A detailed photograph of a bateleur bird in flight, showing its white underwings and dark upper body against a black background.

BCI Global Investment Conference 2025

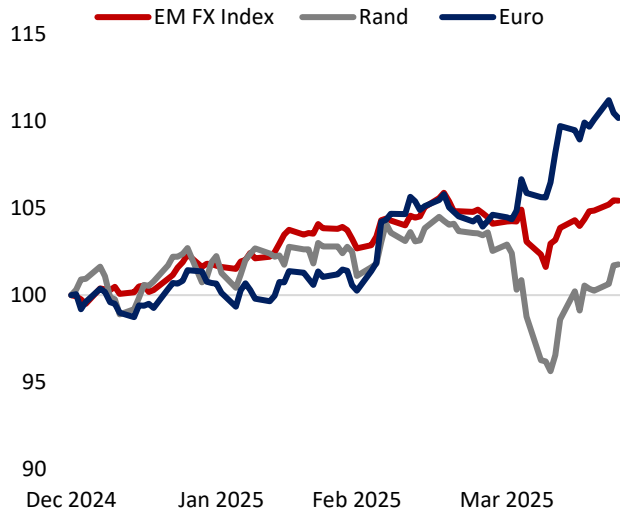
What is the market saying about South Africa's prospects?

“The only good economist I have found is the stock market.”

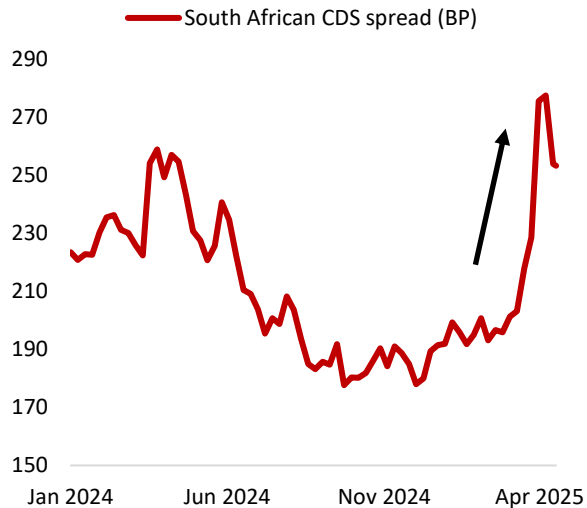
Stanley Druckenmiller – Battening down for a recession, Fortune Magazine 1988

The market is not liking South Africa's prospects

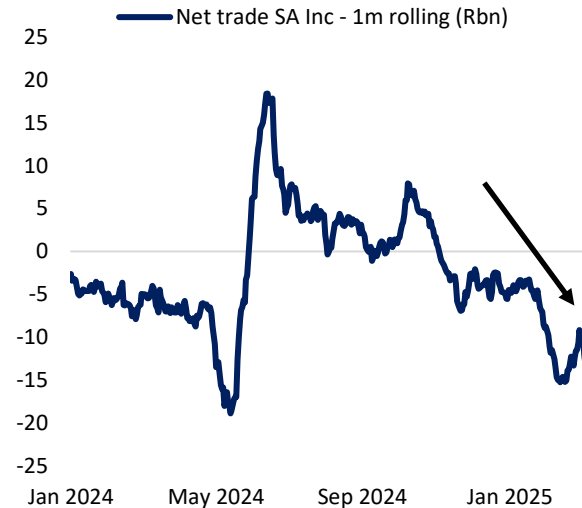
ZAR vs emerging market peers



SA country risk (credit default swap spread)



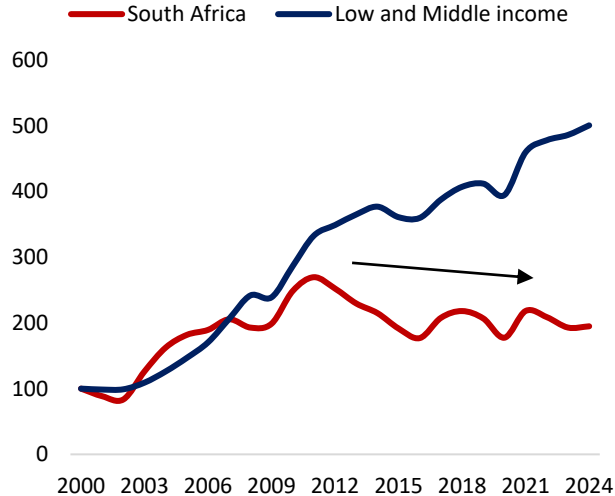
Foreign purchases of SA Inc (Rbn)



