



**SEPHAKU**  
HOLDINGS LTD

**EXPLORATION,  
DEVELOPMENT,  
INCOME, GROWTH**

**ROADSHOW PRESENTATION**

**AUGUST/SEPTEMBER 2013**

## DISCLAIMER

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This presentation includes certain forward-looking information. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation those concerning: Sephaku Holdings' strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for Sephaku Holdings' operations, individually or in the aggregate; liquidity and capital resources and expenditure; and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect Sephaku Holdings' current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Similarly, statements that Sephaku Holdings' objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sephaku Holdings' actual results, performance or achievements expressed or implied by these forward-looking statements. Although Sephaku Holdings believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

## EXPLORATION

Sephaku commenced business in 2006 as an HDSA owned, mineral exploration company seeking opportunities brought about by changes in the MPDRA. Limestone and Fluorspar resources were quickly identified and proven as the most viable reserves in Sephaku's portfolio. This resulted in Sephaku unbundling all its non-core exploration assets into Incubex Ltd in 2010.

## DEVELOPMENT

The development of Limestone into an integrated cement business developed faster than the Fluorspar project and it was decided to unbundle Fluorspar in order to create a focused cement business which would develop into a unique income generating opportunity for its shareholders. The development phase consisted of recruiting an experienced leadership team, proving the viability, obtaining statutory approvals, raising the funding for the project and constructing the most efficient cement plant in South Africa. This phase will come to an end during 2014 when the cement plants come into operation.

## INCOME

The acquisition of Métier Mixed Concrete in 2013 started the new era for Sephaku where focus is moving from development to income generation. Maximising income from Sephaku's core investments in Cement and Ready Mixed Concrete will be the sole focus over the next few years to ensure repayment of development debt as well as a dividend stream to its shareholders.

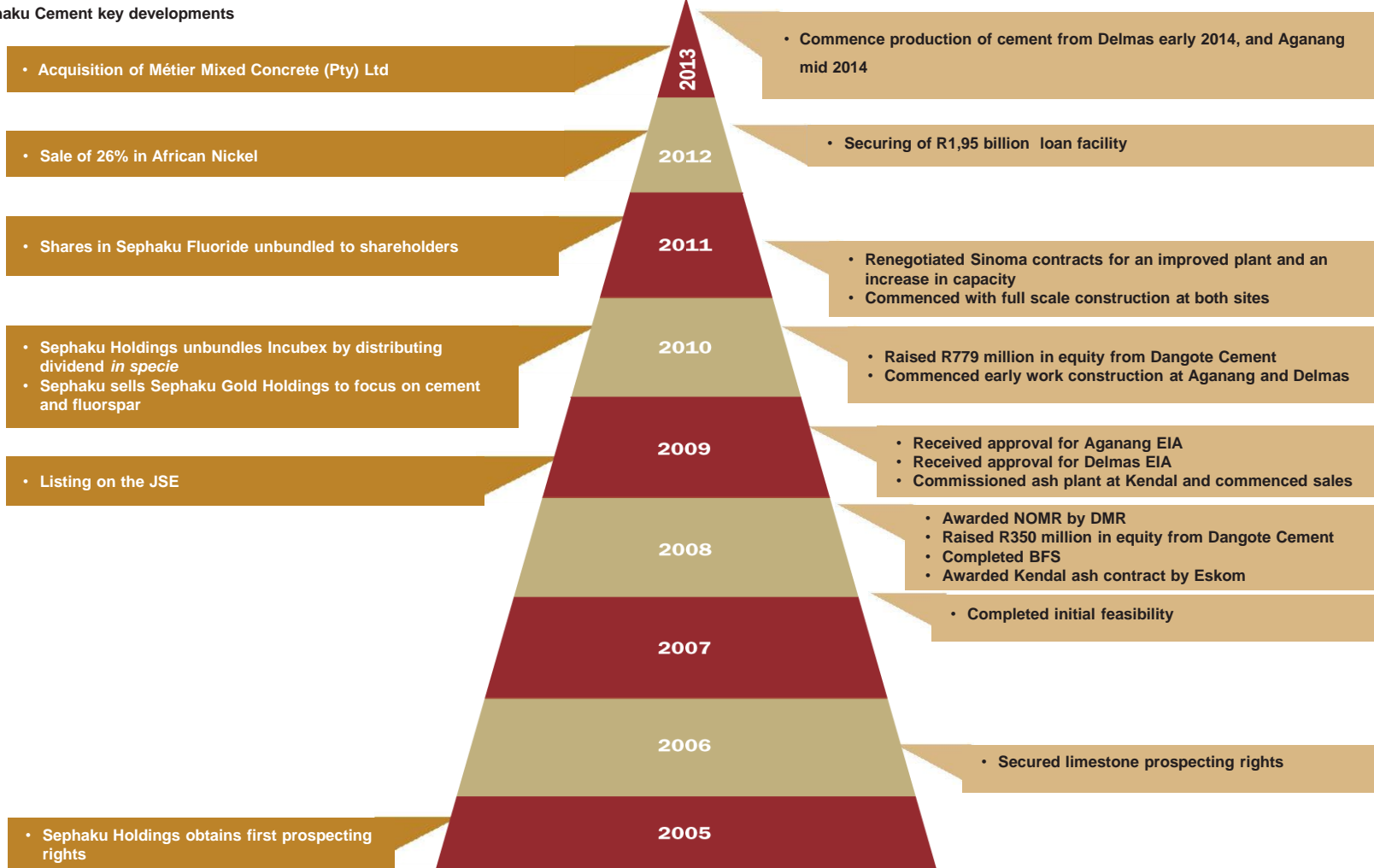
## GROWTH

Southern Africa is set to enter an exciting new growth cycle, strongly underpinned by infrastructure development. The core investments of Sephaku will form the strong foundation for growth, focused on primary construction materials.

