

STRAP: EXCLUSIVE

# BROKSTOCK+ Analysis

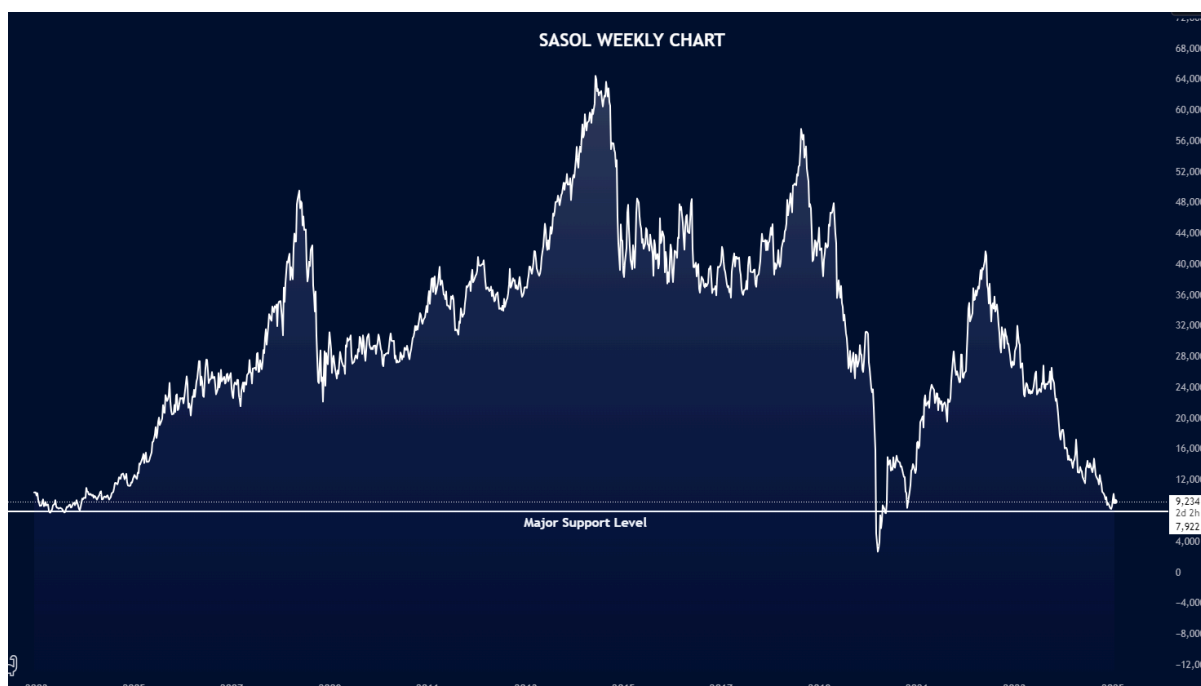
Invest in Sasol and Gold

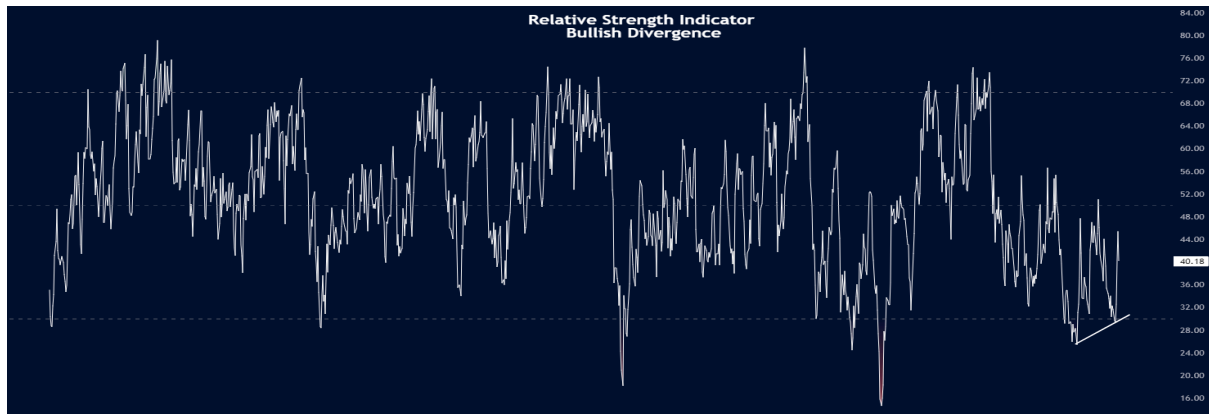
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## Sasol Limited (SOL)

**Long-Term: BUY**

Sasol Limited (JSE: SOL) remains a cornerstone of South Africa's energy and chemicals sector. While challenges persist in its transition to sustainable energy, recent strategic pivots and operational shifts position the company as an attractive speculative opportunity for investors looking for value amidst transformation.





