



BAMBURI CEMENT PLC

Registration Number: C. 17/52

**CIRCULAR TO THE SHAREHOLDERS OF BAMBURI CEMENT PLC IN RESPECT OF THE PROPOSED SALE OF SHARES IN
HIMA CEMENT LIMITED, UGANDA**

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you require assistance with this Circular, please consult your stockbroker, investment banker, or any other professional adviser.

If you have sold or transferred all of your ordinary shares in Bamburi Cement Plc (**Bamburi**), please forward this document (and the enclosed Notice and Proxy Form) immediately to the investment adviser, stockbroker, banker or agent through whom the sale was effected for transmission to the purchaser or transferee of the shares.

If you are currently a shareholder and are unable to attend the extraordinary general meeting (**EGM**) on **14th December 2023**, please complete and return the attached Proxy Form in accordance with the instructions in the Notice of the EGM.

This Shareholders Circular (the **Circular**) is issued by Bamburi and has been prepared in compliance with the requirements of the Capital Markets Act (Cap. 485A of the Laws of Kenya), the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The Capital Markets Authority has approved the issue of this Circular. Approval of this Circular is not to be taken as an indication of the merits of the Transaction (as defined below) or a recommendation by the Capital Markets Authority. As a matter of policy, the Capital Markets Authority does not assume any responsibility for the correctness of any statements or opinions made or reports contained in this Circular.

This Circular describes the background to, and terms of, the proposed sale of Bamburi's indirect shareholding of 70% of the shares in Hima Cement Limited, incorporated and domiciled in Uganda (**Hima**), to Rwimi Holdings Limited, a wholly owned subsidiary of Sarrai Group Limited and to Sarrai Group Limited (the **Transaction**).

The Directors of Bamburi have approved the Transaction and are required to seek and obtain your approval of the Transaction because it involves the disposal of a significant asset of Bamburi and the sale of shares in Hima, which will result in Hima (and its subsidiaries) ceasing to be a subsidiary of Bamburi.

The purpose of this Circular is to explain the Transaction and to seek your approval of it at the forthcoming EGM.

A Notice of an Extraordinary General Meeting of Bamburi which is to be held at **10:00 a.m. on 14th December 2023** virtually is set out at the end of this Circular. A Proxy Form for use by shareholders is also enclosed.

Date of issue: 28th November 2023



<p>Legal Advisers</p>  <p>BOWMANS</p> <p>Coulson Harney LLP 5th Floor, West Wing ICEA Lion Centre, Riverside Park Chiromo Road, Nairobi, Kenya</p>	<p>Independent Expert</p>  <p>RSM (Eastern Africa) Consulting Limited Pacis Centre, 1st Floor, Slip Road, Off Waiyaki Way P.O. Box 346-00606 Nairobi</p>
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PART 1: TIMETABLE OF KEY EVENTS

The table below captures the key expected dates in respect of the Transaction:

	Date	Detail
1	14 November 2023	Approval of the Transaction by Bamburi's Board
2	14 November 2023	Signing of the Share Purchase Agreement
3	28 th November 2023	Date of this Circular
3	12 th December 2023	Latest time to return proxy forms for the EGM.
4	14 th December 2023	Date of the EGM of Bamburi for seeking shareholder approval from Bamburi's shareholders

PART 2: DEFINITIONS

Definitions and interpretations set out below apply, *mutatis mutandis*, to the entire Circular.

In this Circular, unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column. Words in the singular include the plural and vice versa, words signifying one gender include the other gender, and references to a person include references to juristic persons and associations of persons:

Term	Definition
“Affiliate”	means, in relation to any person, any other person that directly or indirectly controls, or is under common control with, or is controlled by such person.
“Board” or “Directors”	your board of directors of Bamburi Cement Plc, acting collectively and comprising the persons listed on pages 9 to 12 of this Circular as Directors of Bamburi Cement Plc.
“Capital Markets Act”	the Capital Markets Act (Chapter 485A of the Laws of Kenya).
“Cementia”	Cementia Holding AG, a company incorporated and registered in accordance with the laws of Switzerland with registration number CHE-107.867.696 and whose registered office is Grafenauweg 10, 6300 Zug, Switzerland.
“Circular”	this Shareholders Circular dated 28 th November 2023.
“CMA”	the Capital Markets Authority, established under the Capital Markets Act (Chapter 485A of the Laws of Kenya).
“Bamburi”	Bamburi Cement Plc, a public limited liability company incorporated in Kenya on 20 July 1951 under the repealed Companies Act (Cap 486, Laws of Kenya) with registration number C. 17/52 and listed on the Nairobi Securities Exchange.
“Completion”	completion of the Transaction.
“Completion Date”	the date of completion of the Transaction.
“Companies Act”	the Companies Act (Act No. 17 of 2015, Laws of Kenya).
“Consideration”	the consideration for 100% of the shares in Hima, to be paid by the Purchasers, as detailed in clause 4.2 of this Circular.
“Earn Out Amount”	an amount of USD 3,000,000.00 (United States Dollars three million).
“Escrow Amount”	an amount of USD 6,000,000.00 (United States Dollars six million), which the Purchasers will place in escrow with a third-party escrow agent.
“Extraordinary General Meeting” or “EGM”	the meeting of the shareholders of Bamburi Cement Plc to be held virtually on 14 th December 2023 at 10 a.m.
“Hima”	Hima Cement Limited, a company incorporated and registered in accordance with the laws of Uganda with registration number 28881 and whose registered office is Plot 838, Namanve Industrial Park, Kampala, Uganda.

“Himcem”	Himcem Holdings Limited, a company incorporated and registered in accordance with the laws of Jersey with registration number 73687 and whose registered office is IFC 5, St Helier, Jersey, JE1 1ST.
“Holcim Group”	Holcim Ltd, a company incorporated and registered in accordance with the laws of Switzerland with registration number CHE-100.136.893 and whose registered office is at Grafenauweg 10, 6300 Zug, Switzerland, as well as its Affiliates, from time to time.
“Independent Expert”	RSM (Eastern Africa) Consulting Limited, being the independent expert appointed by Bamburi to review the basis of determining the Consideration and provide an independent valuation.
“Kenya”	the Republic of Kenya.
“KES”	Kenya Shillings, being the lawful currency of Kenya.
“Licensing Regulations”	the Capital Markets (Licensing Requirements) (General) Regulations, 2002.
“Notice”	the notice convening the EGM for, among other things, considering, and if thought fit, adopting the resolution approving the Transaction.
“POS Regulations”	the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.
“Purchasers”	Sarraï Group Limited as well as Rwimi Holdings Limited, which is a wholly owned subsidiary of Sarraï Group Limited.
“Sarrai Group”	Sarraï Group Limited, a company incorporated and registered in accordance with the laws of Uganda with registration number 80020000388451 and whose registered office is Plot 7, Factory Street, Jinja, Uganda as well as its Affiliates, from time to time.
“Sale Shares”	1,335,600 ordinary shares in Hima, owned by Himcem, representing 70% of the total issued shares in Hima.
“Share Purchase Agreement”	the share purchase agreement dated 14 November 2023 between Himcem, Cementia, the Purchasers and Bamburi.
“Shareholder” or “Member”	a registered holder of shares in Bamburi.
“Transaction”	the proposed disposal by Himcem (which is a wholly owned subsidiary of Bamburi), of the Sale Shares representing seventy percent (70%) of the entire issued share capital of Hima to the Purchasers.
“Uganda”	the Republic of Uganda.
“UGX”	Uganda Shillings, the lawful currency of Uganda.
“USD”	United States Dollars, the lawful currency of the United States of America.

