



SGL-JSX

Rating
Market PerformPrice: Feb-27
ZAR27.77Target
ZAR31.00Total Rtn
15%

Highlights From the 2017 BMO Global Metals & Mining Conference

Bottom Line: Mr. Neil Froneman, executive director and CEO of Sibanye, presented at the 2017 BMO Global Metals & Mining Conference. Mr. Froneman highlighted the group's core values abbreviated with "CARES" representing commitment, accountability, respect, enabling, and safety. The presentation focused on superior value creation through operational excellence and continued growth through consolidating gold and PGM assets.

Key Points

- In 2016, Sibanye achieved record operating profit of \$717M with the gold division up 60% and the platinum division also generating operating profit. In 2017, the company expects to produce 1.51-1.54Moz of gold at total cash costs of \$890-970/oz or AISC of \$1,080-1,105/oz; and 1.05-1.10Moz from the platinum division at operating costs of \$825-850/oz. Longer term, management is confident it can maintain production levels at above 1.5Moz of gold for another ten years. The company has established itself as the lowest underground cost producer in South Africa.
- Strong operational performance allowed the company to maintain its industry-leading dividend. The full-year dividend of 1.45cps represents 37% of normalized earnings, above the target of 25-35%.
- The successful integration of platinum assets remains key to unlocking significant value and forms the basis in terms of Sibanye's four-step strategy, which includes establishing a solid operating base, providing organic growth options, entry into the PGM sector with the Rustenburg and Aquarius acquisitions, and potentially creating a globally competitive precious metals major through the proposed acquisition of Stillwater Mining (SWC-NYSE; US\$17.07; Market Perform rated by David Gagliano, BMO Capital Markets Corp.). The company maintains a constructive view of the PGM sector, foreseeing significant demand growth in palladium.
- Mr. Froneman discussed the proposed acquisition of Stillwater Mining, which adds two operations in Montana with potential to increase output to 800koz through the development of the Blitz project. Stillwater is the only primary palladium producer globally, with a high palladium split around 78%, and would position Sibanye as a top-three palladium producer. The company is expected to hold a general meeting to approve the acquisition and rights issue in April and close the acquisition in Q2/17. In view of a higher rand exchange rate, management is considering upsizing the equity portion of the offer to up to \$1.3B.

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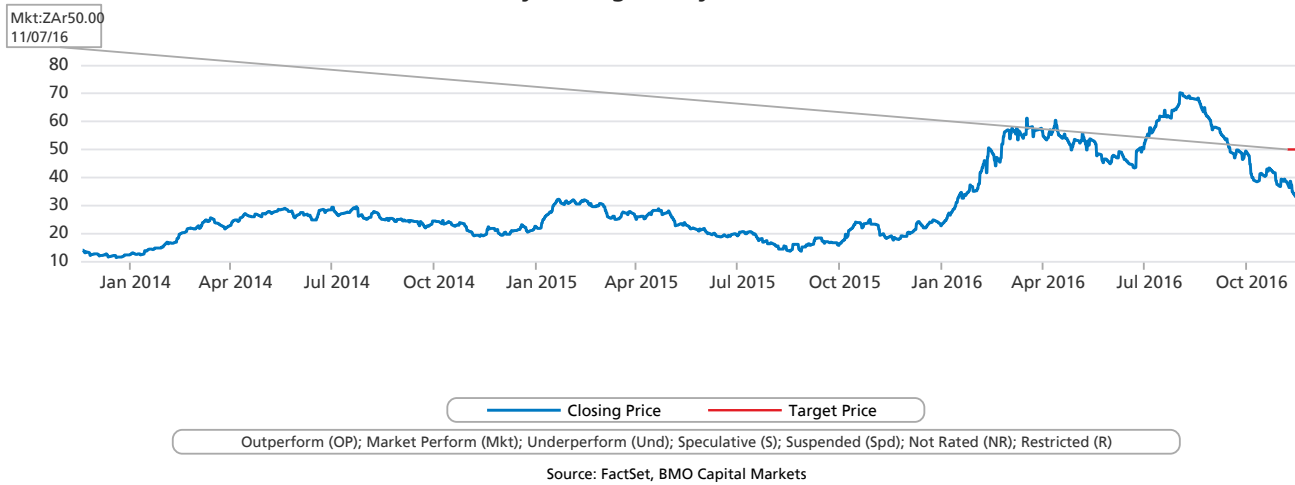
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Company Description

