operations. PAR is listed on the JSE and LSE with a market capitalization of R7.3 billion (2015: R3.3 billion) at 30 June 2016. PAR's strategy of investing in long-life, high-grade operations with attractive margins and low cash cost profiles has ensured shareholder value and a strong financial position that enables the Group to fund all CAPEX. This has enabled organic growth and potential acquisitive growth which includes both the conclusion of a new mine feasibility study and an acquisition growth strategy focused outside SA because all of PAR's production comes from SA, where the weakened rand has been a key driver of the group's impressive performance. However, the risk potential of falling gold prices and the strengthening rand would erode all of PARs gains.

PAR share price has grown 108% in the past 5 years from R1.80 to R3.75, with an upsurge in 2016 which coincided with the increase of the gold price to 1,325 USD/oz and the depreciation of the ZAR:USD exchange rate. HOLT[21] indicates that PAR warranted share prices is R11.02, a 208% upside, PE of 11.1% vs 32.2% of industry average indicates the locked value and prospective increased future growth. In 2016 PAR paid its largest dividend with a dividend yield of 4.5%. And has proposed final dividend of R300 million (2015: R210 million) subject to AGM approval in November 2016.

	2014	2015	2016
ROE		7.93%	16.89%
Profitability		8.27%	15.06%
Efficiency		0.59	0.67
Leverage		1.61	1.67

P/E	11.89	EPS	30.20 cents
Forward P/E	13.53	DY	4%

Data retrieved from: Credit Suisse HOLT Lens on October 25, 2016

[21] Source: Credit Suisse HOLT Lens on October 25, 2016

Rolfes Holdings Limited (JSE:RLF)

Rolfes Holding Limited (JSE:RLF) is a South African manufacturer and distributor of an extensive range of market-leading, high quality organic and inorganic products founded in 1925 and acquired by its current owners in 1999. Rolfes' strategy is to grow specialty lower volume higher margin businesses. The company was initially listed on the Altx of the JSE in 2007 and in 2011 listed on the JSE main board with a market capitalization at 30 June 2016 of close to R648 million. It exports to destinations including sub-Saharan Africa, the US and the European Union and its main competitors are AECI, AFROX, Omnia and Sasol.

In the past 3 years, Rolfes' share price of R4.00 has experienced 33.3% growth which can be attributed to the acquisition of the profitable food division in 2015 due increasing food prices and increased staple demand. The P/E ratio of 7.52 is low compared to competitors meaning the market has not realized the company's full potential. The ROE of 15%, improved from 11% in 2014, increased due to an increase in profitability, and is impressive given the slight decrease in efficiency and leverage. With its current growth, its headline earnings per share are expected to grow by 19.4%-25% in the current year which gives a forward PE of 6.5. The Group has a strong pipeline for potential acquisitions and is expanding progressively in domestic, developed and foreign emerging markets (namely China, Brazil, Egypt and North Africa).

	2014	2015	2016
ROE	11%	13%	15%
Profitability	4%	4%	6%
Efficiency	1.38	1.38	1.24
Leverage	2.15	2.20	2.00

P/E	7.52	EPS	53.19
Forward P/E	6.5	DY	1.5%

Data retrieved from: Rolfes Holding Limited Annual Financial Statements, Morningstar and Financial Mail