PART 3: LETTER FROM THE CHAIRMAN

Dear Shareholder

PROPOSED SALE OF SHARES IN HIMA CEMENT LIMITED BY HIMCEM HOLDINGS LIMITED, WHICH IS A WHOLLY OWNED SUBSIDIARY OF BAMBURI CEMENT PLC

1. Introduction

On behalf of your Board, I am pleased to invite you to consider and approve the sale by Himcem (which is a wholly owned subsidiary of Bamburi), of 70% of the shares in Hima to the Purchasers. The sale of these Sale Shares is in addition to the sale of the remaining 30% of the shares in Hima, which will simultaneously be sold by Cementia (which is a part of the Holcim Group) to the Purchasers.

On 15 November 2023, your Board made a cautionary announcement informing Shareholders that your Board had approved the execution of the Share Purchase Agreement.

Regulation G.06 of the Fifth Schedule (Continuing Obligations) of the POS Regulations requires Bamburi, as a listed company subject to regulation by the CMA, to "... obtain approval of shareholders and make a disclosure in the annual report, for any:-...(b) sale of shares in another company resulting in that company ceasing to be a subsidiary of the issuer...and (c) substantial sale of assets involving 25% or more of the value of the total assets of the issuer."

As the Transaction is a sale of a controlling stake in Hima by Himcem (which is a wholly owned subsidiary of Bamburi), resulting in Hima (and Hima's subsidiary companies, including, but not limited to, Hima Cement Rwanda Limited) all ceasing to be subsidiaries of Bamburi, and the value of the Sale Shares being more than 25% of the total assets of Bamburi, your Board has prepared and distributed this Circular to the Shareholders and requests the Shareholders to approve the Transaction described in this Circular.

The purpose of this Circular is to provide you with information on:

- 1.1 the background reasons for the Transaction;
- 1.2 the salient terms of the Transaction including the consideration to be paid by the Purchasers;
- 1.3 the basis of the Consideration to be paid by the Purchasers;
- 1.4 the approval being sought from Shareholders in respect of the Transaction; and
- 1.5 the recommendation of your Board.

Bamburi has sought and obtained regulatory approval for this Circular from the CMA under Regulation 63 of the Licensing Regulations.

2. Background and reasons for the Transaction

In line with Bamburi's strategy "Accelerating Green Growth", Bamburi is progressing further on its objectives by divesting its operations in Uganda. Divesting its operations in the Ugandan market will allow Bamburi to focus its efforts on the Kenyan market.

This Transaction is effected at the shareholder level and all operational aspects of Hima will remain the same until closing of the Transaction.

After a search for a potential purchaser, negotiations were conducted with the Sarrai Group, who expressed interest in acquiring Hima.

The Sarrai Group of Companies, commonly referred to as the Sarrai group, is a privately owned conglomerate in East Africa and Southern Africa with business in the agriculture, forestry, wood processing and cement sectors. The Sarrai Group maintains its headquarters in Kampala, Uganda, with subsidiaries in Kenya and Malawi and employs more than 17,000 people. Further details of the Sarrai Group are set out in Part 6 of this Circular.

The negotiations successfully concluded with the execution of the Share Purchase Agreement and the Purchasers agreeing to purchase 100% of the shares in Hima for the Consideration.

Following Completion, Hima (and all subsidiaries of Hima) will cease to be a subsidiary of Bamburi and a member of the Holcim Group and will become a member of the Sarrai Group.

3. Information on Hima

Hima was privatised in 1994 and was then acquired by Bamburi in 1999. In 2001, Bamburi was acquired by the Lafarge group. In 2001, Lafarge group became the majority shareholder in Bamburi. Bamburi and its subsidiaries, including Hima, are now part of the Holcim Group, the world leader in building materials, present in 70 countries across the world.

With three operating sites in Uganda – Integrated Hima Plant in Kasese, Namanve Blending Station in Kampala and Tororo Grinding Station in Tororo – Hima has a total cement production capacity of 2.1 million tonnes.

Further details of Hima are set out in Part 5 of this Circular.

4. Salient particulars of the Share Purchase Agreement

4.1 Himcem, Cementia, the Purchasers and Bamburi entered into the Share Purchase Agreement, under which the Purchasers will acquire 100% of the issued share capital of Hima from Himcem (70%) and Cementia (30%), subject to satisfaction or waiver of certain conditions set out below.

4.2 Consideration and Earn Out Amount

The Consideration for 100% of the shares in Hima is USD 120,000,000.00 (United States Dollars one hundred and twenty million), (i) less any debt of Hima at Completion, (ii) plus any cash held by Hima at Completion, and (iii) plus any working capital in excess of UGX 48,000,000,000/- (or, if the working capital of Hima at Completion is less than UGX 48,000,000,000/-, then less, any such difference). Details of how to calculate such adjustments are set out in the Share Purchase Agreement. The final Consideration will be known approximately ninety (90) days after Completion (subject to either the Sellers or the Purchasers demanding an independent review of the calculation of the final Consideration). Himcem's share of the Consideration will be 70% of the Consideration and Cementia's share of the Consideration will be 30% of the Consideration (in each case less any applicable taxes).

In addition to the Consideration, the Purchasers shall pay to Himcem and Cementia the Earn Out Amount, if the consolidated EBITDA of Hima (based on its audited financial statements for the year 2023) is equal to or exceeds UGX 77,958,636,372. The details of how to calculate the EBITDA are set out in the

Share Purchase Agreement. The Purchasers shall pay out the Earn Out Amount shortly upon Himcem and Cementia providing the Purchasers with their calculation of the EBITDA. Himcem's share of the Earn Out Amount will be 70% of the Earn Out Amount and Cementia's share of the Earn Out Amount will be 30% of the Earn Out Amount (in each case less any applicable taxes).

4.3 Conditions to Completion

The Completion of the Transaction is subject to fulfillment of the following conditions:

4.3.1 the Ugandan Minister of Energy and Mineral Development having granted (or being deemed to have granted) his or her unconditional consent, approval, clearance, confirmation or licence for the transfer of the mineral rights under the applicable laws in Uganda (the **MEM Condition**); and

4.3.2 the approval of the Transaction by the general meeting of the shareholders of Bamburi.

4.4 Estimated timing of Completion

The parties to the Share Purchase Agreement estimate that the Transaction will complete early in the first quarter of 2024 (subject to the fulfillment of the conditions set out in clause 4.3 above).

4.5 Warranties

The Share Purchase Agreement contains only warranties from Himcem and Cementia to the Purchasers as to the title of the Sale Shares and the shares in Hima Cement Rwanda Limited, which are subject to customary limitations on liability and disclosures. Himcem and Cementia will not give any business or financial warranties.

4.6 Guarantee of Bamburi

Bamburi has agreed to guarantee the obligations of Himcem in the Share Purchase Agreement, which primarily are in respect of the warranties as to the title to the Sale Shares.

4.7 Other terms

4.7.1 During the interim period between signing and Completion, Bamburi and Cementia are required to run Hima's business in the ordinary course.