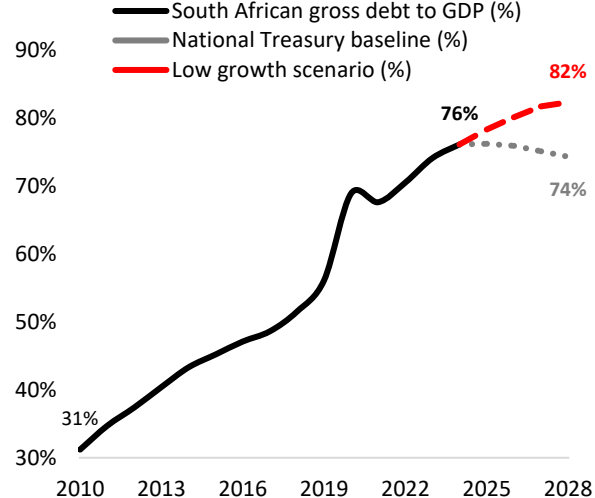
- The rand has been one of the **worst performing emerging market** currencies year-to-date
- **Credit default spreads** (indication of country risk premium) are back to pre-GNU levels
- Foreigners have been **net sellers of domestic equities** since the start of 2025

South Africa needs growth

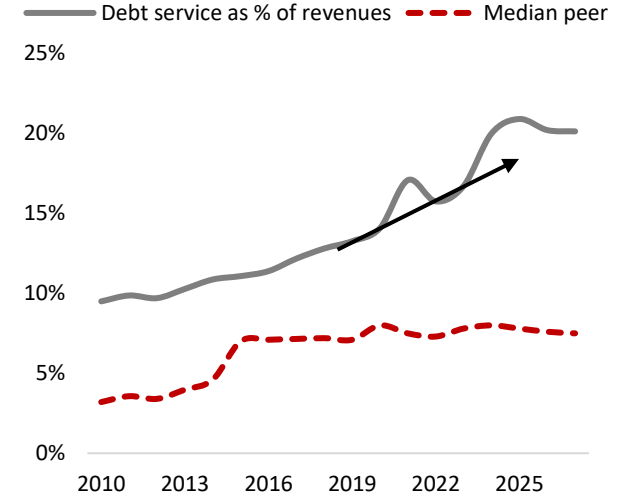
GDP per capita (\$)



Gross debt-to-GDP (%)



Debt service costs as a % of revenue



- South African GDP growth has stagnated while **GDP per capita has been in decline since 2010**
- **Debt-to-GDP has grown from 30% to 76%** – without economic growth the country is facing a crisis
- Debt service costs have grown from 10% to >20% of all revenues – **well above the median of emerging market peers**

A Way Forward on Budget 2025

1. Introduction

The issue that currently confronts the GNU is not whether a 0.5% increase to VAT is implemented. After all, the DA has offered two kinds of compromise in response to the ANC's insistence on a VAT increase: first, we proposed a series of alternative revenue raising measures; second, we offered to support a temporary 0.5% increase in VAT provided it was accompanied by a set of growth and spending reforms that would secure our fiscal position into the future. Both these compromises were rejected.

The question that confronts us, therefore, is something else: whether or not the ANC is prepared to share power and co-govern collaboratively in an effort to turn around the economy and provide South Africans with a better life into the future.