# COMPANY EVOLUTION

LEGEND:

- Sephaku Holdings key developments
- Sephaku Cement key developments



# THE SEPHAKU GROUP

## ORGANOGRAM AND DESCRIPTION OF BUSINESS

### Sephaku Holdings

- 30.6% HDSA-owned construction materials company
- Focused on the development of its cement project and its related projects and assets held through its interest in Sephaku Cement
- Métier was acquired in 2013 and is a supplier of ready-mixed concrete products

### Dangote Cement

- Fully integrated cement company and largest cement producer in Africa
- Has projects and operations in Nigeria, Benin, Ghana, Ethiopia, Congo, Tanzania, Senegal, South Africa and Zambia
- Total existing production and import capacity of 14 million tons per annum (“Mtpa”)
- New production projects in development with 11,1Mtpa additional capacity making Dangote the largest producer in Africa
- Operates the Obajana Cement Plant (“OCP”), the largest cement plant in sub-Saharan Africa
- Aggressive growth plans focus on a strong pan-African presence company evolving to become a truly multinational corporation

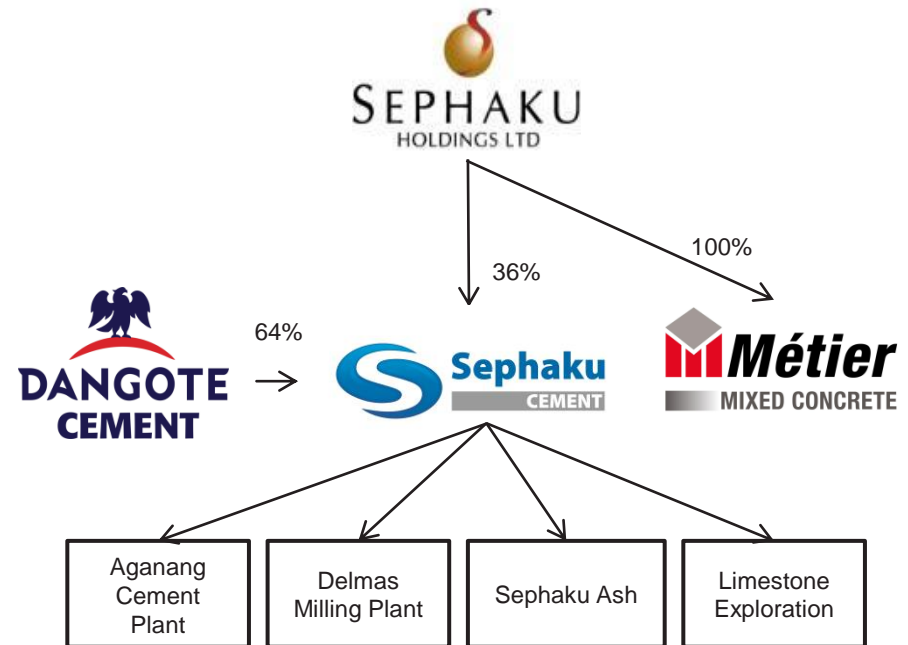
### Sephaku Cement

- First new entrant into the South African cement market since 1934
- Cement project comprises three components:
  - Aganang Cement Plant will consist of a limestone mine and a cement manufacturing plant and will commence production in the second quarter of 2014
  - Delmas Milling Plant is a cement grinding plant being established in Delmas and is on track for completion in January 2014
  - Sephaku Ash acquires and removes waste ash from the coal-burning process at Kendal Power Station. The ash produced by this plant is currently being sold in the market and will be used as a cement extender at Delmas

### Métier

- Acquired 28 February 2013 by Sephaku Holdings – a supplier of ready-mixed concrete and concrete products
- Specialist in the manufacture, distribution and marketing of construction materials – in particular, ready-mixed concrete
- Significant operations around the Durban, Pietermaritzburg and Gauteng areas
- Large, fixed-plant footprint supplemented by mobile plant operations

## Operational Structure



# BOARD OF DIRECTORS



**Front row from left to right:**

*Brent Williams, Gustav Mahlare, Mpho Makwana, Dr Lelau Mohuba, Neil Crafford-Lazarus, Shibe Matjiu, and Pieter Fourie*

**Back row from left to right:**

*Rudolph de Bruin, Moses Ngoasheng, Dr David Twist, Kenneth Capes, Jan Wessels and Jennifer Bennette*

# BOARD OF DIRECTORS

## – CV'S

### **BRENT WILLIAMS (49)**

#### **Chairman – independent non-executive director**

*BA (UCT), BProc (UWC), LLM (Harvard University Law School), DLA Piper Harvard Leadership Programme (Harvard Business School)*

Brent was admitted as an attorney in 1992 and has held a number of key positions. He is currently the CEO of Cliffe Dekker Hofmeyr.