4.7.2 Bamburi, the other members of the Holcim Group as well as their respective Affiliates shall not carry on or be engaged in

4.7.2.1 production, manufacture, storage, packaging, and sale of grey cement, clinker, aggregates and ready mix; and/or

4.7.2.2 usage of deposits and mineral resources for mining and further consumption and distribution of mineral substances used in the manufacture of grey cement and clinker;

in Uganda, Rwanda, South Sudan and the Democratic Republic of Congo for a period of two (2) years after Completion.

4.7.3 Bamburi, the other members of the Holcim Group, as well as their respective Affiliates, shall not solicit the employment of any senior managers of the Hima and/or the Purchaser, as well as their respective Affiliates, for a period of two (2) years after Completion.

4.7.4 Prior to Completion, Himcem and Cementia shall procure that any debt, which is owed by/to Hima or Hima Cement Rwanda Limited is paid to/by the relevant member of the Holcim Group.

5. Basis of agreeing Consideration

There are multiple elements which need to be evaluated when considering the value of an offer such as the price, credibility of the buyer including items like their ability to get the appropriate approvals and their financing capabilities, and the language in the sale and purchase agreement.

This is a negotiated deal where the Consideration and Earn Out Amount were established considering different factors such as Hima's performance on the financial year 2022 and estimated performance for the financial year 2023, which lead to an Enterprise Value (EV)/EBITDA multiple in the range of 6-8x. For reference, recent transactions in the Middle East and Africa region (specifically in South Africa and Oman) exhibited an EV/EBITDA multiple of 5-6x. Furthermore, this is a no-recourse deal, which means that the Sellers only offer a very limited set of warranties to the Purchasers, thus limiting post-closing liabilities for Bamburi and Cementia.

The Consideration and Earn Out Amount and the conditions of the Share Purchase Agreement, together, offer the best value to the Sellers.

The Transaction has an EV of USD 120 million. Himcem, a legal entity, through which Bamburi holds its interest in Hima, will receive 70% of the Consideration and Earn Out Amount, less any applicable taxes and costs. The portion of the Consideration, which is expected to be received by Himcem, after deducting costs and taxes is approx. USD 50 million.

It should be noted that, Bamburi currently has a market capitalization of approx. KES 8.4 billion, which amounts to approx. USD 55 million.

6. Independent Expert

The Independent Expert was appointed to assess the principles used in determining the Consideration for the Sale Shares and to prepare an independent valuation of Hima. The independent valuation serves to substantiate the value ascribed to the Sale Shares, instil a sense of confidence in the Consideration and promote transparency to the Shareholders.

On 23 November 2023, the Independent Expert concluded its independent valuation and its report confirmed that the EV for 100% of the shareholding in Hima ranges from USD 74 million to USD 105 million. Notably, the Consideration is based on an EV of USD 120 million, surpassing the independently assessed value. This affirms that the Consideration is not only favourable but also a testament to the excellent value we have realised from the Transaction. We believe this outcome underscores the strength and attractiveness of the Transaction, providing you, our valued Shareholders, with confidence in the exceptional value derived from the Transaction.

A summary of the Independent Expert's report is annexed to this Circular.

7. Financial impact of the Transaction and use of proceeds

The proceeds received from this Transaction are beneficial for Bamburi and can support it in the following ways, subject to the capital allocation plans reviewed by the Board and management of Bamburi from time to time:

- 6.1 allow Bamburi to focus its efforts and invest further in its operations and business in Kenya, subject to Bamburi's strategic plans and the receipt of relevant approvals; and
- 6.2 ability for Bamburi to pay a special dividend to its Shareholders, subject to Bamburi's dividend strategy and receipt relevant approvals. Historically, there has been a limited dividend distribution record from Hima (last two dividend distributions were in 2023 and 2016), and this Transaction presents an opportunity for Bamburi to get a distribution from Hima.

It should be noted that the cumulative statutory net profit of Hima over the period 2018-2022 has been approx. KES 965 million, compared to over KES 5 billion for Bamburi. As such, selling the Sale Shares in Hima, offers Bamburi a decent on off return on its investment in Hima.

8. Risks and mitigating action

As noted above, the Transaction is conditional on fulfilment of the conditions set out under clause 4.3 of this Circular. In the event that the Purchasers are unable to pay the purchase price on the Completion Date, or if the MEM Condition is not satisfied by the date which is six (6) months from the date of the Share Purchase Agreement, the Purchasers have agreed to pay to Himcem and Cementia the Escrow Amount. Himcem's share of the Escrow Amount will be 70% of the Escrow Amount and Cementia's share of the Escrow Amount will be 30% of the Escrow Amount.

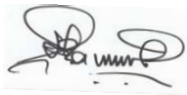
9. Recommendation

Your Board has considered and believes that the Transaction is in the best interests of Bamburi and its Shareholders. The Consideration payable by the Purchaser is reflective of market value and constitutes a fair value for Hima.

Accordingly, the Directors unanimously recommend that the Shareholders vote in favour of the resolution that will be proposed at the EGM as they intend to support the resolution in respect of their own shareholdings.

If you are in any doubt as to what action to take, you may seek independent advice from your stockbroker, bank manager, lawyer, or other professional adviser of your choice.

Yours faithfully



Dr. John Simba

Chairman

PART 4: CORPORATE INFORMATION OF BAMBURI CEMENT PLC

Name	Bamburi Cement Plc
Company Number	C. 17/52
Registered Office	LR No 209/6208, Kitui Road, P. O. Box 10921 - 00100 Nairobi, Kenya
Share Registrar	Custody & Registrars Services Limited IKM Place, 1st Floor, Tower B Fifth Ngong Avenue P. O. Box 8484 - 00100 Nairobi, Kenya
Auditors	Ernst & Young LLP Kenya-Re Towers, Upper Hill, Off Ragati Road P. O. Box 44286 – 00100 Nairobi, Kenya

Brief profile of Directors

DR. JOHN SIMBA

NON-EXECUTIVE DIRECTOR | LLB, LLD(hc) EGH, MBS, OGW

John is an Advocate of the High Court of Kenya and Senior Partner at Simba & Simba, Advocates. Currently, he is Chairman of Sanlam Kenya Plc., Choice Tea Brokers Limited, Funguo Investments Limited, and Coca Cola Beverages Kenya Ltd. He also serves as a director in other companies including Hima Cement Ltd, Carbacid Investments Ltd, Almasi Beverages Ltd, and Africa Energy Group Ltd. John is a member of the Law Society of Kenya, East African Law Society, and the Institute of Directors, Kenya.

DR HELEN GICHOHI

INDEPENDENT NON-EXECUTIVE DIRECTOR | OGW, MBS, PhD Zoology, MSc Bio of Conservation, BEd

Helen is currently the Conservation Ambassador for Africa for Fauna and Flora International, a global conservation organization that she joined in September 2018. She is a fellow of the Aspen Institute's Energy and Environment Program and a McCluskey Fellow of the Yale School of Forestry and Environmental Studies. Her current board positions include Equity Group Holdings Ltd, Ol Pejeta Conservancy and the Nawiri Group.

RITA KAVASHE

INDEPENDENT NON-EXECUTIVE DIRECTOR | MBS, MBA, BEd

Rita is a captain of the automotive industry with over 20 years' experience and the Managing Director of Isuzu East Africa Limited (formerly General Motors East Africa), the largest motor vehicle assembler in East Africa. She is currently a member of the Advisory Council of the Kenya Private Sector Alliance (KEPSA), Advisory Board Member of the Palmhouse Foundation, member of the University of Eldoret Endowment Trust Board of Trustees and Chair of the Board of British American Tobacco Kenya plc.

