

19 July 2012 | 7 pages

Precious Metals & Minerals (GICS) | Precious Metals (Citi)
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Anglo American Platinum Ltd (AMSJ.J)

Alert: Positive Change at the Top

- **Resignation of Neville Nicolau:** Anglo American (AGL) today announced the resignation of Mr. Neville Nicolau as CEO of Anglo American Platinum (AMS), with effect from 1 September 2012. Mr. Nicolau was CEO since 2008.
- **Welcome Chris Griffith:** Mr. Nicolau will be replaced by Mr. Chris Griffith, the current CEO of Kumba Iron Ore (KIO). Mr. Griffith has a near impeccable track record. Under his leadership, KIO became the top-performing company from a safety, operational delivery, and share price point of view, as assessed in our recent note "[Searching for Outperformance in the Super-Cycle Sunset](#)" (see Figure 1).
- **Positive move:** We welcome the change in management. We have in the past questioned AMS's strategy and operational delivery under Mr. Nicolau's leadership (refer: "[Downgrade to Sell](#)", "[Desperate Times Call for Desperate Measures - Sell](#)", "[Tiring Balance Sheets](#)" and "[High cost + low prices = depressed margins](#)"). We are hopeful that a lot of these issues might be resolved under Mr. Griffith's leadership.
- **Maintain Sell, but upside potential exists:** We maintain our Sell, TP R400 on valuation grounds. However, we believe there is value to be unlocked within AMS through the correct strategy, i.e. closing/selling/restructuring loss-making shafts. We view Mr. Griffiths as the right man for the job and are cautiously optimistic.

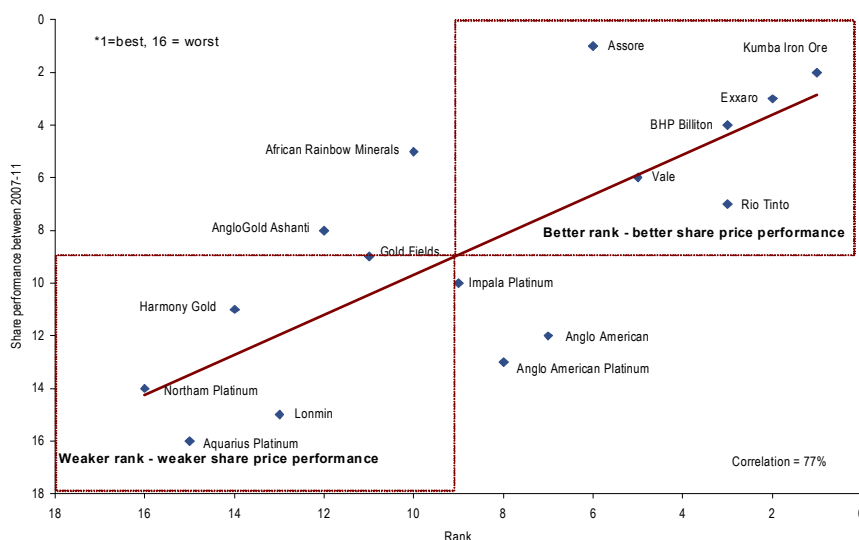
Company Update

Sell	3
Price (19 Jul 12)	R423.17
Target price	R400.00
Expected share price return	-5.5%
Expected dividend yield	2.8%
Expected total return	-2.6%
Market Cap	R114,121M
	US\$13,980M

Price Performance (RIC: AMSJ.J, BB: AMS SJ)



Figure 1. Relationship between miners performance ranking* and 2007-11 share performance*



Source: CIRA, DataStream
Source: Citi Research * 1 = best; 16 = worst

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Anglo American Platinum Ltd

Valuation

Our target price for AMS is R400. We derive our valuation by applying a nominal WACC of 11.9% (beta 1.0, ERP 5.0%, RFR 8.5%), and discounting cash flows over the life of the group's individual assets. We apply a 10% premium to our valuation of AMS relative to its peers to account for its strategic advantage due to its control of 55% of sector reserves.

Risks

Our valuation of AMS is exposed to macroeconomic developments affecting PGM prices and exchange rates, operational risks that might affect volumes and input costs, and political and regulatory risks that might affect costs and the company's reputation.

Macroeconomic risks: Our valuation on AMS is highly dependent on input assumptions of the platinum, palladium, and rhodium prices, as well as the rand-dollar exchange rate. Upside risks to our view include higher-than-expected PGM prices and a weaker-than-expected rand. Conversely, downside risks to our view include lower-than-expected PGM prices and a stronger-than-expected rand.

Operational risks: We base our production and cost outlook for AMS's individual mines on management guidance and by applying our discretion to management's guidance and targets. The main downside risk to our view is that significantly more capex would be required in order to sustain current production levels than that assumed in our valuation model. We also caution downside risk to our generally favorable cost assumptions, given the inflationary environment AMS operates in. The main upside risk to our view is the platinum market moving into deficit, in which case AMS would be able to expand production above the current 2.5m ounce (Pt) level.

Political and regulatory risks: The company is subsequently exposed to government and regulatory-related risks in those countries it operates in. Specific risks include higher-than-expected royalties, production delays from government intervention and labour unrest.

If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Appendix A-1

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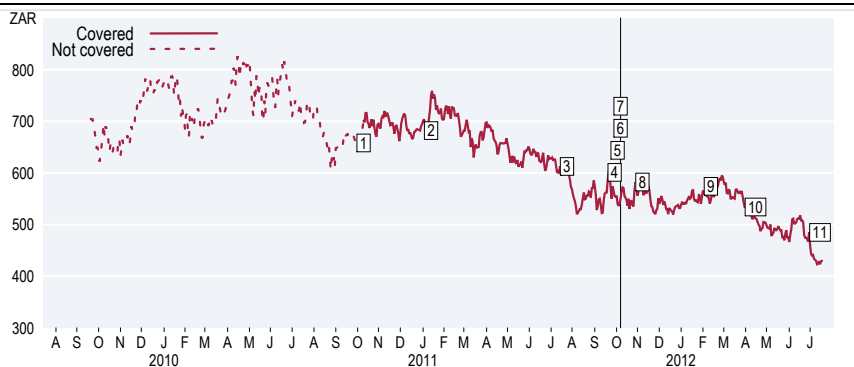
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Anglo American Platinum Ltd (AMSJ.J)

Ratings and Target Price History Fundamental Research

Analyst: Johann Steyn

Covered since October 12 2010



	Date	Rating	Target Price	Closing Price
1	11-Oct-10	*2M	*730.00	701.00
2	13-Jan-11	*3M	*650.00	750.00
3	25-Jul-11	3M	*610.00	600.00
4	29-Sep-11	*2M	610.00	555.00

* Indicates change

	Date	Rating	Target Price	Closing Price
5	4-Oct-11	2M	*580.00	540.00
6	7-Oct-11	Stock rating system changed		
7	7-Oct-11	*2	580.00	550.50
8	8-Nov-11	*3	*550.00	572.79

	Date	Rating	Target Price	Closing Price
9	13-Feb-12	3	*510.00	548.00
10	15-Apr-12	3	*500.00	514.98
11	16-Jul-12	3	*400.00	423.10

Rating/target price changes above reflect Eastern Standard Time

Anglo American Platinum Ltd (AMSJ.J)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Johann Steyn

Covered since October 12 2010



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Data current as of 30 Jun 2012

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% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
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53%	37%	10%	10%	80%	10%
44%	43%	40%	48%	43%	45%

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