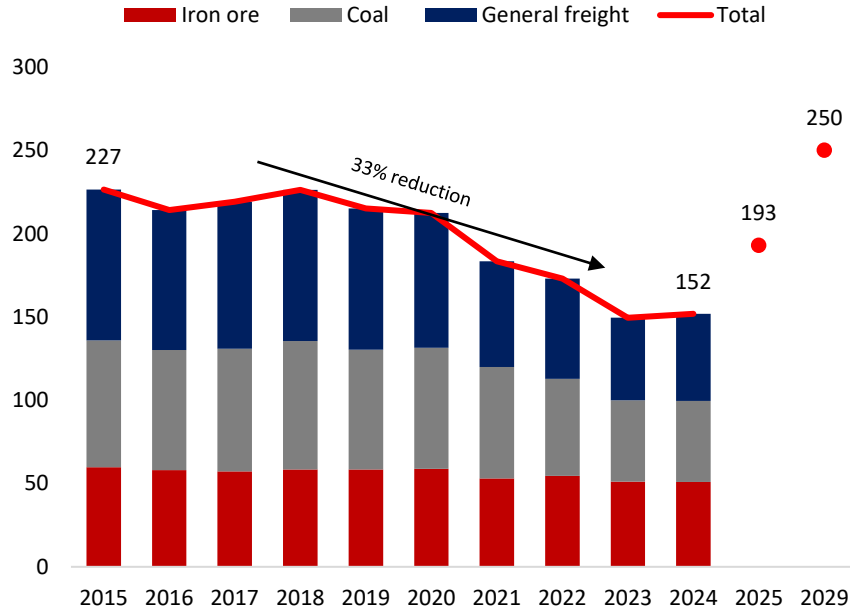
Pillar 1: Accelerated implementation of economic reform

Pillar 2: A comprehensive review of government spending

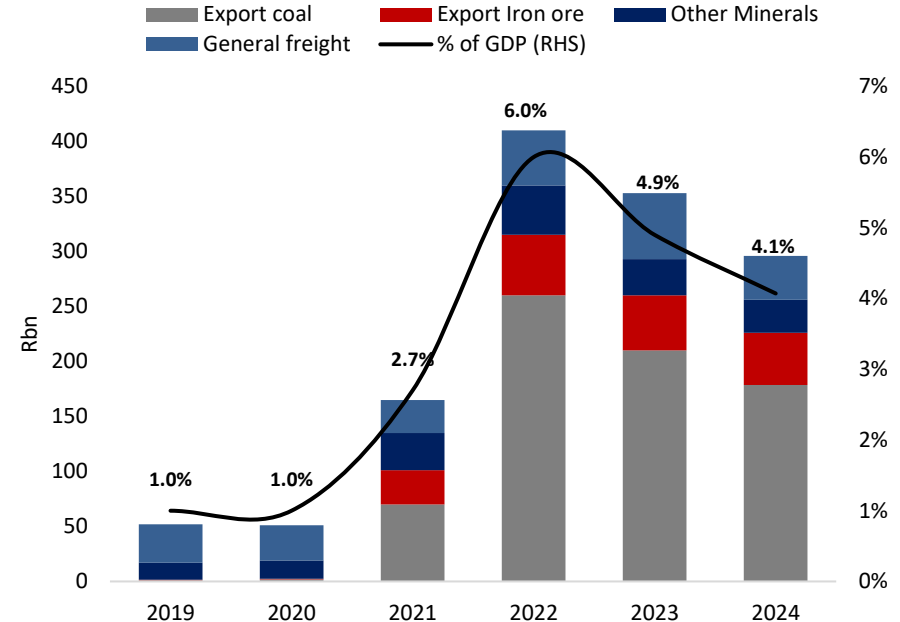
Pillar 3: A regulatory review to reduce the administrative burden on business

Accelerated implementation of economic reform

Transnet volumes (Mt)