MBUVI NGUNZE

INDEPENDENT NON-EXECUTIVE DIRECTOR | BComm, FCA (England and Wales)

Mbuvi is currently an Advisor to a PE fund where he sits on 2 of the funds Boards. He is Chairman of Safarilink Aviation Limited, Cannon General Insurance (K) Limited, and Sustainable Power Solutions (a Pan African solar company). He is a director of Lewa Wildlife Conservancy and Northern Rangeland Trust. He is also Chair of the board of St Andrews School Turi, Chair of the Kenya Association of Air Operators, and provides mentorship to scale up entrepreneurs with Endeavor Kenya.

AUSTIN A.O. OUKO

NON-EXECUTIVE DIRECTOR | JSM, LL.M, LL.B

Austin A. O. Ouko is the Company Secretary and General Manager Legal Affairs at the Kenya Electricity Generating Company Limited (KenGen). He is an Advocate of the High Court of Kenya, a Fellow of the Institute of Certified Public Secretaries of Kenya, a Fellow of the Chartered Institute of Arbitrators-UK, a Certified Public Secretary-Kenya, and an accredited Governance Auditor with the Institute of Certified Secretaries, Kenya.

ALICE OWUOR

INDEPENDENT NON-EXECUTIVE DIRECTOR | OGW, MBA, BCom, FKIM

Alice is a career tax administrator having served the Kenya Revenue Authority for 31 years. She is a Fellow of the Kenya Institute of Management (KIM). She is a director of the Centre for Corporate Governance, Prudential Life Assurance Kenya, Crown Paints Kenya PLC and Moving The Goalposts.

RAJESH SURANA

NON-EXECUTIVE DIRECTOR

Rajesh Surana has over 20 years of rich experience in leading multinationals across different countries, cultures and roles, with 17 of those years spent in leadership within the Holcim Group. Prior to his current appointment, he held several management positions such as Director Strategic Projects Asia (under Holcim Group Services), CEO Holcim Bangladesh, CFO Holcim Lanka & CFO Holcim Services South Asia. He is a fellow of both the Chartered Accountants Institute of India and the Institute of Company Secretaries of India.

CLAUDIA ALBERTINI
NON-EXECUTIVE DIRECTOR

Claudia, an Italian national, has over 26 years' experience in Finance and Accounting and is currently the Holcim Group's Chief Financial Officer Asia Middle East Africa Region. She has held a broad spectrum of senior positions within the Holcim Group Services over the past 23 years, including Head of Business Services & Corporate Projects, Holcim Belgium's CEO and CFO, Lead Regional Controller Europe (excl UK), Regional Controller - UK, Spain, and Trading and Affiliates, among others.

She holds Master's Degree in Economics and Commerce from the Università Cattolica del Sacro Cuore, Milan, Italy and European Baccalaureate from European School of Varese, Varese, Italy.

MOHIT KAPOOR
GROUP MANAGING DIRECTOR

Mohit has a track record of driving consistent business growth and harnessing increased value through sustainable cost and operational efficiencies. He has over 20 years corporate leadership experience having held several high-level management positions within the Holcim Group including Country CEO Holcim Qatar, Head of Growth and Innovation, Holcim India, Managing Director of Readymix Projects, Lafarge India, Vice President, Health & Safety-APAC, Vice President, Logistics & Supply Chain, Lafarge India, Senior Project Manager Lafarge Group Audit. He holds a Master's degree in Marketing from FORE School of Management, India, has qualification in Supply Chain Management, from IIM-Ahmedabad, India and a Bachelor's degree in Electronics Engineering from Nagpur University, India.

JEAN-MICHEL PONS
EXECUTIVE DIRECTOR | Msc Engineering

Jean-Michel joined Holcim in 2011 as Country Business Development Director, Algeria & Serbia after which he was promoted to Innovation Director, Algeria where he had the opportunity to develop Mortar Division in particular. He was then promoted to Country Chief Executive Officer, Moldova where he also covered Eastern Europe Road Solution. Before joining Holcim Group, Jean-Michel had worked in the Construction Industry at Saint-Gobain, Russia for 4 years. He is the Managing Director Hima Cement Limited.

EUGENE ANTERA,
GROUP CHIEF FINANCE OFFICER

Eugene Antera is a dynamic business leader, with strong management and finance experience spanning over 15 years in manufacturing, transportation, and banking. His wealth of expertise encompasses among others strategy development, business performance, operations & project management, internal controls management, process improvement, financial reporting, budgeting, and forecasting. Prior to his appointment, Eugene Antera was the Operations Controller of the Company. He joined Holcim Group in 2007 and has held several roles including Business Analyst, Sub Sahara Africa (Lafarge Middle East & Africa), Growth Controller, Supply Chain Controller, and overall Country Controller (Kenya). Prior to that he worked with Rift Valley Railways as the Financial Planning & Analysis Manager and also at East African Portland Cement PLC as a Business

Controller. He holds a Bachelor of Commerce degree (Finance) from the University of Nairobi and is a Certified Public Accountant. He is a member of the Institute of Certified Public Accountants of Kenya.

JOYCE MUNENE

COMPANY SECRETARY | MBA, LL.B, CPS(K)

Joyce is an accomplished Governance, Legal and Compliance professional with broad career expertise in the Financial Services sector and Fast-Moving Consumer Goods (FMCG) industry, as well as an Independent Corporate Governance Consultant. She was previously the Senior Legal Manager and Company Secretary at East African Breweries Limited, the Legal Services Manager & Assistant Group Company Secretary at Equity Bank Group, and Legal Officer at United Insurance Company.

She holds a Master's in Business Administration (Strategic Management) from Jomo Kenyatta University of Agriculture & Technology, Bachelor of Laws (LLB) from University of Pune, India, and a Diploma in Law from the Kenya School of Law (KSL).

PART 5: INFORMATION ON HIMA

Background

Hima was created in 1999 acquired by Lafarge as a subsidiary of Bamburi. Today, Hima Cement Ltd is part of the Holcim Group, the world leader in building materials, present in 80 countries across the world. With three plants in Uganda - Hima Plant in Kasese, Namanve Blending Station in Kampala and Tororo Grinding Station in Tororo – Hima Cement has a total cement production capacity of 2.1 million tonnes.

