

Royal Bafokeng eyes its chances in Africa

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COMMUNITY investment company Royal Bafokeng Holdings (RBH) is looking to expand operations into other parts of Africa to generate more cash for the 300 000-strong Bafokeng tribe.

RBH CEO Niall Carroll, who has described himself as "the leader of a jazz band", said it was a matter of simple economics.

"There is an oil and gas bonanza ... on the rest of the continent, and many African countries are growing at much faster rates than South Africa. RBH believes that it can be a relevant partner, in particularly the financial services sectors for mining and the oil and gas industries," he said.

The Bafokeng, who sit on the world's largest deposit of platinum-group metals, first brought in professional management for their commercial assets in 2002.

But in 2004 the Bafokeng king, Leruo Molotlegi, asked Carroll — who handled the clan's affairs at Deutsche Bank — to come over to work for Royal Bafokeng. Together they established Royal Bafokeng Finance, which was later merged with Royal Bafokeng Resources to form RBH.

The company has grown its asset portfolio from about R8-billion in 2006, when 96% of the assets were in mining, to R35-billion this year. Carroll said the

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company had shown compound growth of 24% a year and had also managed to diversify its portfolio — only 57% is now vested in mining.

"We decided to diversify our portfolio to mitigate our risks and have managed to do so without selling any of our mining assets," he said.

RBH's four largest investments include the recently-listed Royal Bafokeng Platinum (RBPlat), Impala Platinum, Rand Merchant Bank (RMB) and Vodacom. These comprise 87% of the company's asset value, with 17 other businesses making up the rest. Carroll said the company would be looking to sell some of the smaller businesses and to reinvest that money into more core businesses and opportunities in Africa.

"When we grow up we want to be the black RMB," Carroll joked. RBH recently increased its stake in RMB to 15% through an R8-billion deal.

Carroll said RBH would be looking to do more such deals in the future.

"When we started out nobody was quite sure who RBH was. We had to start small and make deals. Over the years we have managed to change that through responsible partnerships with the size and quality of the deals that we make improving all the time."

Clan investment arm sees opportunities in financial services for continent's mines



■ SMART MONEY: CEO Niall Carroll has helped push up portfolio assets from R8-billion to R35-billion in five years PICTURE: KATHERINE MUICK-MERE

He believes the Bafokeng's success, thanks to smart leadership and a structured business model, could be replicated by other communities.

"A lot of rural communities have been awarded mineral rights through reparations of some sort," Carroll said. "The trick is to provide enough structure, capacity and maybe even some starting capital to provide the right space to enable communities to turn

those mineral rights into an income stream that can be used for community upliftment."

He said that rather than debating nationalisation and supertaxes, the government should enable communities to help themselves to reap the benefits of South Africa's mineral wealth.

"The current system has failed the masses and every year more people are coming out of schools looking for em-

nt. If we cannot find a workable n, the country's exponential m of unemployment will become ami. As long as the underlining are not addressed, there will albe more Julius Malemas popping

said real collaboration was need-between different stakeholders. Only business is sitting in our boardns. We need to give other interestdies, such as labour, a place in our rdrooms, otherwise the noise from side mining fences will just become rder. We need to create a sense of own-ship in our country's mining industry."

It is wrong for heads of mining companies to sit in their offices in "London r Australia", flying in and out of South Africa like "seagulls" as they extract minerals from South African soil.

"These companies need to be listed on the JSE with management teams that are focused on the real development of South Africa and its communities," said Carroll.

"The job will never be done, but a workable model to look after communities will go a long way, as it did for the Bafokeng tribe."

Carroll said it was important for South Africa to capitalise on some of its inherent competitive advantages, such as its near-monopoly of world platinum supply.

RBPlat this week reported a decline in platinum production during its 2011

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financial year, owing to safety stoppages and strike action, which contributed to an increase in costs.

The company reported a decline in net income to R410.8-million.

The results showed that the company's gross profit margin shrank from 23.7% in 2010 to 19% in 2011.

Increased interruptions in the final quarter of the year — and a nine-day contractor strike — saw a drop in production to 281 598oz of platinum group metals.

Reduced production contributed to a 9% increase in operating costs to R9 863 an ounce.

Operating profit declined 17% on a normalised basis to R517-million, and normalised headline earnings a share fell by 24% to R2.14 a share.

RBPlat CEO Steve Phiri said that nobody in the sector would deny it had been a difficult year, and that the company had had its fair share of challenges.

He expected market conditions would remain difficult in the year ahead. However, the company's Styldrift project was on track to start production late in 2014 — and would double the group's platinum production by 2017.

RBPlat's shares have gained 9.6% this year to date.