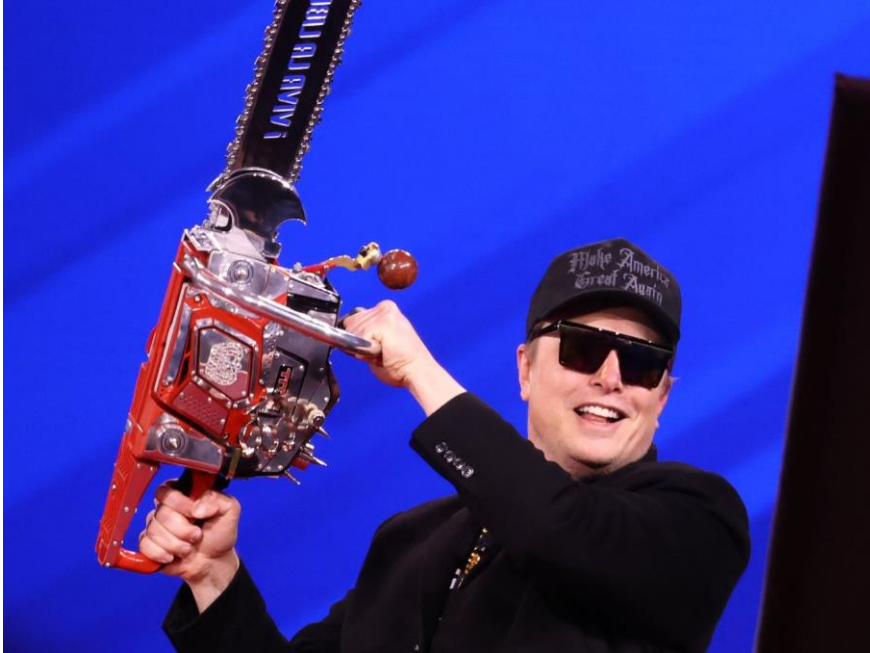


Economic cost of Transnet inefficiencies (Rbn)



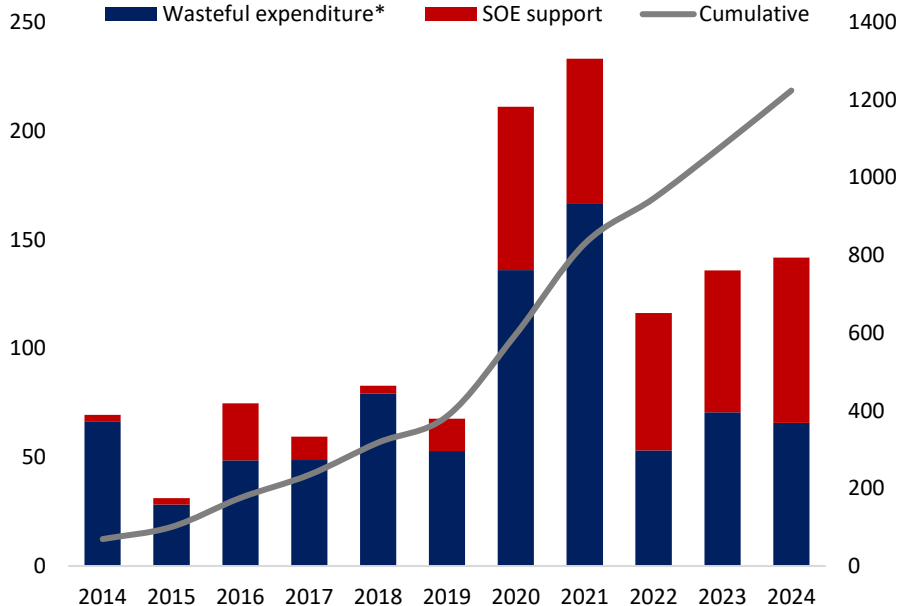
- Total Transnet volumes have declined by 33% since 2018 – Transnet turnaround **plans to return to 250Mt by 2029**
- **Transnet is a significant drag on the economy** – >R1tn impact over last 3 years (c.15% of GDP)

A comprehensive review of government spending

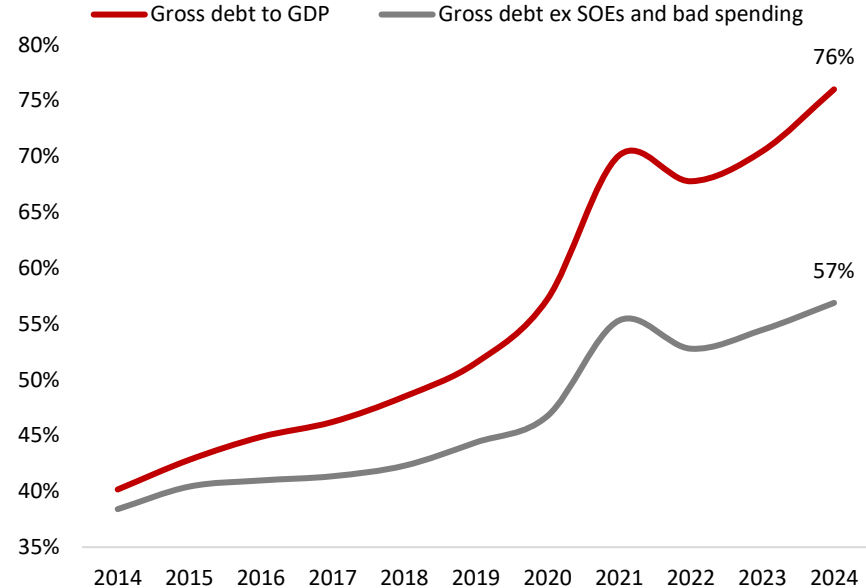


A comprehensive review of government spending

Wasteful expenditure & SOE support (Rbn)