Corporate details

Company name	Hima Cement Limited
Corporate form	Limited liability company
Date of incorporation	14 December 1994
Registered number	28881
Registered address	Plot 838, Namanve Industrial Park, Kampala, Uganda
Registered capital and number of shares	UGX 19'080'000'000 / 1'908'000 ordinary shares
Percentage of total issued share capital held by shareholders:	100% Himcem Holdings Limited: 70% Cementia Holding AG: 30%
Directors	Dr. John Simba Mr. Rajesh Kumar Surana Mr. Jean-Michel Pons Mr. Mohit Kapoor
Company Secretary	Ms. Diana Nyakato

Operating Subsidiaries of Hima

Company name	Hima Cement Rwanda Limited
Corporate form	Limited liability company
Country of incorporation	Rwanda
Date of incorporation	6 September 2001

Registered number	100201234
Registered address	Remera Gasabo, Kigali, Rwanda
Registered capital and number of shares	RWF 1,000,000.00 / 1,000 ordinary shares
Percentage of total issued share capital held by the Hima	100%
Directors	Mr. Jean-Michel Pons Mr. Calvin Mitali
Company Secretary	Equity Juris Chambers (DLA Piper Africa Rwanda)

SUMMARY OF HIMA'S LATEST FINANCIAL STATEMENTS

HIMA CEMENT LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Kes' million	Kes' million
Revenue	18,477	16,607
Cost of goods sold	(14,547)	(12,738)
Cost of transport service	<u>(2,115)</u>	<u>(1,938)</u>
Gross profit	1,815	1,931
Other gains and losses	(171)	48
Marketing and selling expenses	(314)	(206)
Administration expenses	(1,235)	(1,015)
Impairment of property, plant and equipment	46	(159)
Net impairment losses on financial assets	<u>27</u>	<u>-</u>
Operating profit	168	599
Finance income	32	22
Finance costs	<u>(225)</u>	<u>(164)</u>
Finance costs – net	<u>(193)</u>	<u>(142)</u>
Profit before income tax	(25)	457
Tax charge	<u>(52)</u>	<u>(193)</u>
Profit for the year	<u>(77)</u>	<u>264</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial (losses)/gains	10	(7)
Income tax effect	<u>(3)</u>	<u>2</u>
	<u>7</u>	<u>(5)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	7	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(70)</u>	<u>259</u>
Earnings per share – basic and diluted	<u>(0.21)</u>	<u>0.73</u>

HIMA CEMENT LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1.1.1.1.1.1 AS AT 31 DECEMBER 2022

	2022 Kes'million	31 December 2021 Kes'million
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	15,041	15,388
Prepaid operating lease rentals	110	116
Right-of-use assets	721	417
Intangible assets	5	7
Limestone reserves	625	604
	<u>16,502</u>	<u>16,532</u>
CURRENT ASSETS		
Inventories	3,573	2,000
Trade and other receivables	1,431	1,443
Corporate tax recoverable	300	258
Cash and cash equivalents	1,579	1,159
	<u>6,883</u>	<u>4,860</u>
TOTAL ASSETS	<u>23,385</u>	<u>21,392</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	634	611
Asset revaluation reserve	1,460	1,528
Translation reserve	(26)	(26)
Retained earnings	<u>11,220</u>	<u>10,777</u>
Total equity	<u>13,288</u>	<u>12,890</u>
NON-CURRENT LIABILITIES		
Deferred tax liability	2,963	2,812
Provisions	196	184
Employees' defined benefit liabilities	17	25
Long term borrowings	-	2,273
Lease liabilities	<u>742</u>	<u>453</u>
	<u>3,918</u>	<u>5,747</u>
CURRENT LIABILITIES		
Short term borrowings	2,508	-
Lease liability	42	17
Provisions	36	149
Employees' defined benefit liabilities	5	5
Trade and other payables	<u>3,588</u>	<u>2,584</u>
	<u>6,179</u>	<u>2,755</u>
TOTAL EQUITY AND LIABILITIES	<u>23,385</u>	<u>21,392</u>

HIMA CEMENT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Kes'million	2021 Kes'million
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	887	361
Interest received	32	22
Interest paid on borrowings	(38)	(4)
Tax paid	<u>(227)</u>	<u>(166)</u>
Net cash generated from operating activities	<u>654</u>	<u>213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(297)	(491)
Purchase of intangible assets	-	(1)
Proceeds from disposal of property, plant and equipment	<u>181</u>	<u>23</u>
Net cash used in investing activities	<u>(116)</u>	<u>(469)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment of principal portion lease liabilities	<u>(228)</u>	<u>(157)</u>
Net cash generated used in financing activities	<u>(228)</u>	<u>(157)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>310</u>	<u>(413)</u>
MOVEMENT IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	1,159	1,690
Net increase in cash and cash equivalents during the year	310	(413)
Effects of exchange rate changes on cash held in foreign currencies	<u>110</u>	<u>(118)</u>
Cash and cash equivalents and at end of the year	<u>1,579</u>	<u>1,159</u>

PART 6: INFORMATION ON SARRAI GROUP

Sarrai Group

The Sarrai Group of Companies, commonly referred to as the Sarrai Group, is a privately owned conglomerate in East Africa and Southern Africa. The group maintains its headquarters in Kampala, Uganda, with subsidiaries in Kenya and Malawi. The group is headed by the executive group chairman, Sarbjit Singh Rai.

The group has activities in forestry, agro-processing, sugar production, and cement. Some of the companies within the group include Rai Cement in Kenya, Kinyara Sugar, Kiryandongo Sugar and Hoima Sugar in Uganda, Comply Industries in Kenya and Nile Plywoods in Uganda.

As of the date of this Circular, the Sarrai Group comprises 10 subsidiary companies.

Corporate Details of the Purchasers

Company name	Sarrai Group Limited
Corporate form	Limited liability company
Date of incorporation	28 th July 2017
Registered number	80020000388451
Registered address	Plot 7 Factory Street Jinja
Registered capital and number of shares	UGX 2,000,000/100 Shares
Percentage of total issued share capital held by shareholders:	100% Sarbjit Singh Rai Rajbir Singh Rai Amaanraj Singh Rai
Directors	Sarbjit Singh Rai Rajbir Singh Rai Amaanraj Singh Rai
Company Secretary	K&K Advocates

Company name	Rwimi Holdings Limited
Corporate form	Limited liability company
Date of incorporation	6 th November 2023
Registered number	80034173139072
Registered address	Plot 7 Factory Street Jinja
Registered capital and number of shares	UGX 100,000,000/ 1,000 Shares
Percentage of total issued share capital held by shareholders:	100% Sarrai Group Limited Sarbjit Singh Rai Rajbir Singh Rai Amaanraj Singh Rai
Directors	Sarbjit Singh Rai

	Rajbir Singh Rai Amaanraj Singh Rai
Company Secretary	K&K Advocates

PART 7: STATUTORY AND GENERAL INFORMATION

1. Responsibility statement

The Directors whose names appear on Part 4 of this Circular accept responsibility for the information contained in this circular. The Directors declare that all the information contained in this Circular is correct, and neither your Board of directors' minutes, audit reports or any other internal documents contain information which could distort the interpretation of this Circular.

The Directors are the persons responsible for the content of this Circular pursuant to Regulation 63 of The Licensing Regulations.

2. Directors' interests

At the date of this Circular, the following Director had direct and indirect beneficial interests in Bamburi:

Mbuvu Ngunze: 1,000 Shares

At the date of this Circular, there were no existing or proposed contracts between any of the Directors and Bamburi, other than employment contracts for those Directors who are employed in the ordinary course of business.

None of the Directors has or has had any direct or indirect beneficial interest in Himcem, Cementia, the Purchaser or Sarrai Group.

Those Directors of Bamburi, who are also directors of Hima, will resign as directors of Hima on Completion.

3. Disclosures

Save as disclosed herein there are no related party transactions.

4. Governing Law

This Circular is governed by and construed in accordance with Kenyan law.

5. Advisor's consents

Coulson Harney LLP and RSM (Eastern Africa) Consulting Limited have given and have not withdrawn their respective consent to the issue of this Circular with the inclusion of their names and references to them in the form and context in which they appear.

6. Document available for inspection

Copies of the following documents will be available for inspection by shareholders, free of charge, at the Company's offices on 30th November 2023 between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays) from the date of this Circular until the conclusion of the EGM. The documents shall also be uploaded on the Company's website: www.lafarge.co.ke

- 6.1 the Share Purchase Agreement;
- 6.2 Bamburi's Memorandum and Articles of Association;
- 6.3 the approval of the CMA relating to this Circular;
- 6.4 a copy of the report of the Independent Expert.