### **MODILATI GUSTAV MAHLARE (58)**

#### **Independent non-executive director and chairman of the audit and risk committee**

*BCom (Accounting), BCompt (Hons)*

Gustav has held a number of positions at companies such as PricewaterhouseCoopers. He is currently a director at SEMA Integrated Risk Solutions where he specialises in internal audit, corporate governance, risk management and management consulting.

### **PAUL MPH0 MAKWANA (43)**

#### **Independent non-executive director**

*BAdmin (University of Zululand), BAdmin (Hons) (University of Pretoria), Postgraduate Diploma: Retailing Management (University of Stirling Institute of Retail Studies), Kellogg Executive Development Programme*

Mpho serves on a number of unlisted company and trustee boards. He is also the chairman of ArcelorMittal, an independent non-executive director of Adcock Ingram Holdings Ltd, Nedbank Group Ltd and Nedbank Ltd, among others.

### **DR LELAU MOHUBA (56)**

#### **CEO – executive director**

*MBChB (University of Natal, now Nelson Mandela School of Medicine)*

Lelau retired as a medical practitioner in 2001 after a 22-year career. His commercial career began in 2002. Since then he has served in various capacities with a number of entrepreneurial endeavours. Lelau is the co-founder and founding chairman of Sephaku Holdings and now serves as CEO.

### **NEIL ROBUS CRAFFORD-LAZARUS (53)**

#### **Financial director – executive director**

*BCompt (UFS), BCompt (Hons), CA (SA)*

Neil started his career in mining finance in 1988. Since then he has held various senior positions in taxation, business development and corporate finance with companies such as Anglo American Corporation, Gencor and Billiton. He also served as financial director of Xstrata SA (Pty) Ltd between 1998 and 2005. Neil joined Sephaku Holdings on 1 June 2007 and now serves as the financial director.

### **ROSE RAISIBE MATJIU (52)**

#### **ISD executive director**

*Certification in Mining and Minerals (Wits), BA (Hons) (Social Work) (University of the North), MA (Medical Social Work) (University of Pretoria)*

Shibe has extensive experience as a professional community and social worker in government and the private sector. She has served in a number of directorate positions and is also a member of the South African Women in Mining and the Business Women Association.

### **PIETER FREDERICK FOURIE (57)**

#### **Non-executive director**

*CEO – Sephaku Cement*

*BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (IMD, Switzerland)*

Pieter has extensive experience in the cement industry and assumed the position of CEO of Sephaku Cement in May 2007. He was appointed as a director of Sephaku Holdings in November 2009.

# BOARD OF DIRECTORS

## – CV'S CONTINUED

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### **CHRISTIAAN RUDOLPH DE WET DE BRUIN (60)**

#### **Non-executive director**

*BCom (University of the Free State), LLB (Rand Afrikaans University)*

Rudolph practised as an advocate from 1977 to 1989. Since then he has concentrated on finding, acquiring and developing mineral exploration and mining projects in various African countries and was a founding member of the Platmin group. Rudolph left Platmin in 2006 and co-founded the Sephaku group with Dr Lelau Mohuba.

### **MOSES MODIDIMA NGOASHENG (56)**

#### **Non-executive director**

*BA (Economics and International Politics) (Unisa), BSocSci (Hons) (University of Natal), MPhil (University of Sussex)*

Moss was instrumental in developing the industrial policy of the ANC and was economic advisor to President Thabo Mbeki from 1995 to 2000. Moss serves on a number of boards including SA Breweries and Dimension Data, among others.

### **DR DAVID TWIST (59)**

#### **Non-executive director**

*BSc (Hons) (Geology), PhD (Geology)*

David completed his PhD in geology in 1980 after which he joined Impala Platinum Holdings Ltd. He was a founding member of the Platmin group with Rudolph de Bruin, and one of the founders of Sephaku Holdings.

### **KENNETH CAPES (45)**

#### **Non-executive director**

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years at Lafarge South Africa holding various management positions and managing all aspects of the quarry and ready-mixed concrete operations. Kenneth established Métier in KwaZulu-Natal in 2007 before expanding operations into Gauteng.

### **JOHANNES WILHELM WESSELS (62)**

#### **Alternate director to Christiaan Rudolph de Wet de Bruin**

*BJuris (North West University), LLB (Unisa)*

Wes was a senior partner at Couzyn, Hertzog, Horak & Wessels Incorporated and joined the Sephaku group in 2007. He serves as director of various associated companies of the group and is responsible for legal advice, negotiations and deal making, and contractual arrangements for the group.