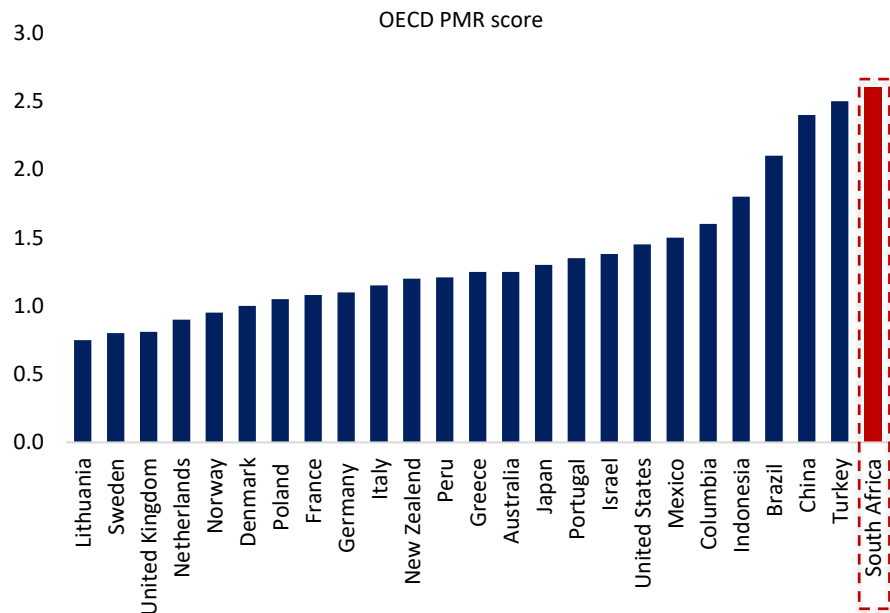
Significant impact on South African fiscal position



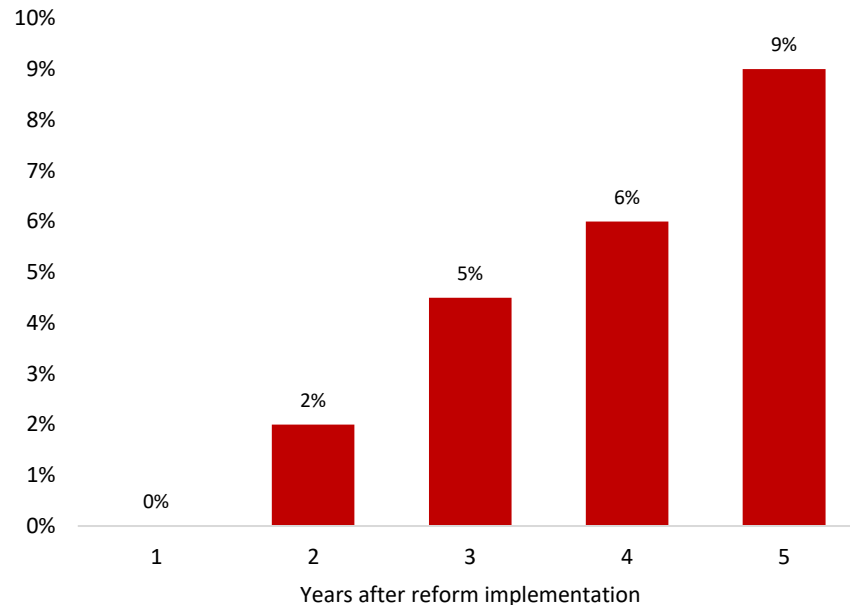
- Since 2014, **R1.2tn has been lost** to wasteful expenditure and to support provided to poorly run SOE's
- Excluding both items, gross debt-to-GDP **would have been 57%** rather than the current 76%

