

# **BUILDING A NATION**

**Dr Lelau Mohuba, Chief Executive Officer**  
**Neil Crafford-Lazarus, Financial Director**  
**Small and medium cap conference**  
**Cape Town**  
**26 February 2013**

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

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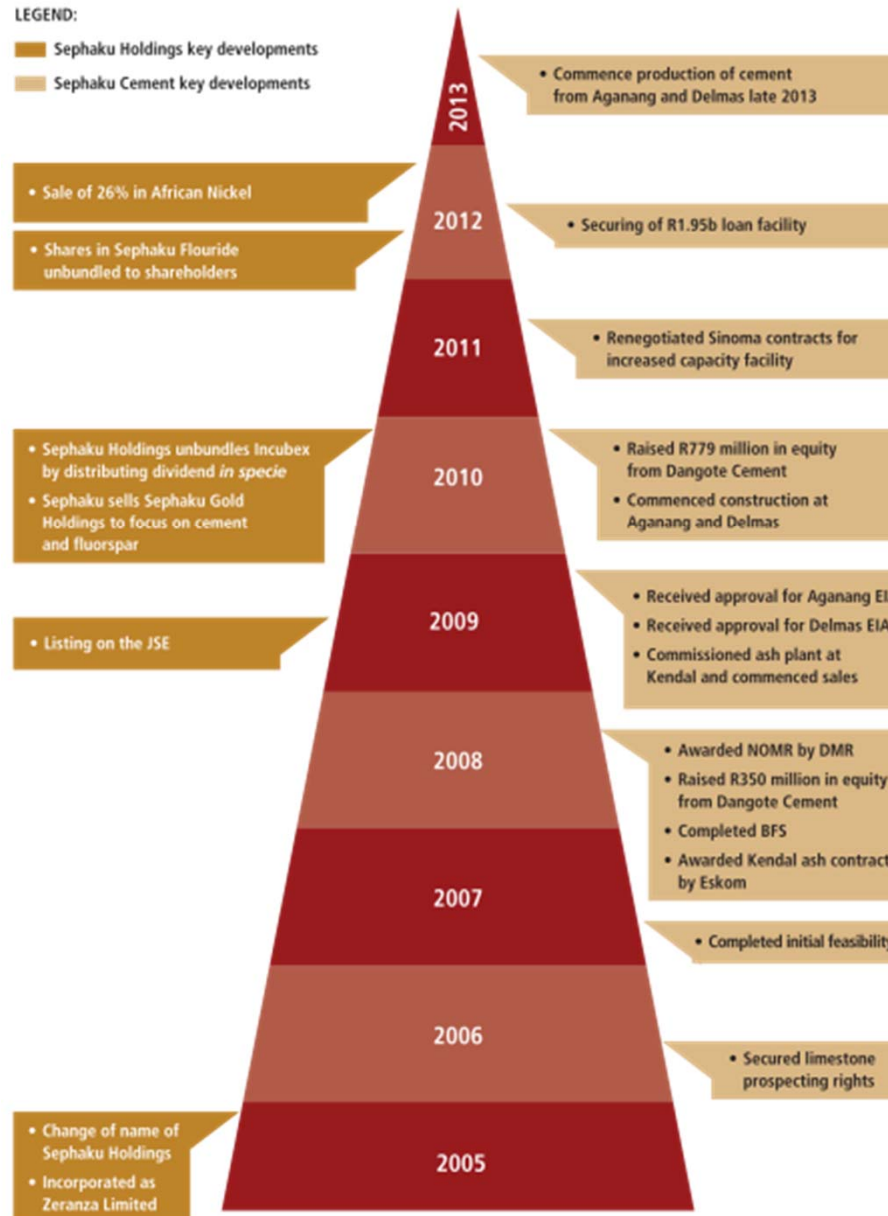