### **JENNIFER BENNETTE (50)**

Company secretary – alternate director to Rose Raisibe Matjiu

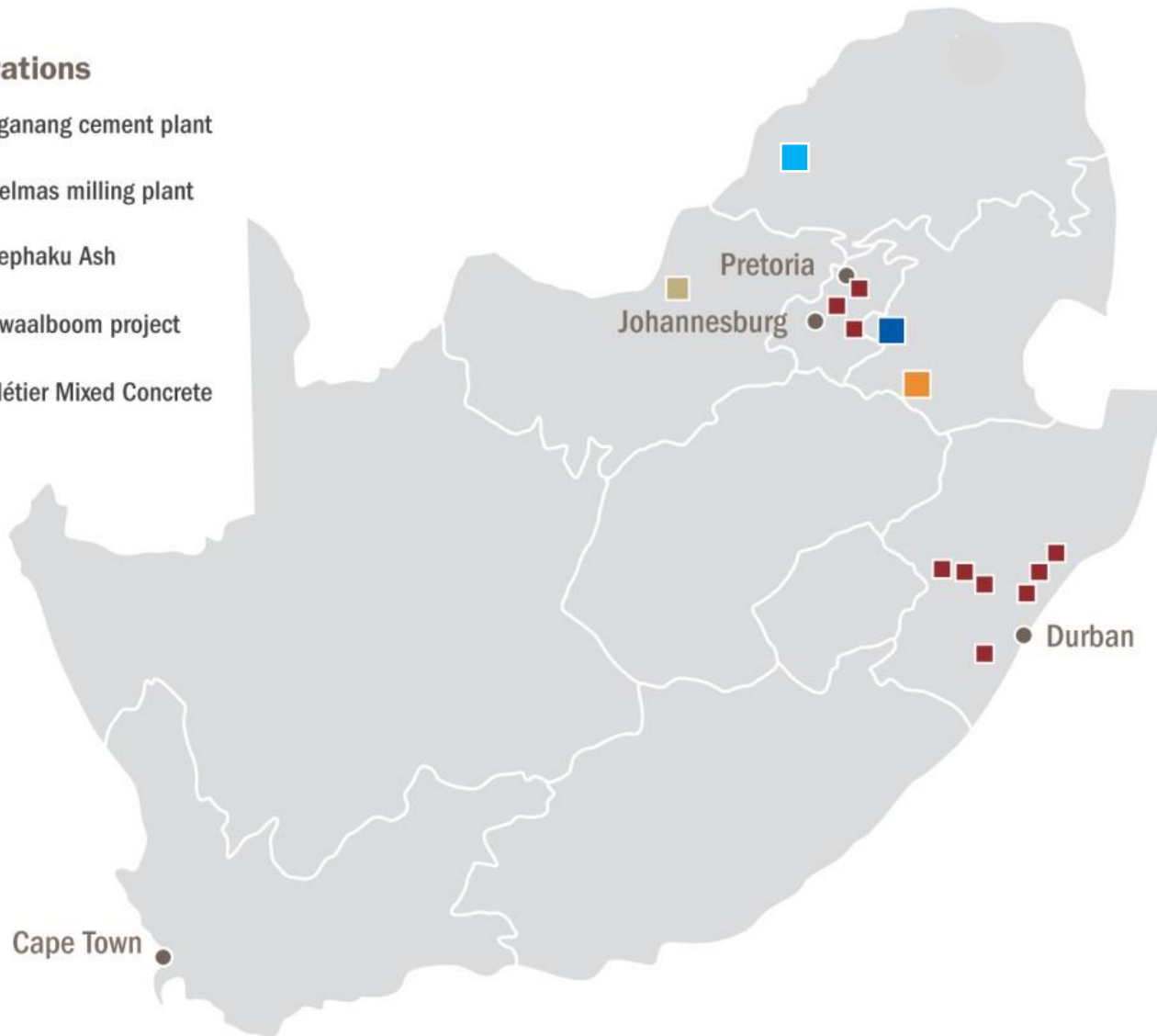
Jennifer has been employed by various legal practices as a paralegal. She was previously company secretary for the Platmin group and joined Sephaku Holdings in 2008 as company secretary.