Reduce the administrative burden on business

Overall OECD PMR score

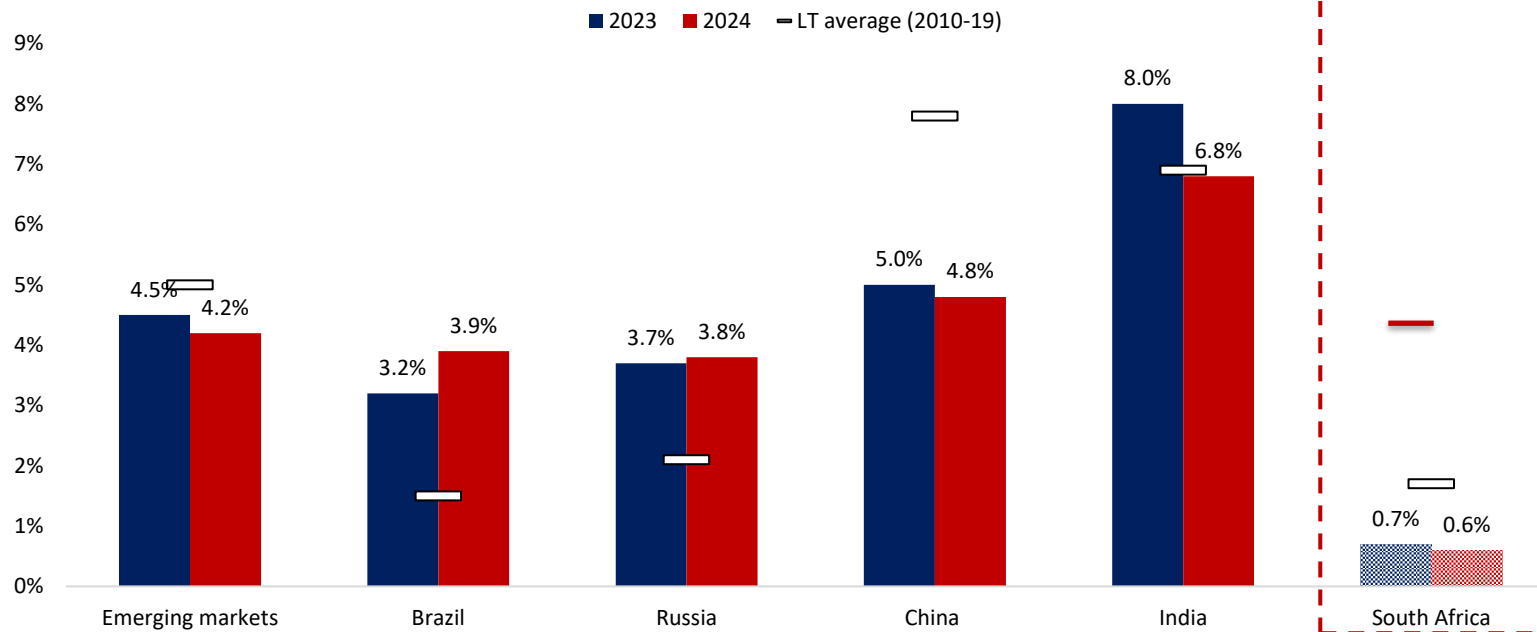


Impact of addressing half of governance/regulatory gaps



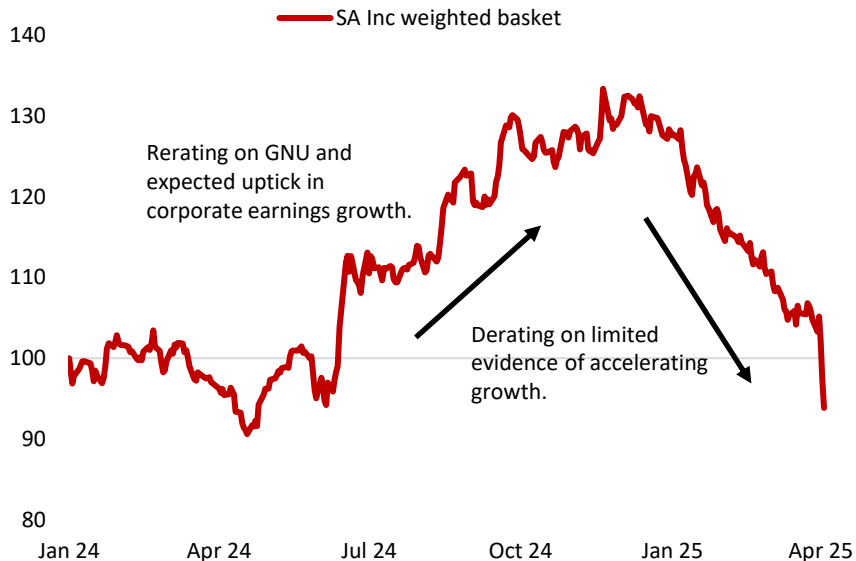
- **South Africa is ranked the worst on OECD PMR** – a measure of regulatory barriers to firm entry & competition
- IMF calculates that if South Africa had to **address just half its governance/regulatory gaps = economic output up to 9% larger**

