

# IDC leads buyout of Anglo's Scaw

■ Consortium pays R3.4bn for steel maker

## Bloomberg

ANGLO American has agreed to sell local steel maker Scaw South Africa for R3.4 billion, completing its divestment from Scaw Metals Group.

State-owned lender the Industrial Development Corporation (IDC) and a group of Anglo's partners in the local steel maker would buy Anglo's 74 percent stake, the diversified resources giant said in a statement yesterday.

The purchasing companies included Shanduka Resources, Izingwe Holdings and Southern Palace Group, Anglo said.

The sale, which follows that of offshore Scaw companies Moly-Cop and AltaSteel last year, brings Anglo's sales of non-core assets since 2010 to \$3.7 billion (R28.8bn).

The company has sold paper, zinc and sugar assets as it builds iron ore, copper and nickel mines, betting demand for the materials will increase in China and other expanding Asian economies.

Anglo would effectively settle Scaw's outstanding net debt of about \$320 million, leaving net cash proceeds of about \$120m, JPMorgan Chase said in a note to clients.

The realised price exceeded its estimated net present value of \$232m, it added.

Liberum Capital wrote in a note that the sale was a "small positive" for Anglo.

The transaction would enable "the IDC to play a meaningful role in the strategically important steel industry", Anglo chief executive Cynthia Carroll said in the statement.

## \$3.7bn

### Total of Anglo's non-core asset sales since 2010

The IDC has been investigating setting up a steel mill since at least 2008 to rival ArcelorMittal South Africa, which produces most of South Africa's steel. ArcelorMittal SA was found to have charged "excessive" prices by the Competition Tribunal in 2007.

At least five investigations were under way by competition authorities, ArcelorMittal SA said in February.

Scaw SA produces steel components for the mining,

rail, power, offshore oil and gas, construction, commercial and other industries.

The business includes a 50 percent stake in Consolidated Wire Industries, a tie-up with ArcelorMittal SA, and 31 percent of GSI Lucchini, a venture with Italy's Lucchini.

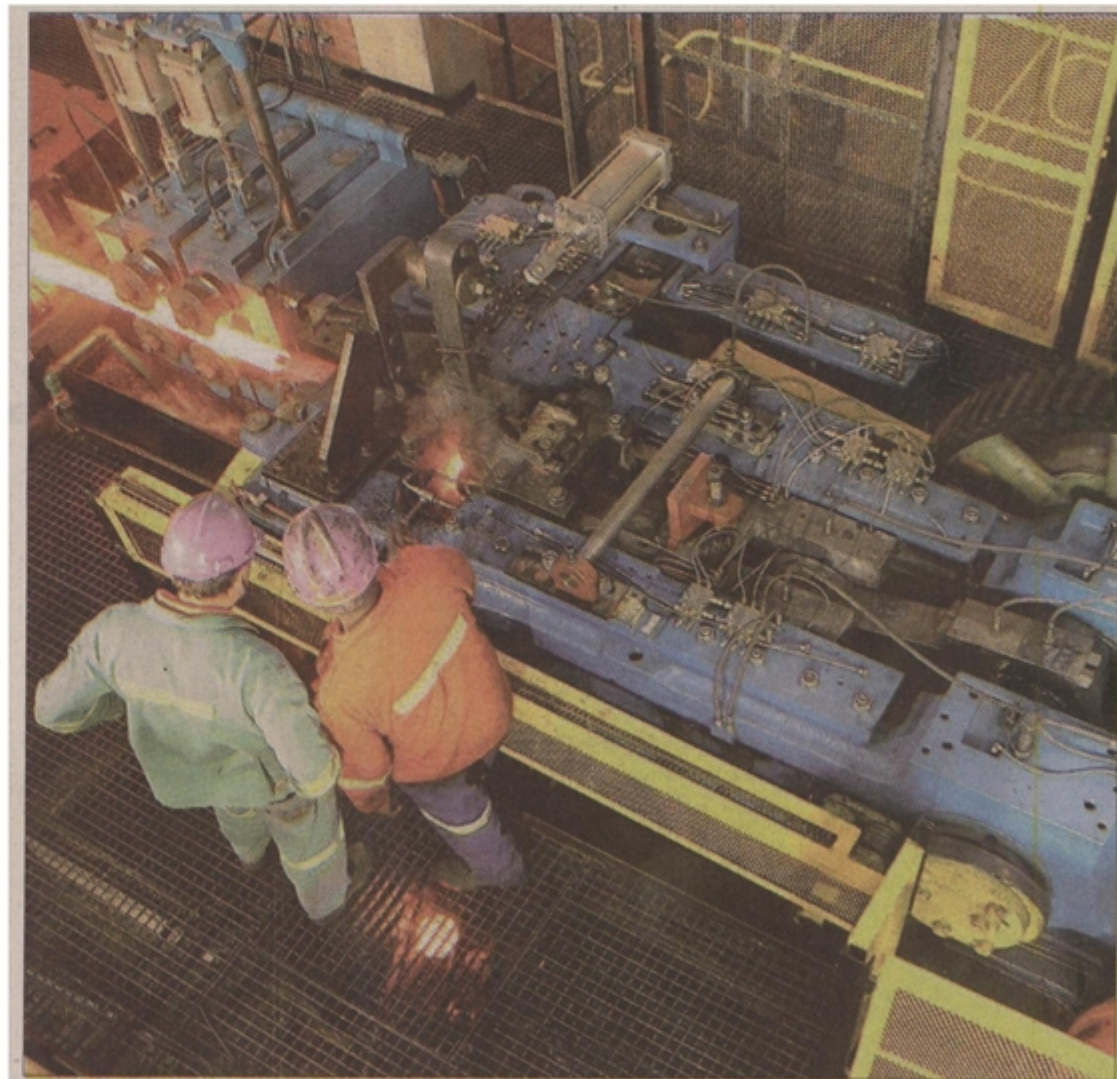
"The IDC endeavours to promote the establishment of domestic-based manufacturing industries, supporting the infrastructure expansion programmes" of Eskom and Transnet, IDC chief executive Geoff Qhena said.

Shanduka Group, which owns Shanduka Resources, was formed by former politician and labour union leader Cyril Ramaphosa and has interests in coal mines through a venture with Glencore International.

Izingwe is led by Siphon Pityana, a board member at AngloGold Ashanti.

Scaw SA was valued at R5.3bn in March 2007, according to a statement made by Anglo at the time.

Anglo's UK-listed stock was little changed at £22.94 (R288.73) as of 12.33pm in London, giving the company a market value of £30.5bn. Its shares on the JSE increased by 0.4 percent to close at R290.61.



The consortium that has bought Anglo American's stake in Scaw South Africa is likely to offer ArcelorMittal South Africa some competition.