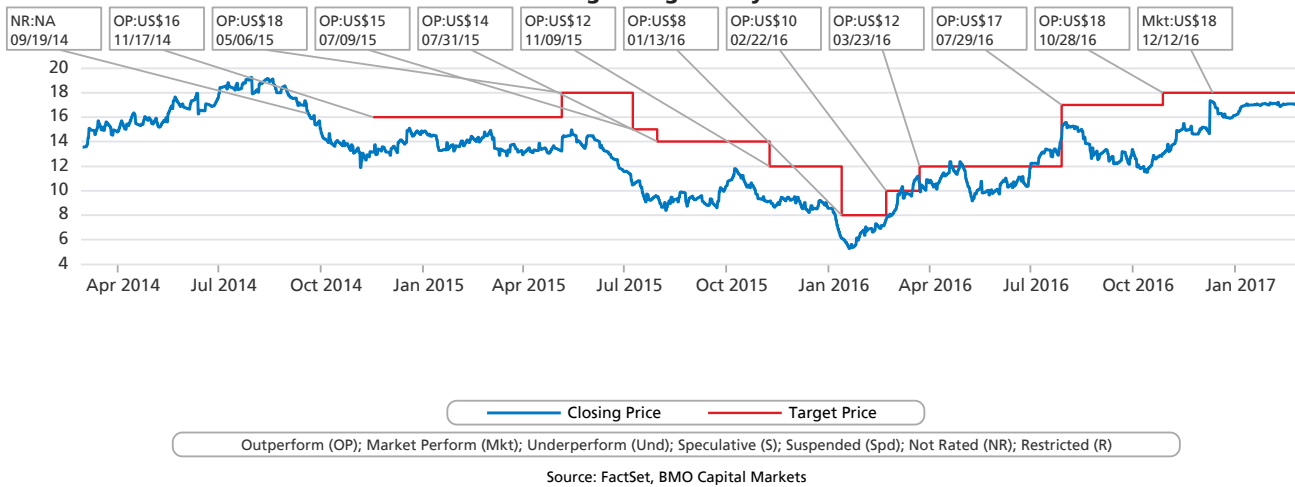
Sibanye Gold is a South African mining company primarily focused on gold and uranium operations and projects throughout the Witwatersrand Basin. The company is transitioning into a multi-commodity producer by expanding into platinum operations.

SGL-JSX
ResearchIndustry
ResearchCompany
Models

Sibanye Rating History as of 11/15/2016



Stillwater Mining Rating History as of 02/25/2017



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Disclosure 9: BMO Capital Markets makes a market in Stillwater Mining.

Methodology and Risks to Price Target/Valuation for Sibanye (SGL-JSX)

Methodology: Target prices for senior and intermediate gold producers covered by BMO Research are based on a weighted blend of P/NPV adjusted for market capitalization and EV/EBITDA adjusted for growth.

Risks: Risks to the BMO Research target price include commodity/currency, technical/operating, and litigation/political risks inherent to mining operations; as well as feasibility, permitting and financing risks related to development of growth projects as detailed more completely in the company-specific risk disclosures.

Methodology and Risks to Price Target/Valuation for Stillwater Mining (SWC-NYSE)

Methodology: Our target price is based on 1.5x our NAV estimate.

Risks: Risks to our target price include a material difference of actual commodity prices compared to our 2016-2017 price assumptions.

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Hold	Market Perform	53.4%	13.0%	41.4%	53.4%	41.9%	41.6%
Sell	Underperform	3.9%	4.4%	1.0%	3.3%	1.2%	5.5%

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(April 2013 – October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 – April 2013)

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