# Introduction

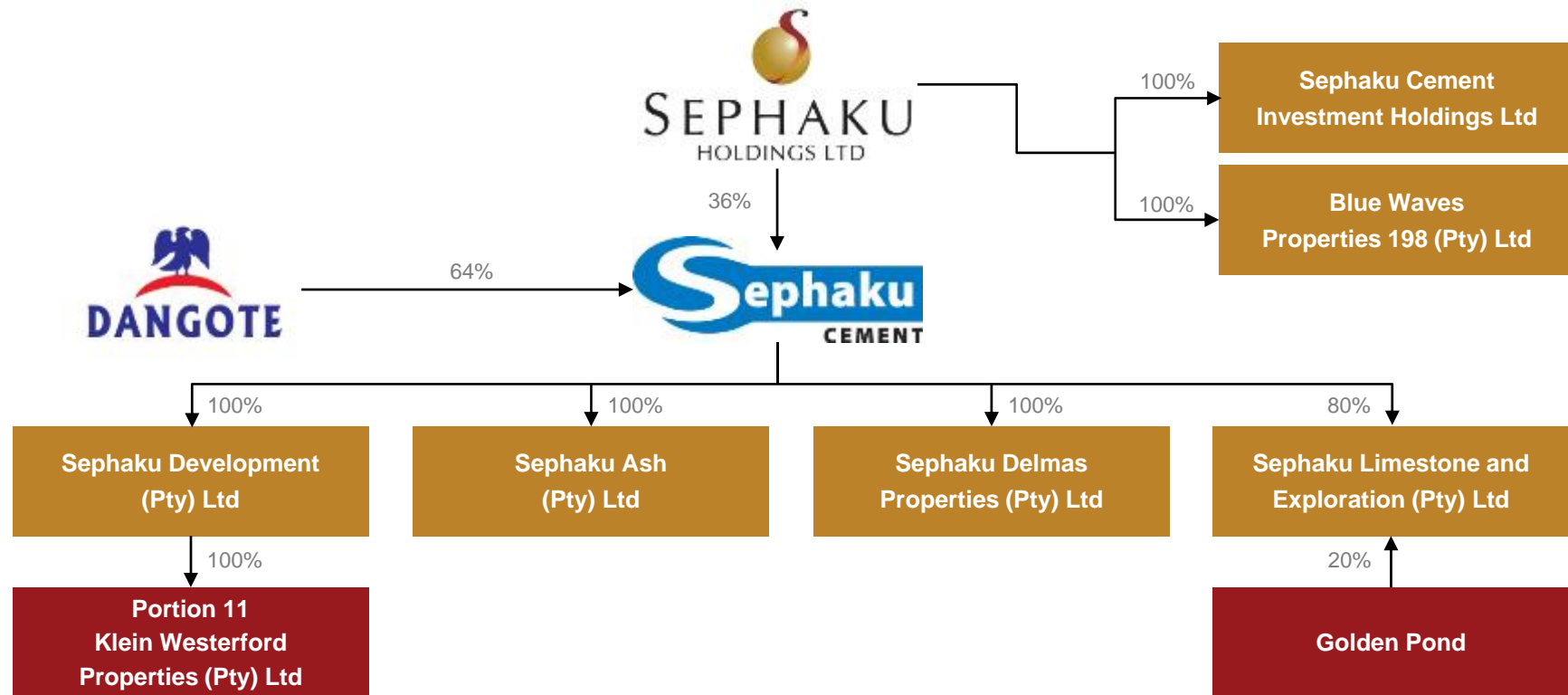
- A cement and cement-related products company, focused on southern Africa
- Strategic focus: cement sector growth through vertical integration
- Key investment: Sephaku Cement (SepCem)
  - flagship Aganang cement manufacturing project in development
- New acquisition: Métier Mixed Concrete
- JSE-listed
- 41% HDSA ownership
- Experienced board and management



# Company evolution



# Group structure



# The Sephaku Group

## Organogram and description of business



### Sephaku Holdings:

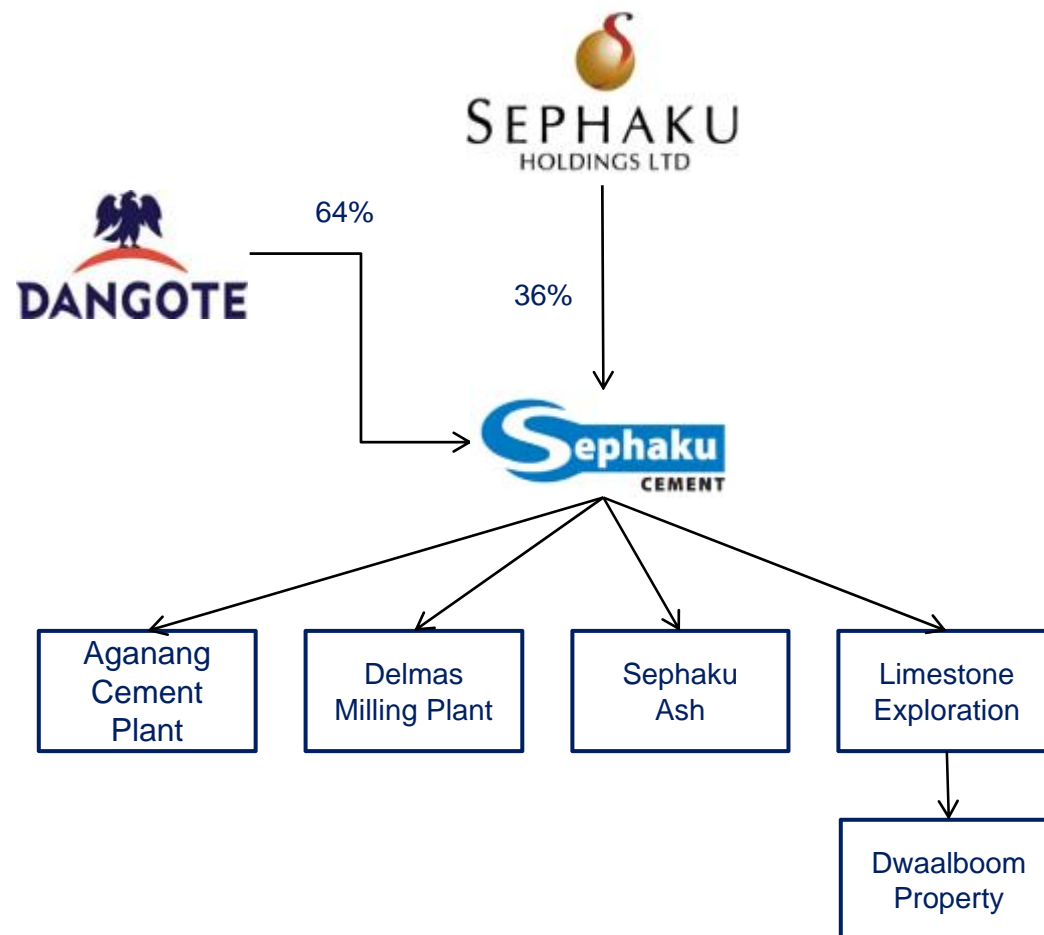
- HDSA-owned industrial minerals development company
- Focused on the development of its cement project and its related projects and assets held through its interest in Sephaku Cement