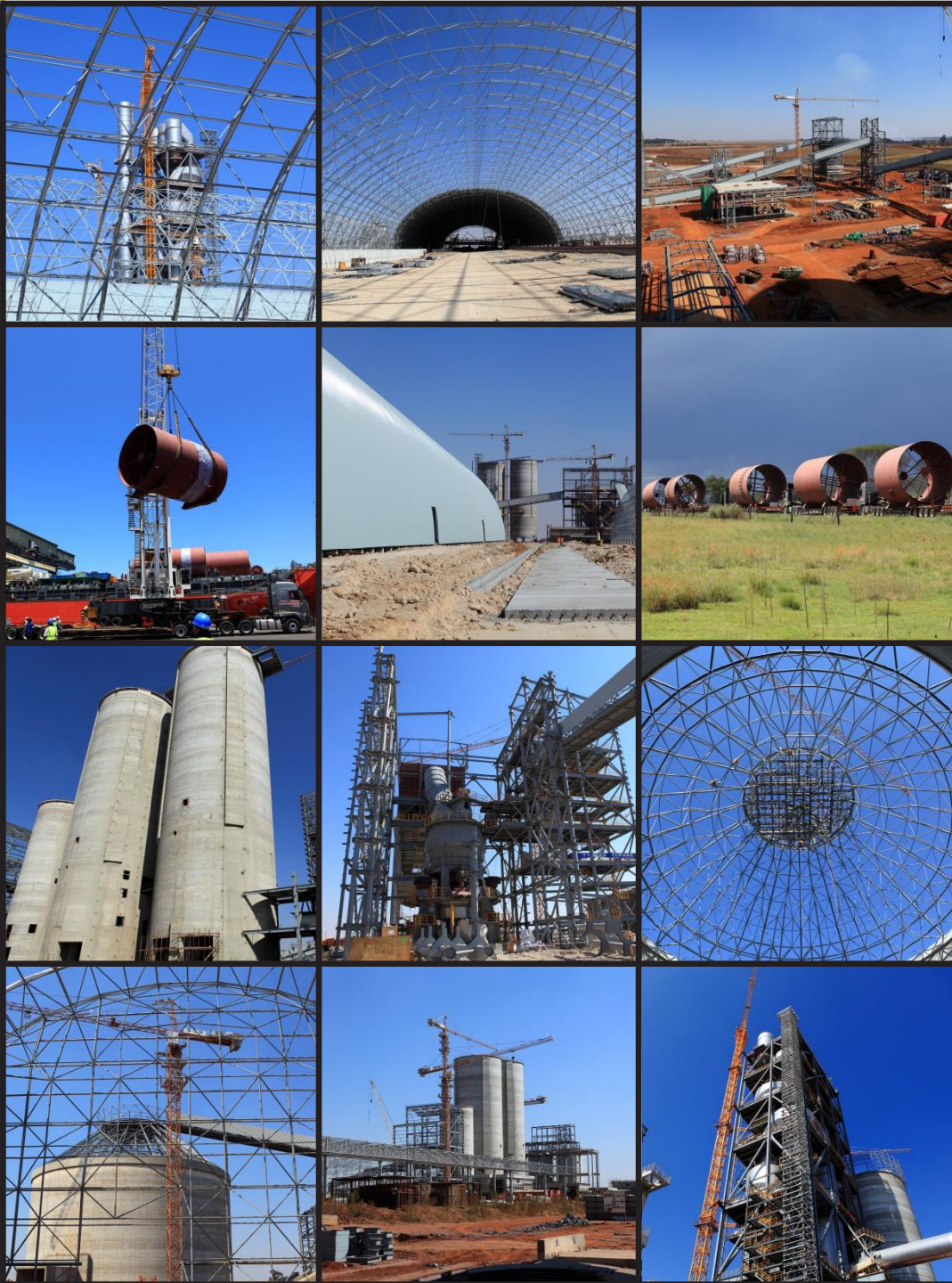


# LOCATION OF ASSETS

## Operations

- Aganang cement plant
- Delmas milling plant
- Sephaku Ash
- Dwaalboom project
- Métier Mixed Concrete





SEPHAKU  
HOLDINGS LTD

**THE CEMENT  
BUSINESS**

[www.sephakucement.co.za](http://www.sephakucement.co.za)

# EXPERIENCED MANAGEMENT TEAM

## SEPHAKU CEMENT

### PIETER FREDERICK FOURIE

#### CEO

*BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (IMD, Switzerland)*

Pieter has extensive experience in the cement industry and assumed the position of CEO of Sephaku Cement in May 2007.

### DUNCAN LEITH

#### Commercial manager

*BCom (UNISA), Young Managers Programme (INSEAD, France), MBA (GIBS)*

Duncan has experience in the commercial aspects of the cement industry having worked for Lafarge for 10 years. He also spent three years with the Imperial Group before joining Sephaku Cement in 2007.

### DUAN CLAASSEN

#### Operations manager

*BEng (Metallurgical Engineering) (University of Pretoria), Young Manager's Programme (INSEAD, France), MDP (Duke University, USA)*

Duan completed his graduate engineer training at De Beers before joining Blue Circle Cement. He was involved with Blue Circle Cement's integration into Lafarge in 1996. He subsequently worked for PPC before joining Sephaku Cement in January 2008.

### HEINRICH DE BEER

#### Engineering project manager

*BEng Mechanical (PU for CHE), MDP (PU for CHE), LDP (GIBS)*

Heinrich worked as a project engineer and maintenance manager at Mittal (Iskor) before joining Lafarge where he held various positions. Heinrich joined Sephaku Cement in 2008.

### GAY DE WITT

#### Chief financial officer

*BCom (Hons) (University of Pretoria), CTA (Unisa), CA(SA) (SAICA)*

Gay has experience in various fields ranging from finance and operations to risk. She previously worked for Clover Danone before joining Sephaku Cement in 2009.

### PUSELETSO MAKHUBO

#### Organisational performance manager

*BAdmin (Hons) (Industrial Psychology), MDP (University of KwaZulu-Natal, formerly University of Durban Westville), MBL (Unisa)*

Puseletso has experience in human resource management in the financial and manufacturing sectors. She has held key positions at Nedcor Electronic Banking and Lafarge Gypsum before joining Sephaku Cement in 2008.