South Africa should be growing at 3%+



SA Inc has given up majority of its GNU-led gains

Performance of SA Inc weighted basket



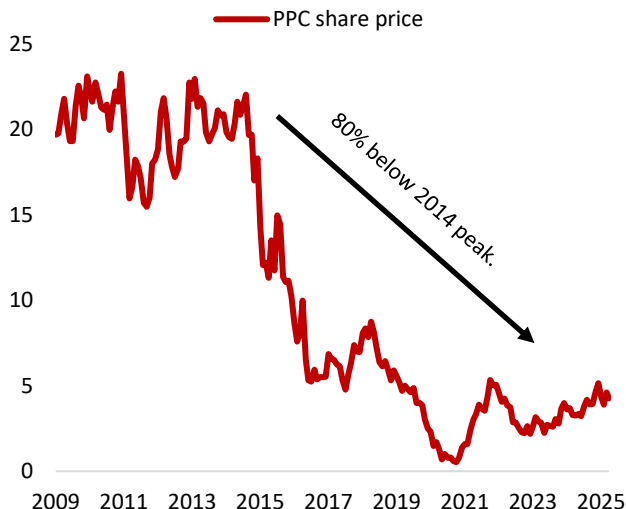
Forward P/E of SA Inc weighted basket



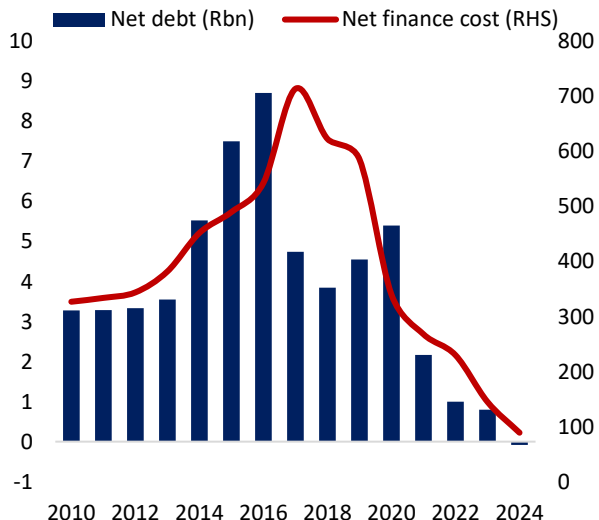
- Domestic equities rerated strongly on expected uptick in corporate earnings growth
- Since then, they have given up the majority of GNU-led gains **with many companies trading back to pre-GNU levels**
- Valuations have also contracted, and now trade back at the lows – **South African equities no longer price in an improving outlook**