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (**EGM**) of the Shareholders of Bamburi Cement Plc. (the **Company**) will be held virtually/electronically via mobile and web application (the 'Virtual EGM System') on **14th December 2023 at 10 a.m.** for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

THAT the proposed sale by Himcem Holdings Limited (a wholly owned subsidiary of the Company) of 1,335,600 ordinary shares in Hima Cement Limited, representing 70% of the total issued shares in Hima Cement Limited on or substantially on the terms and subject to the conditions of the sale and purchase agreement dated 14 November 2023 (the **Share Purchase Agreement**) as described in the circular to shareholders issued by the Company on **28th November 2023** be approved and that the directors of the Company be authorised to do all things that are, in their opinion (or the opinion of a duly authorised committee of them), necessary or desirable to give effect to and complete the Share Purchase Agreement with such modifications, amendments, variations or waivers as they (or any such committee) consider to be necessary or desirable.

By order of the Board

Joyce Munene
Company Secretary

Date: 28th November 2023

Notes:

1. Bamburi Cement Plc. has convened and will conduct the EGM via virtual/electronic means in line with the Companies Act, 2015.
2. Shareholders wishing to participate in the EGM should register for the EGM online at <https://digital.candrgroup.co.ke> or by dialling USSD short code number ***384*040#** or via a link to the EGM Platform that will be sent to them via SMS and/or email and following the various registration prompts. In order to complete the registration process, shareholders will need to have their National ID/Passport Numbers which were used to purchase their shares and their shares account number or CDSC Account Number at hand. For assistance shareholders should dial the following **helpline number +254 20 8690360** from 8:00a.m. to 4:00p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to digital@candrgroup.co.ke.
3. Registration for the EGM opens on **6th December 2023 at 08:00a.m. and will close on 13th December 2023 at 12.00 noon.**
4. Shareholders wishing to raise any questions or clarifications regarding the EGM may do so by:
 - a) Sending their written questions by email to digital@candrgroup.co.ke; or
 - b) Shareholders who will have registered to participate in the EGM shall be able to ask questions via SMS by dialling the USSD code ***384*040#** and selecting the option (Ask Question) on the prompts; or
 - c) Shareholders who will have registered to participate in the EGM shall be able to ask questions online at <https://digital.candrgroup.co.ke> or via a link to the EGM platform; Select "Attend Event"; Select "Bamburi PLC EGM"; Select "Q&A" option tab and submit questions in text box provided; or
 - d) To the extent possible, physically delivering their written questions by **13th December 2023 at 12:00 noon** with a return physical address or email address to the Company Registrars address: Custody & Registrars Services Limited, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi, Kenya.
5. Shareholders wishing to vote may do so by:
 - a) Accessing Virtual EGM via online at <https://digital.candrgroup.co.ke> or via a link to the EGM platform; Select "Attend Event"; Select "Bamburi PLC EGM"; Select "Voting" option tab and vote; or
 - b) Accessing Virtual EGM via USSD platform ***384*040#**; Use the menu option for "Voting" and follow the various prompts regarding the voting process.
6. In accordance with Section 298(1) of the Companies Act, 2015 Shareholders entitled to attend and vote at the EGM are entitled to appoint a proxy to vote on their behalf.

- a) A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the EGM, the appointed proxy will need access to a mobile telephone or an internet enabled device.
- b) A proxy form is available on the Company's website via this link: www.lafarge.co.ke. Physical copies of the proxy form are also available at the Company Registrars address: Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi, Kenya and a copy of the proxy for is also set out below.
- c) A proxy form must be signed by the appointer, or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.
- d) A completed form of proxy should be emailed to proxy@candrgroup.co.ke or delivered to Custody & Registrars so as to be received not later than **12th December 2023 at 3:00p.m.** Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than **13th December 2023 at 12:00 noon.**
- e) Any proxy registration that is rejected will be communicated to the shareholder concerned no later than **13th December 2023** to allow time to address any issues.
- 7. The EGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the EGM. Duly registered shareholders and proxies will receive a short message service SMS/ and/or an email prompt on their registered mobile numbers, 24 hours prior to the EGM acting as a reminder of the EGM. A second SMS and/or an email prompt shall be sent one hour ahead of the EGM, reminding duly registered shareholders and proxies that the EGM will begin in an hours' time and providing a link to the live stream.
- 8. Duly registered shareholders and proxies may follow the proceedings of the EGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD ***384*040#** or *Voting Matters* tab on the live stream display screen.
- 9. A poll shall be conducted for the resolution put forward in this notice.
- 10. Results of the EGM shall be published within 24 hours following conclusion of the meeting.

FORM OF PROXY

BAMBURI CEMENT PLC

Registration Number: C. 17/52

EXTRAORDINARY GENERAL MEETING to be held virtually/electronically via mobile and web application (the 'Virtual EGM System') on **14th December 2023 at 10 a.m.**

Virtually

I/We _____

of (address) _____

Share A/C No _____

being a member(s) of Bamburi Cement Plc., hereby appoint

_____ of (address) _____

or, failing him, the duly appointed Chairman of the meeting to be my/our Proxy, to vote on my/our behalf at the Extraordinary General Meeting of the Company to held virtually/electronically via the Virtual EGM System on **14th December 2023 at 10 a.m.** virtually or at any adjournment thereof.

As witness to my/our hands this _____ day of _____ 2023.

Signature(s) _____

This form is to be used *in favour of / against the resolution. Unless otherwise instructed the proxy will vote as he thinks fit.

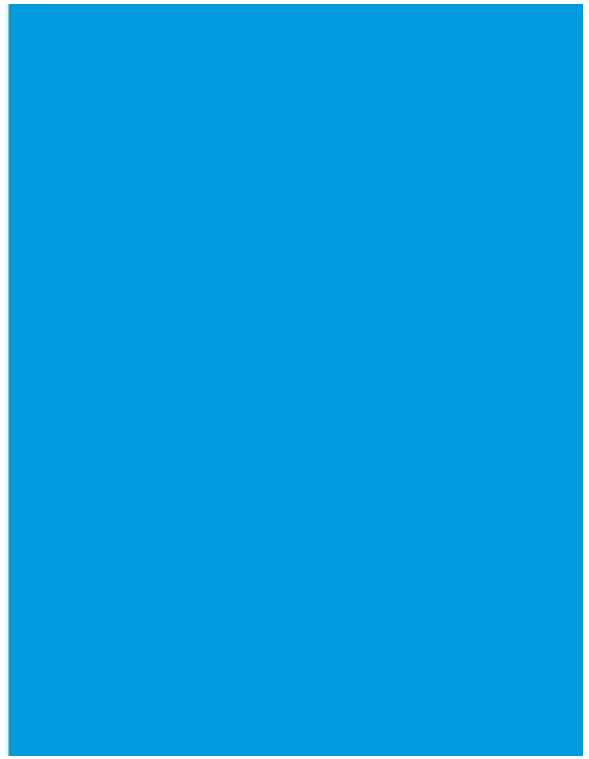
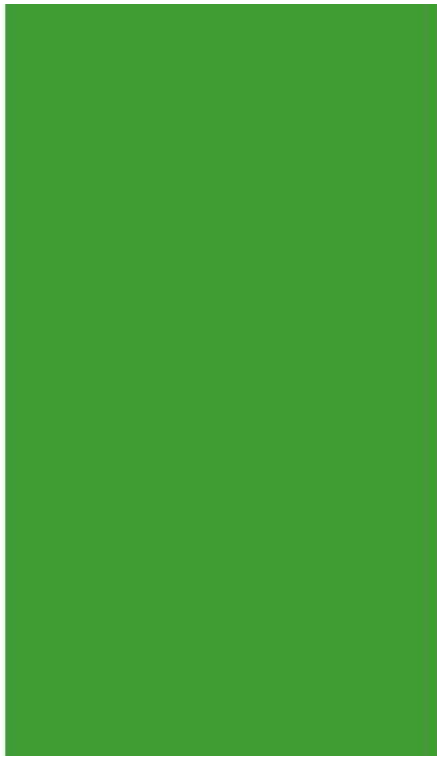
*strike out whichever is not desired.