### JENNIFER BENNETTE

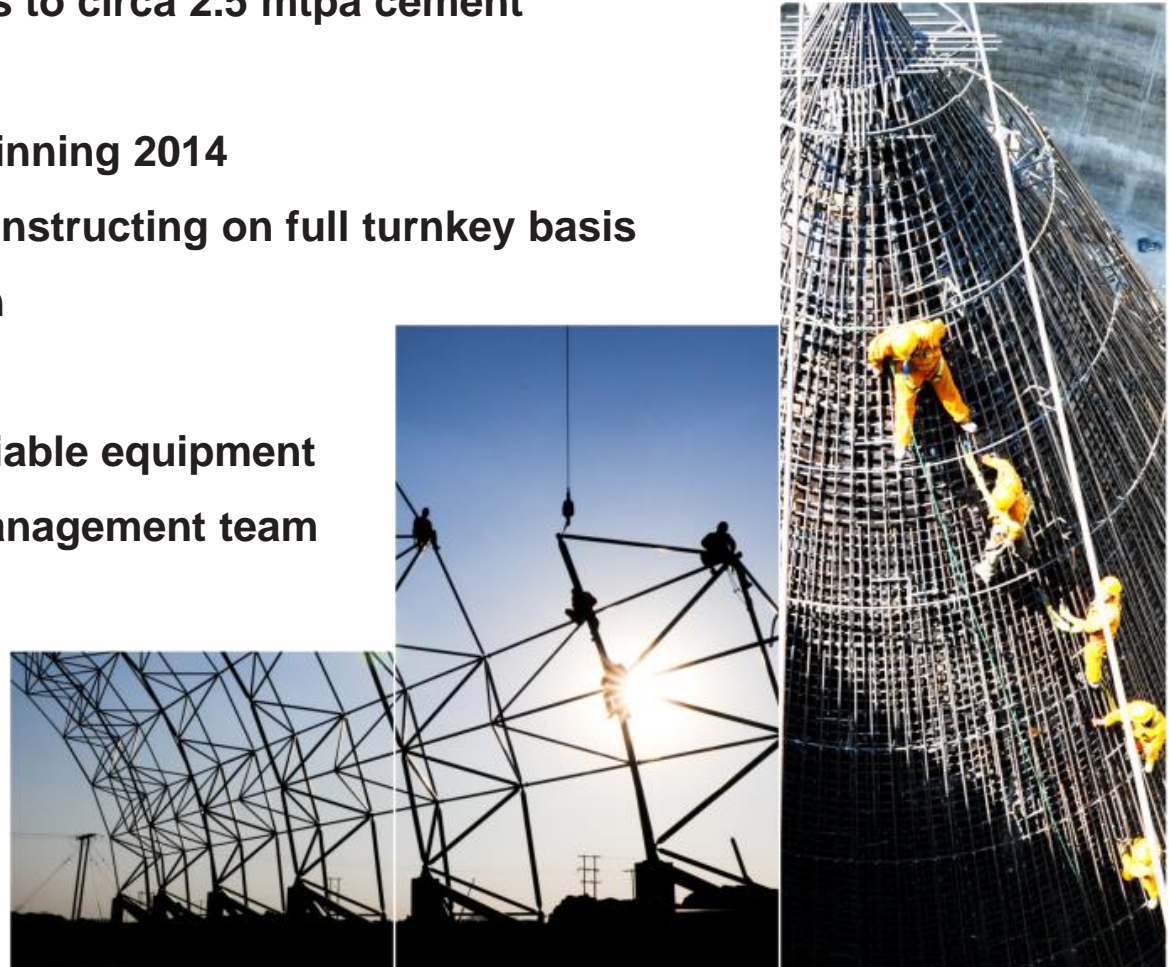
#### Company secretary

Jennifer has been employed by various legal practices as a paralegal. She was previously company secretary for the Platmin group and joined Sephaku Holdings in 2008 as company secretary.

# PROJECT QUANTITIES

Project	Concrete Volume	Structural Steel
 <p>Soccer City</p>	80 000 m <sup>3</sup>	8 000 tons
 <p>Eiffel Tower</p>	Concrete used in base	9 441 tons
 <p>Sephaku CEMENT</p>	150 000 m <sup>3</sup>	17 600 tons
 <p>Sydney Opera House</p>	32 910 m <sup>3</sup>	
 <p>Gautrain</p>	450 000 m <sup>3</sup>	

- **Most environmentally efficient producer**
- **6 000t clinker per day equates to circa 2.5 mtpa cement**
- **Lowest-cost producer**
- **Commences production, beginning 2014**
- **Plants: Sinoma supplying, constructing on full turnkey basis**
- **Capital: unchanged at R3.2bn**
  - ✓ fully funded
- **Latest technology & most reliable equipment**
- **Experienced, enthusiastic management team**
- **Backed by Dangote**



