EQUITY RESEARCH FIRST GLANCE

RBC Capital Markets

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Sector: Metals & Mining

December 9, 2016

Sibanye Gold Ltd.

Proposed US$2.2bn acquisition of Stillwater Mining

Sector Perform

JSE: SGL; NYSE: SBGL

Price: ZAc 2,835.00

All market data in ZAc; all financial data in ZAR; dividends paid in ZAc.

Sibanye looks to increase PGM exposure further through US $2.2bn SWC acquisition

Acquisition of Stillwater: The M&A run from Sibanye continues, making it three deals this year in the PGM space, after Aquarius and Rustenburg. The company has announced a proposed US$18/sh, or US$2.2bn, cash deal (funded by a mixture of cash, US$2.7bn of debt (in order to repay SWC's US$0.5bn of convertible debentures) and an (at least) US$750m rights issue) to acquire US-listed PGM producer Stillwater Mining; this is an 8% premium to our published NAV (SWC covered by RBC Analyst Sam Crittenden), a 23% premium to yesterday's close and a 20% premium to the 20 day VWAP.

Longer term positives vs. short term premium: SGL has reiterated its appetite to grow in the PGM space, and this deal (i) exposes it increasingly to palladium, our preferred PGM metal on a supply/demand basis; (ii) gives access to increasing free cash flow through increasing, lower cost production at Stillwater's Blitz zone (270-330koz 2E by 2021/22); (iii) reduces Sibanye's geopolitical risk through operational exposure to North America; and (iv) gives exposure to further market insight through its recycling business. At a first glance, the price looks higher than our valuation, and Sibanye shares are trading off ~16% on the news, in our view likely due to (i) the size of the deal (being ~10% more than its own market cap); (ii) the rights issue overhang; and (iii) concern over the sustainability of the dividend. Further, Stillwater shares tend to trade at a premium (9.8x FY17E Base Case EV/EBITDA) as it offers investors PGM exposure without the associated South African risk; this is, in our view, unlikely to transfer fully into Sibanye (trading at ~3.3x EV/EBITDA at spot), given its (until now) almost 100% exposure to South Africa (the exception being its 50% interest in Mimosa - Zimbabwe).

Further details: Sibanye has announced a US$18/sh, or US$2.2bn cash deal to acquire US-listed Stillwater Mining. In 2016, SWC expects to produce 535-545koz 2E PGM (split ~78% palladium/~22% platinum) at a total cash cost (net of by-products of US$430/oz-US$455/oz). Further, the Blitz project, which should complete in 2018 and ramp up to full production of 270-330koz (2E) by 2021/22, is expected to deliver lower cost ounces which will further reduce average cash costs. The company expects the deal to close in Q2/17. At spot, Sibanye should end 2016 with net debt to EBITDA of 0.6x. The company expects a ND/EBITDA ratio of no less than 1.5x by end-2017.

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Distribution of ratings
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As of 30-Sep-2016

			Investment Banking Serv./Past 12 Mos.	
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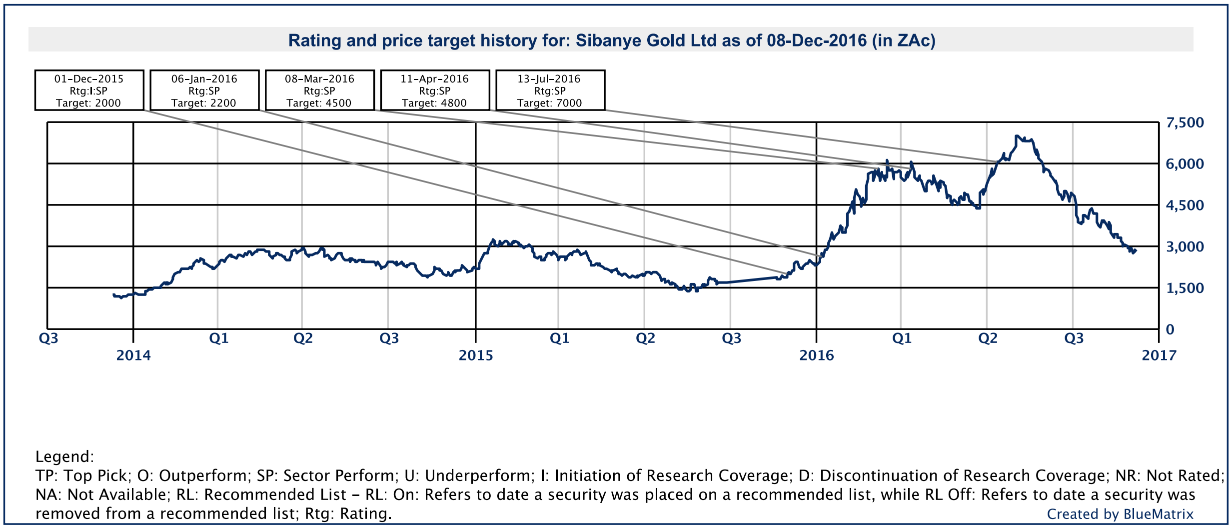

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Sibanye Gold Ltd

Valuation

Our R70/sh price target is based on the sum of the valuations for the gold and PGM businesses and supports our Sector Perform rating. Our R70/sh valuation is based on a blend of 1x NAV and 8x P/Adj 2017E Cash Flow. These multiples are a discount to our coverage universe and reflect the higher cost nature of the operations and the risks of operating in South Africa .

Risks to rating and price target

Impediments to our rating and price target include:

Labour unrest: Sibanye has been affected by labour unrest, which has impacted production and costs. Threats of strikes at its gold mines remain and a strike would be negative for the shares, we believe. Similarly, strikes at its PGM operations would also be negative for sentiment, we believe.

Weakening commodity prices/stronger rand: The company is highly operationally geared and a weakening in gold or PGM prices, or a strengthening in the rand, would likely be negative for earnings, in our view.

Lack of improvements in the PGM business: Challenges with the integration of the PGM business into Sibanye would be a negative for the shares, in our view. Similarly, weakness in prices will likely weigh on cash flow generation and in turn on the shares, we believe.

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