Notes:

This Proxy is to be delivered to the Registrar of Bamburi Cement Plc. no later than **12th December 2023 at 3:00p.m.**, failing which it will be invalid. The proxy should be sent by post to Custody & Registrars Services Limited, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi, Kenya, alternatively it can be scanned and emailed to proxy@candrgroup.co.ke in PDF format.

A form of proxy must be in writing and, in the case of an individual, shall be signed by the shareholder or by his attorney and, in the case of a corporation, the proxy must be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

INDEPENDENT EXPERT REPORT



PROJECT SYDNEY

Independent valuation on the sale of 70% of the shareholding in Hima Cement Limited by Bamburi Cement PLC which is held through a 100% owned subsidiary Himcem Holdings Limited

Final Report

November 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Our reference: RSMC/2023/915

**The Directors
Bamburi Cement PLC
Kitui Road, Off Kampala Road,
Industrial area,
Nairobi,
Kenya.**



RSM (Eastern Africa) Consulting Ltd

1st Floor, Pacis Centre, Slip Road
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E: info@ke.rsm-ea.com

23 November 2023

www.rsm.global/kenya

RE: INDEPENDENT VERIFICATION OF VALUATION

In accordance with the terms of our engagement letter reference: RSMC/2023/903, we enclose our valuation review report for Hima Cement Limited.

The valuations summarised therein were provided to us by yourselves, and our observations are based on the assumption that the information used in the valuations is accurate and complete. Our procedures did not include verification work or constitute an audit in accordance with generally accepted accounting standards. Accordingly, we do not express any opinion on any financial or other data or other information referred to in this report.

Based on the review, we can conclude that the most appropriate valuation methodology was used in the company valuation of Hima Cement Limited. Furthermore, we can conclude that the valuation methodology was correctly applied, and the valuation can be relied on, taking into account the recommendations made in the report.

This report supersedes all previous oral, draft or interim advice, reports and presentations, and email correspondence. The report is confidential and has been prepared for the use of the appointing authorities only. It should not be disclosed to any third party without our prior written consent. Where RSM provides such consent, it does not accept any liability to any other parties other than the engagement parties in connection with this report or the opinions therein.

The RSM team is grateful for the opportunity to work with you in this engagement.

Should you require any clarification or further information relating to any issue contained in this report, please contact the undersigned.

Yours faithfully,

**Ashif Kassam
Executive Chairman
RSM (Eastern Africa) Consulting Limited**

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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

Hima Cement Limited (“Hima”) is a company incorporated in Uganda, whose principal activity is the manufacture and sale of cement and related products. Hima has three sites, an integrated cement plant in Kasese, a grinding station in Tororo, and a blending station in Namanve with a total annual production capacity of approx. 1.7 million tons. Hima also has a sales unit in Rwanda, which is not currently active.

Bamburi Cement PLC (“Bamburi”) holds 70% of the shares in Hima (“Hima Shares”) through a 100% owned subsidiary. Bamburi intends to sell the Hima shares to a third party through a proposed transaction detailed in the cautionary announcement released by Bamburi dated 14th November 2023.

1.2 SCOPE OF WORK

RSM (Eastern Africa) Consulting Ltd (“RSM”) has been appointed to provide an independent valuation of the enterprise value of Hima to Bamburi.

In arriving at the valuation, the following factors are to be noted:

- Valuation method used is the EBITDA multiple method. This method involves several steps, which include determining the normalised EBITDA and then applying a multiple based on publicly available data of comparative companies and from precedent transactions, to determine the indicative enterprise value.
- The EBITDA multiple used in this case was not adjusted for country equity risk premium and liquidity discount as the comparatives were from companies in the Africa region and from precedent transactions from within the region.
- The valuation is based on historical figures and we have not reviewed any going-forward projections and hence we do not guarantee the future performance of Hima.
- We have not undertaken an independent review of the historical numbers and have relied solely on the audited financial statements and management information provided by the management of Hima.

This report should not be used for any other purpose except for the one defined above.

1.3 SUMMARY VALUATION

The table below shows the enterprise valuation of Hima:

VALUATION SUMMARY : 100% EV			
	EBITDA Multiple	2022 EBITDA UGX '000	2020-2022 AVG EBITDA UGX '000
Normalised EBITDA in UGX		46,766,760	56,703,496
Comparable EBITDA multiple for cement companies in Africa - lower end	6	280,600,560	340,220,976
Comparable EBITDA multiple for cement companies in Africa - upper end	7	327,367,320	396,924,472
Valuation in USD		USD	USD
Comparable EBITDA multiple for cement companies in Africa - lower end	6	73,916,558	89,621,929
Comparable EBITDA multiple for cement companies in Africa - upper end	7	86,235,985	104,558,918
Current exchange rate of 1 USD to UGX	3,796.18		

The enterprise value of Hima for 100% of the shareholding ranges from USD 74 million to USD 105 million.

2 VALUATION COMMENTARY

2.1 EBITDA MULTIPLE METHOD

The EBITDA valuation method is summarised below:

- **Step 1:** Compute normalised EBITDA for the period 2020 - 2022;
- **Step 2:** Identify comparable listed companies and obtain EV/EBITDA multiples;
- **Step 3:** Segregate the outliers (upper and lower) to obtain a reasonable range; and
- **Step 4:** Apply the adjusted EBITDA multiple to normalised EBITDA to obtain the enterprise value.

2.2 NORMALISED EBITDA

The normalised EBITDA (earnings before interest, taxation, depreciation and amortisation) is calculated by adjusting the EBITDA with non-recurring items to more accurately reflect the sustainable earnings of the company thus allowing comparison with other companies and the industry.

In this case, the adjustments to EBITDA include:

- Removal of one-off income such as profit from sale of assets and impairment on acquisition of licenses.
- Removal of medical and resettlement expenses resulting from the fire at Kasese factory.

In arriving at the EBITDA, no adjustment was made for interest expenses arising from IFRS 16 Leases as these are considered to be rental expenses.