# AGANANG PROJECT



# DELMAS PROJECT



# OUR MARKETS

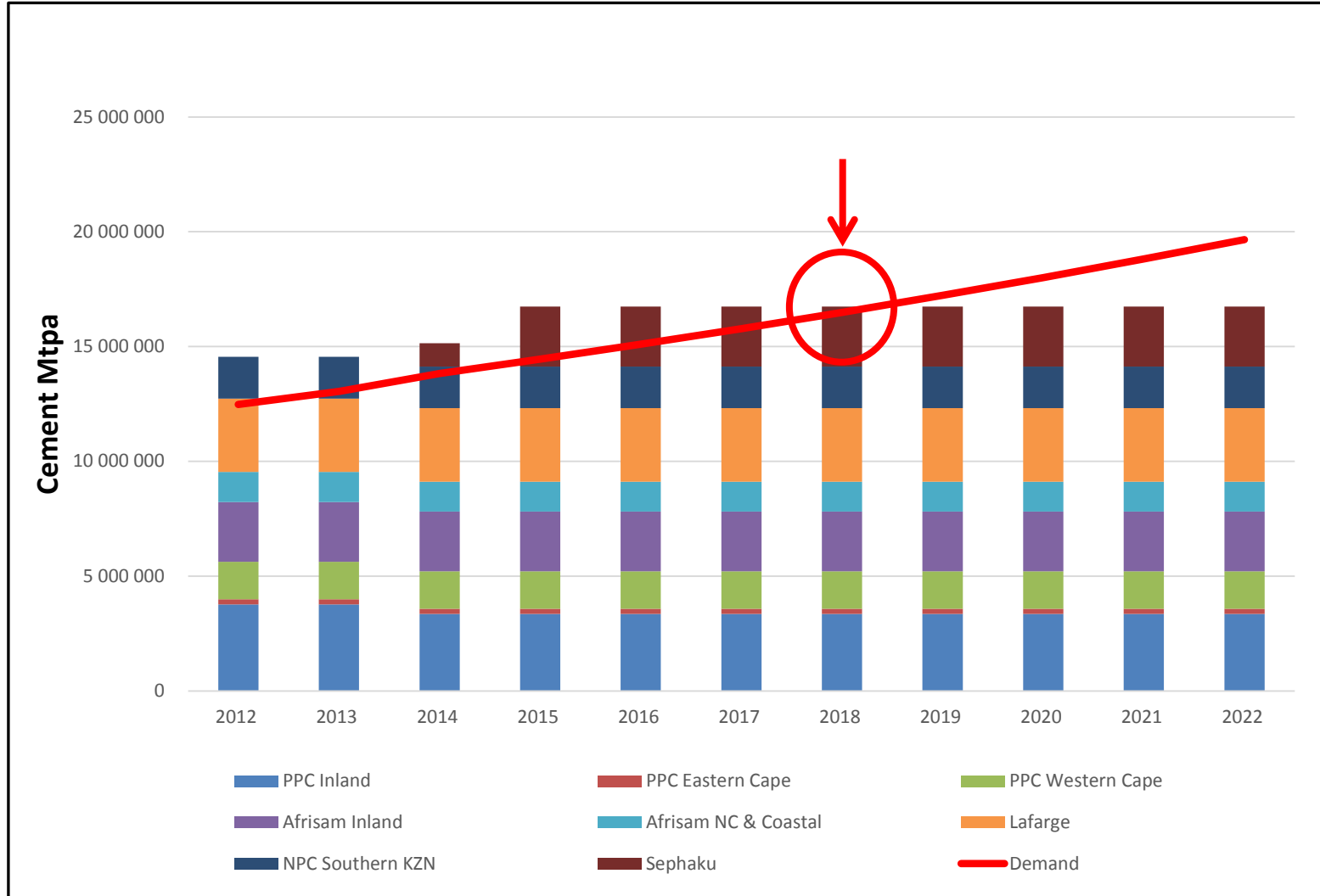
- The cement market is expected to reach capacity in late 2017 to early 2018
- Anticipated retirement of existing kilns
- Anticipated shortfall in cement capacity in four to five years due to lack of investment in new capacity

Year	Existing Capacity	Sephaku Cement	Total Capacity	Total demand	Surplus / deficit	Percentage capacity
2012	14.55	-	14.55	12.48	2.07	86%
2013	14.55	-	14.55	13.04	1.51	90%
2014	14.13	1.01	15.14	13.83	1.32	91%
2015	14.13	2.61	16.74	14.45	2.29	86%
2016	14.13	2.61	16.74	15.10	1.64	90%
2017	14.13	2.61	16.74	15.78	0.96	94%
2018	14.13	2.61	16.74	16.49	0.25	99%
2019	14.13	2.61	16.74	17.23	-0.49	103%
2020	14.13	2.61	16.74	18.01	-1.27	108%
2021	14.13	2.61	16.74	18.82	-2.08	112%
2022	14.13	2.61	16.74	19.66	-2.92	117%

Figures expressed in millions of tons per annum



# OUR MARKETS CONTINUED



# COMPETITIVE EDGE TO INDUSTRY AVERAGE

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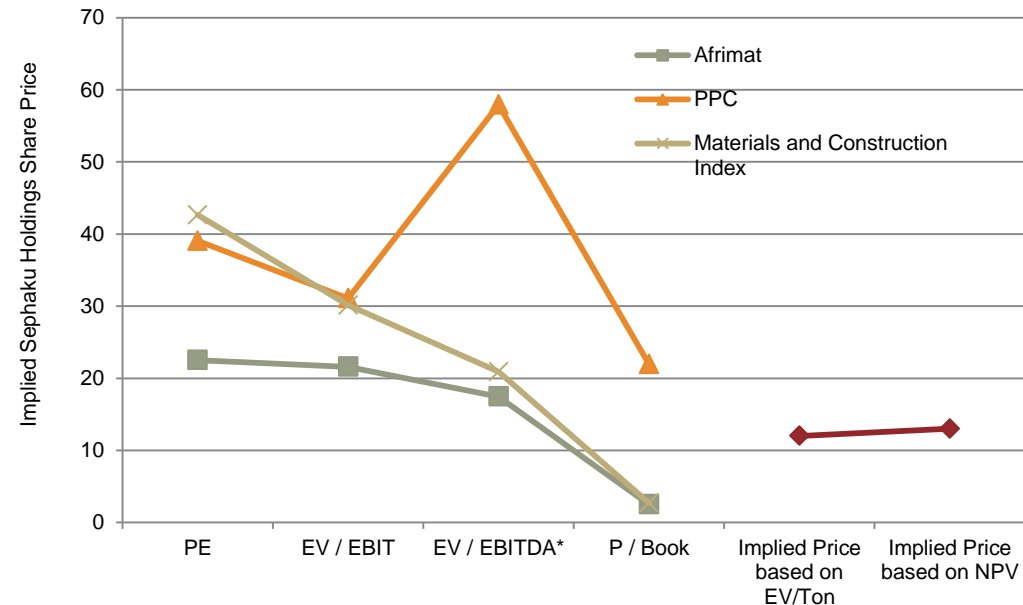
- **Power utilisation efficiency – 94 kwh per ton of cement**
- **Logistical advantage – location of Delmas mill**
- **Environmental impact – lowest carbon footprint**
- **Minimal maintenance requirements due to brand new plants**
- **Inland price structures**