PPC – Turnaround to gather momentum

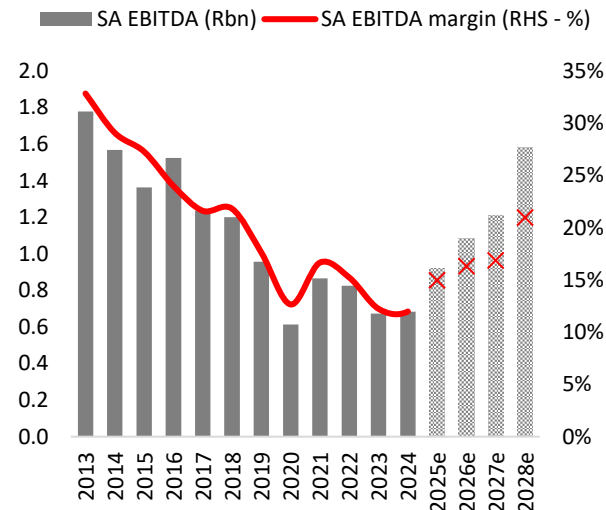
PPC share price



Balance sheet repaired



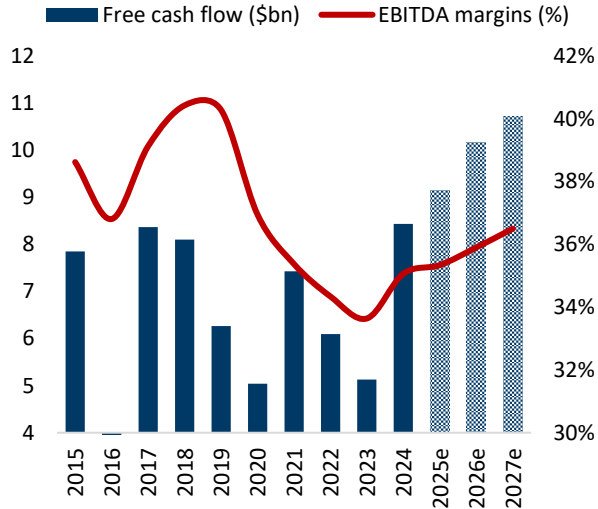
Turnaround in early stages



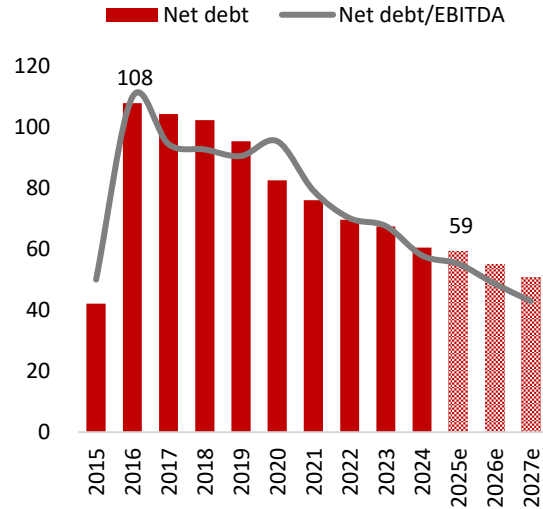
- PPC has been a terrible investment – Africa expansion **destroyed significant shareholder value**
- **Group debt increased to c.R9bn at its peak** but is now in a net cash position after exiting RoA operations
- Management team and board has been overhauled and is getting back to basics – **Aim to achieve >20% EBITDA margin by 2028**

AB-InBev – At an inflection point

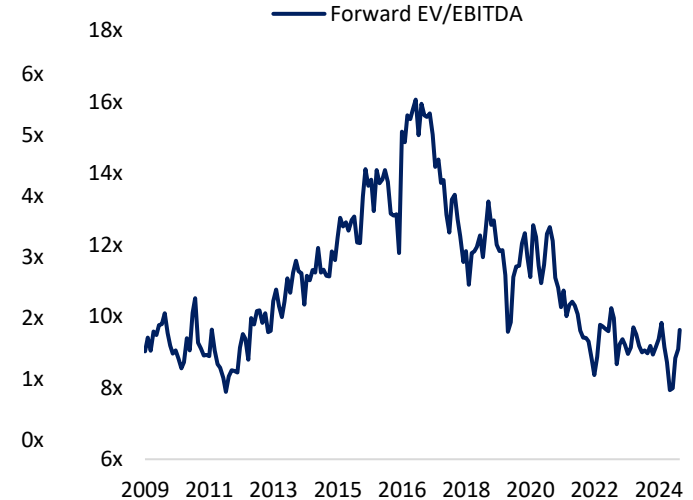
FCF & margin recovery



Net debt decreasing



Valuation attractive



- Margins and free cash flow set to **improve from low levels**, benefitting from a reduction in input costs and a weaker dollar
- **Net debt reduced by \$49bn since 2016** with balance sheet risk largely removed and share buybacks in place since late 2023
- **Valuation at lower end of history**, not reflective of improving fundamental backdrop

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