

## Exxaro eyes black ownership cut

Top management of diversified coal and minerals miner Exxaro will hold discussions with Eskom's recently appointed acting CEO Johnny Dladla as soon as possible to discuss its proposed R8.7bn, 30% black economic empowerment (BEE) transaction.



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Although Eskom has no power to interfere in this deal, Exxaro's proposal in November to drop its BEE ownership to 30% from 52.1% after its original 10-year structure called Main Street 333 matured was greeted with dismay by Eskom's acting CEO at the time, Matshela Koko. He has since been suspended.

Exxaro is Eskom's biggest coal supplier and the power utility only signs new contracts with suppliers that are more than 50% black-owned.

But as Exxaro already has long-term coal supply contracts in place and is seeking to diversify its reliance on Eskom, it is not bound by Eskom's new policy. Exxaro already holds long-term mining rights, so it also does not have to secure approval from the Department of Mineral Resources, although it has informed the department.

The new structure will fulfil the 30% black ownership requirement of the controversial new mining charter.

Exxaro finance director Riaan Koppeschaar said that, after discussions with minority shareholders in the past few months, three elements of the original proposals were changed. The lock-up period in the new BEE structure will be 7-10 years, not seven years as originally announced; a second share repurchase will take place and there is flexibility to introduce communities and employees into this structure in future, if needed. The proportion of existing BEE shareholders who will reinvest in Exxaro shares has not been finally determined but the minimum is set at about a quarter. Exxaro will repurchase 22.7m of its shares from Main Street at a 5% discount to a price still to be determined.

The new structure will hold 108.2m Exxaro shares, of which at least 26.6m will represent reinvestment by existing BEE shareholders and 12.3m will be a reinvestment by the Industrial Development Corporation (IDC). The remainder will be held by Exxaro, which could allocate some shares to employees and communities in future.

Exxaro expected the discount to its non-BEE shareholders resulting from the repurchase and issue of new shares would be about 7.4%, excluding the costs of the first repurchase, it said. The new structure will be in place by the fourth quarter of the year.

In an update on Exxaro's performance in the six months to June, Koppeschaar said the group's coal production, excluding buy-ins, rose 4.7% to 22.4m tonnes compared with the first half of last year.

In the second half of this year, Exxaro expects its coal business will continue to do well, underpinned by good local and seaborne coal demand and internal efficiencies.

Discussions between Eskom and Exxaro over a R1.8bn capital injection to be made by Eskom into developing further reserves at the Matla coal mine were continuing, Exxaro said.

Its executive head of carbon operations, Nombasa Tsengwa, said the Department of Public Enterprises, under which Eskom falls, was investigating the request for capital, which was likely to take some time. Once the capital was approved, it would take about 18 months for the mine to ramp back up to the contracted volume of 10.1m tonnes of coal supply a year from current levels of about 7.7m tonnes.

**Source:** *Business Day*

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