# MARKET COMPARABLES – CEMENT ONLY

- PPC trading at high multiples
- Large and unreliable spread across P/NAV valuations
- Market multiples imply a share price well in excess of where it is currently trading
- Discounted cash flow valuations imply prices in the region of R13 per share depending on the assumed cement price
- The cement EV/production multiple implies a price of R12 per share

Earnings and asset multiple valuations	Afrimat	PPC	Materials and construction index
PE	11.6	20.1	21.9
EV / EBIT	8.5	12.3	11.9
EV / EBITDA	6.2	20.5	7.4
P / Book	1.7	14.8	1.8

Source: Bloomberg as at 30/06/2013





SEPHAKU  
HOLDINGS LTD

**THE MÉTIER  
BUSINESS**

# EXPERIENCED MANAGEMENT TEAM

## MÉTIER

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### **WAYNE WITHERSPOON**

#### **Operations director**

*BCom (University of Natal, Durban), LDP (UNISA School of Business)*

Wayne spent 14 years with Barloworld Equipment Company in various leadership roles. Wayne is a founding member of Métier and has been responsible for the operational aspect of the business including production and maintenance facilities and logistics.

### **RICHARD THOMPSON**

#### **Finance director**

*South African Institute of Professional Accountants (SAIPA)*

Richard spent 15 years with Stock Owners Co-operative Ltd where he eventually joined the Exco. Richard was managing director of Meadow Meats (Pty) Ltd and spent a few years consulting and marketing in the wildlife industry before starting Métier Concrete Products (Pty) Ltd in 2004. He is responsible for administrative and financial aspects of the business.

### **KENNETH CAPES**

#### **Managing director**

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years at Lafarge South Africa in various management positions. He established Métier in KwaZulu-Natal in 2007.

### **GLEN TALMAGE**

#### **Commercial manager, Northern Region**

*NHCD (Wits Tech)*

Glen has extensive experience in the ready-mixed concrete and aggregates industry and has held various senior positions in the technical, production and commercial sectors of Lafarge South Africa for 16 years. He joined Métier in 2011 to assist in expanding and establishing Métier's footprint in Gauteng.

### **GREGG HOLLINS**

#### **Commercial manager, Eastern Region**

*National Dip Civ Eng (Technikon Natal)*

Gregg has extensive experience in the ready-mixed concrete and aggregates industry and has held various senior positions in the technical, production and commercial sectors of Lafarge South Africa for 10 years. Gregg is a civil technician and concrete technologist and joined Métier in 2007.

### **CERI RAYNE**

#### **Human resources manager, Eastern Region**

*BSocSci (Hons) (University of KwaZulu-Natal)*

Ceri has extensive experience in human resources gained from her eight years with The Foschini Retail Group. She recently joined Métier with a key focus on training and development as well as performance and talent management.

- Significant operations around the Durban, Pietermaritzburg and Gauteng areas
- Experienced management with five concrete technologists
- Fleet of 115+ trucks
- Large fixed plant footprint supplemented by mobile plant operations
- Métier clients include:

Group Five Construction/Coastal
WBHO
Stefstocks
Concrete Laser Flooring
Neil Muller Construction/Laser Level Floors
Twintec Flooring
JTRoss Construction
Basil Read
Tiber construction
Esorfranki/Esor Pipelines
Transnet; Bantry Construction
Grinaker Construction



# TRANSACTION RATIONALE

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- **Rationale for Sephaku:**
  - ✓ immediate cash flow positive
  - ✓ earnings and value accretive
  - ✓ benefits from the inclusion of a mixed concrete producer
  - ✓ vertical integration
- **Rationale for Métier:**
  - ✓ secures input material
  - ✓ liquidity event
  - ✓ become part of larger, JSE listed group
  - ✓ upside in exposure to Sephaku shares
  - ✓ BEE
  - ✓ access to future capital

# TRANSACTION STRUCTURE

- **Cash: R110m**
- **5m primary shares: R30m @ R6 per share**
- **11.1m secondary shares: R100m @ R9 per share**



- **Cash: R125m**
- **Agterskot:** an additional amount of shares at current 60-day VWAP which would make total consideration in secondary shares at current 60-day VWAP equal to R100m, subject to a share price cap of R9 and floor of R4



# SEPHAKU HOLDINGS INVESTMENT CASE

- Focused cement and cement-related products play
- Métier provides immediate cash flow and earnings
- Will be a significant force in the South African cement sector
- Most environmentally efficient cement plants in South Africa
- Capacity expected to come on line at the beginning of 2014
- Key management with approximately 250 years of experience
- In partnership with Dangote – the largest cement producer on the African continent
- Potential for significant share price re-rating



## CONTACT DETAILS

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