## Share Information

- **Share Code:** SOL
- **Industry:** Chemicals & Energy
- **Market Capitalisation (ZAR):** R60.93 billion
- **Return Year-to-Date:** +9.99%
- **Current Price (ZAR):** R92.20
- **52-Week High (ZAR):** R173.80
- **52-Week Low (ZAR):** R79.70
- **Financial Year-End:** June

Despite a recent underperformance, improving commodity prices, a weaker rand, and operational costs, optimisations suggest the possibility of a turnaround. The company's earnings and dividend growth are expected to recover, supported by operational efficiencies and favourable external conditions.

## Investment Rationale

### Fundamental View

- **Energy Transition Challenges:**

Sasol has faced obstacles in securing natural gas and green hydrogen for its decarbonisation strategy but is compensating by increasing renewable energy capacity from 750 MW to a potential 2 000 MW.

The reliance on coal remains but operational efficiency measures, such as improving coal quality at the Secunda facility, aim to stabilise production.

- **Chemical Business Revival:**

The US-based Lake Charles facility is key to generating cash and reducing debt, while management explores IPO options for the international chemical division.

- **Recent Performance Metrics:**

Quarterly production and sales data indicate steady recovery in key segments like synthetic fuels and chemicals. Volumes have stabilised, with management focused on addressing bottlenecks

## Technical Analysis

The stock price has shown resilience, forming a strong support base between R260 - R280. Current technical indicators suggest the potential for an upward breakout:

- **Relative Strength Index (RSI):** Bullish divergence indicates fading selling pressure.
- **Volume:** Increasing, reflecting institutional interest.
- **Major Support Level:** Price tested the price level in 2003 (listing era), 2020 (COVID-19), and now 2025.

In both instances when the price tested the major support level before now, it was in the accumulation phase for the first quarter of the year.

**Entry Range:** R260 - R280

**Target Price:** R55 - R100 (~180% upside potential)

## Risks

- **Reliance on Coal:** Increased criticism for the company's dependence on coal may pressure its ESG ratings.
- **Operational Challenges:** Continued difficulties securing natural gas and green hydrogen could impede the transition to sustainability.
- **Global Market Risks:** Volatility in chemical and energy markets could weigh on earnings.

## Investment Strategy

Sasol is attractively priced given its forward PE of 2.57x and dividend yield of 2.09%. The share's recovery potential is boosted by operational improvements, a focus on cash generation, and increased renewable energy investments.

- **Allocation Perspective :** Medium
- **Potential Upside:** Renewable energy project updates, higher oil and chemical prices, and production efficiency gains.
- **Downside Risks:** Regulatory challenges, continued reliance on coal, and volatile global energy markets.

**SAFE HAVEN STATUS  
GOLD (XAU)**

Gold has long been esteemed as a safe-haven asset, particularly during economic uncertainty and geopolitical tension. Its intrinsic value and historical significance make it a reliable store of wealth and a hedge against market volatility.

## Recent Trends in Central Bank Gold Purchases

Central banks worldwide have significantly increased their gold reserves in recent years, highlighting the metal's importance in global finance. In 2023, central banks added 1037 tonnes of gold, the second-highest annual purchase in history, following a record high of 1082 tonnes in 2022. This trend continued into 2024, with central banks collectively adding a net 53 tonnes to global official holdings in November alone. Analysts suggest that central banks like the People's Bank of China (PBoC) are likely to continue their gold acquisitions, aiming to diversify their reserves and manage risks associated with currency fluctuations and geopolitical tensions. According to the World Gold Council, China's official gold holding is approximately 2280 tonnes, accounting for 5.5% of its total foreign reserves.

## Investment Rationale

The increased demand for gold by central banks point to key factors that make gold an attractive investment:

- **Diversification:** Gold's low correlation with other financial assets makes it an effective tool for portfolio diversification.
- **Inflation Hedge:** Historically, gold has preserved its value over time, serving as a hedge against inflation and currency devaluation.
- **Safe Haven Asset:** During periods of geopolitical tension and economic uncertainty, investors often turn to gold to safeguard their wealth.

## Current Market Outlook

During Donald Trump's first presidency (2017 - 2021), gold prices experienced significant growth. When Trump assumed office in January 2017, gold was priced at around \$1,209 per ounce. By the end of his term in January 2021, the price had surged to around \$1,839 per ounce, a 50% increase. The current upward trend in gold prices reflects investor concerns over potential economic instability and geopolitical uncertainties associated with President Trump's policies, including new tariff threats and support for the resources sector.

## Investment Strategy

Investors seeking to capitalise on the current market dynamics may consider allocating a portion of their portfolio to gold. One accessible avenue is through exchange-traded funds (ETFs) that track gold prices, such as the SPDR Gold Shares ETF (GLD).



## Conclusion

Sasol offers an interesting long-term investment opportunity, leveraging its strategic shifts toward operational efficiency and renewable energy while retaining a critical role in the local energy and chemical sector. The company's undervaluation and resilient business model position it as an attractive option for investors seeking growth amidst transformation. For those diversifying with gold, its safe-haven status and rising demand from central banks further solidify its appeal as a hedge against economic uncertainty and geopolitical tensions.

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