The normalised EBITDA for Hima is presented below:

HIMA CEMENT LIMITED NORMALISED EBITDA CALCULATION			
	CONSOLIDATED AUDIT 2022 USHS'000	CONSOLIDATED AUDIT 2021 USHS'000	CONSOLIDATED AUDIT 2020 USHS'000
Profit / (loss) before tax and discontinued operations	(1,129,481)	14,419,318	13,333,050
Add: Depreciation and amortisation excluding operating lease amortisation	40,354,684	40,073,992	43,659,426
Add: Interest expense	4,606,478	3,254,046	5,500,499
Less: Interest income	991,502	732,528	461,117
EBITDA	42,840,179	57,014,828	62,031,858
Normalisation adjustments			
Adjustment 1 - Medical and resettlement expenses re Kasese fire	5,900,000	-	-
Adjustment 2 - Impairment on acquisition of licences from Sunbird Resources Ltd	(1,447,138)	5,119,067	-
Adjustment 3 - Profit on disposal of property, plant and equipment	(526,281)	(630,293)	(191,732)
Normalised EBITDA	46,766,760	61,503,602	61,840,126

2.3 MARKET COMPARABLES

We obtained the EV/EBITDA multiples for several publicly traded market players in the cement industry to determine the average EV/EBITDA multiple. In this, we noted a significant deviation in the range with a mean of 9.1 and a median of 7.2 (for the 7 active companies). The mean was greatly affected by the highest multiple from BUA Cement PLC of 21.5x and the lowest multiple from Bamburi Cement PLC of 3.6x.

Company Name	Country	EV/EBITDA LTM
Tanzania Portland Cement PLC	Tanzania	4.9
BUA Cement PLC	Nigeria	21.5
Dangote Cement PLC	Nigeria	7.2
Carthage Cement S.A.	Tunisia	8
Chilanga Cement PLC	Zambia	4.5
Bamburi Cement PLC	Kenya	3.6
LafargeHolcim Maroc S.A.	Morocco	13.7
Misr Beni Suef Cement Co. S.A.E	Egypt	NM
Cement Company of Northern Nigeria PLC	Nigeria	NM
Summary Statistics		TEV/EBITDA LTM
High (outlier)		21.5
Low (outlier)		3.6
Mean		9.1
Median		7.2

2.4 ELIMINATION OF OUTLIERS

We noted two outliers in the compilation of the companies' EV/EBITDA, these are BUA Cement PLC with an EV/EBITDA of 21.5x and Bamburi Cement PLC with an EV/EBITDA of 3.6x. In order to determine a rationalised multiple, the outliers were excluded.

Company Name	Country	EV/EBITDA LTM
Tanzania Portland Cement PLC	Tanzania	4.9
BUA Cement PLC	Nigeria	-
Dangote Cement PLC	Nigeria	7.2
Carthage Cement S.A.	Tunisia	8
Chilanga Cement PLC	Zambia	4.5
Bamburi Cement PLC	Kenya	-
LafargeHolcim Maroc S.A.	Morocco	13.7
Misr Beni Suef Cement Co. S.A.E	Egypt	NM
Cement Company of Northern Nigeria PLC	Nigeria	NM
Summary Statistics		TEV/EBITDA LTM
High (outlier)		None
Low (outlier)		None
Mean		5.5
Median		4.9

2.5 COMPARISONS WITH RECENT EXITS IN THE LAST FEW YEARS

In our analysis, we also considered the EBITDA multiples for recent exits for cement companies in the Africa region.

Precedent transactions				
Date	Target	Acquirer	Country	EV/EBITDA
Jun-23	Intercement Africa	Huaxin	South Africa	4.8x
Apr-23	Oman Cement	Huaxin	Oman	5.6x
Dec-22	Lafarge Zimbabwe	Fossil	Zimbabwe	7.0x
Dec-21	Lafarge Malawi, Zambia	Huaxin	Malawi, Zambia	5.4x
Average EV/EBITDA multiple				5.7x

2.6 BASIS OF MULTIPLE SELECTION

Using the above analysis, we determined that the appropriate multiple range between 6x to 7x as the lower and upper range. In determining this, we have not discounted the EBITDA multiple for country risk as all the comparables are for the Africa region.

VALUATION SUMMARY : 100% EV			
	EBITDA Multiple	2022 EBITDA UGX '000	2020-2022 AVG EBITDA UGX '000
Normalised EBITDA in UGX		46,766,760	56,703,496
Comparable EBITDA multiple for cement companies in Africa - lower end	6	280,600,560	340,220,976
Comparable EBITDA multiple for cement companies in Africa - upper end	7	327,367,320	396,924,472
Valuation in USD		USD	USD
Comparable EBITDA multiple for cement companies in Africa - lower end	6	73,916,558	89,621,929
Comparable EBITDA multiple for cement companies in Africa - upper end	7	86,235,985	104,558,918
Current exchange rate of 1 USD to UGX		3,796.18	

Common valuation techniques for cement manufacturing companies are listed in **Section 3** of this report.

3 COMMON VALUATION TECHNIQUES

3.1 ASSET BASED VALUATION/COST BASED APPROACH

The net asset basis of valuing companies is based on the values reflected at a particular point in time. This is a commonly used method either alone or accompanying the valuation of a controlling interest on an earnings basis. The method is commonly used to value companies faced with financial difficulties, merging companies with similar businesses or companies which are highly asset or investment-based.

This method is not appropriate for a manufacturing and trading entity as it is more applicable to investment holding and real estate companies or loss making companies where their market value is tied to the underlying assets.

3.2 INCOME APPROACH TO VALUE (CAPITALISATION OF EARNINGS)

The capitalisation of earnings is a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalisation rate. This method is relevant for a manufacturing and trading entity as it is expected to have a constant growth of earnings. The business value under this method is equal to the cash profits generated by the company in a year multiplied by a capitalisation rate to reflect the market multiple.

3.3 INCOME APPROACH TO VALUE (DISCOUNTED CASH FLOW)

The DCF method is based on formulating assumptions about the future. This method takes into account the size and the timing of the net cash flows and discounting them at the weighted average cost of capital to the company or the required investor rate of return. The business values depend on the perceived risk associated with earnings and cash flows. The higher the risk, the higher the discount rate the investor will use in capitalising the earnings or cash flows. The method represents the value of the company based on the company's continued operations without any significant new changes to management and operational structures, which makes it not a suitable method for this valuation.

3.4 MARKET APPROACH TO VALUE

This method utilises market indications of value such as publicly traded comparable company stock. The financial metrics of public companies can be used to create valuation multiples that are then used to calculate business value. With readily available data from key market players and their current performance, this was the most applicable method as a basis for conducting a more accurate valuation.

4 MATTERS OF SCOPE

This report and the valuations therein have been prepared using the information provided to us by the management of the Holcim group, Bamburi and Hima and our conclusions have been based on the assumption that the information is accurate and complete, and includes all relevant information that may affect the valuation.

Our analysis was limited to reviewing information made available to us by the Holcim group, Bamburi, Hima and other publicly available information sources we considered appropriate. Whilst we have no reason to believe that these sources are not reliable and accurate, we do not warrant their accuracy, completeness or correctness.

Furthermore, the valuation of Hima is not based on future projections hence the future performance of Hima's business has not been evaluated by us.

The audited financial statements that we have been provided are the sole responsibility of the Holcim group, Bamburi and Hima and RSM accepts no responsibility for them. Our procedures did not include verification work or constitute an audit in accordance with generally accepted accounting standards. Accordingly, we do not express any opinion on any financial or other data or other information referred to in this report.

This report is confidential and has been prepared for the use by Bamburi and the Holcim group only. While we understand that this report will be used in the public disclosure in relation to the Proposed Transaction, this report should not be copied or disclosed to any third party without our prior written consent. Where RSM provides such consent, it does not accept any liability to any third party in connection with this report.

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