### Dangote Cement:

- Fully integrated cement company
- Has projects and operations in Nigeria, Benin and Ghana
- Total existing production and import capacity of 14Mtpa
- New production projects in development with 11.1Mtpa additional capacity
- Operates the Obajana Cement Plant (OCP), the largest cement plant in sub-Saharan Africa
- Aggressive growth plans target a strong pan-African presence company evolves to become a truly multi-national corporation



### Sephaku Cement:

- First new entrant into the cement market since 1934
- Cement project comprises three components:
  - ✓ Aganang Cement Plant: will consist of a limestone mine and a cement manufacturing plant and is contractually guaranteed to be in production by late 2013
  - ✓ Delmas Milling Plant: is a cement grinding plant being established in Delmas
  - ✓ Sephaku Ash acquires and removes waste ash from the coal burning process at Kendal Power Station. The ash produced from this plant will be used as a cement extender at Delmas



# Location of assets

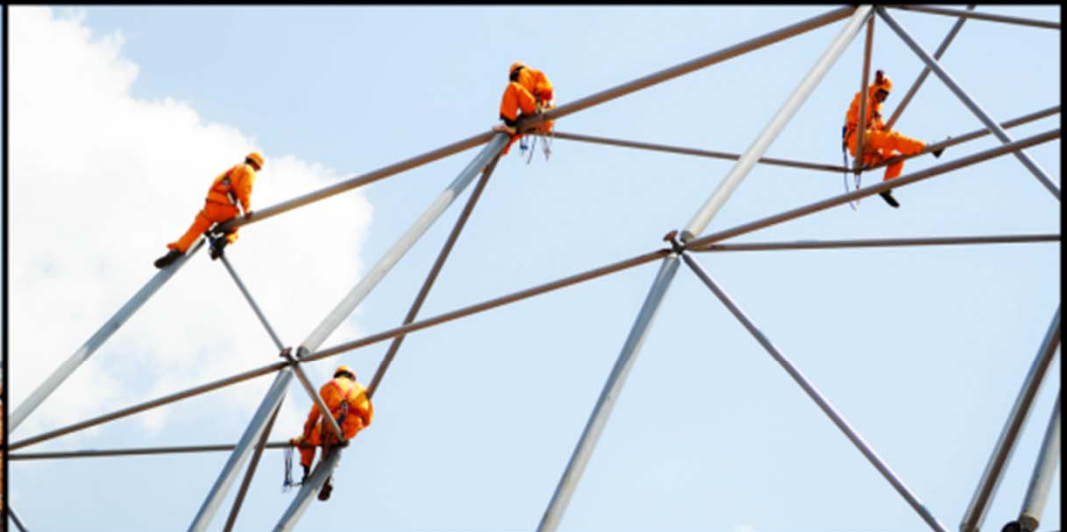
## Operations

-  Aganang cement plant
-  Delmas milling plant
-  Sephaku Ash
-  Dwaalboom project
-  Cities





# Aganang project





# Project quantities

| Soccer City   | Eiffel Tower   |   |
|---|--|---|
| Concrete: 80 000m <sup>3</sup>  | Concrete: used in base   |   |
| Structural steel: 8 000t  | Structural steel: 9 441t   |   |
|    |    |   |
| Sephaku factories   | Sydney Opera House   | Gautrain  |
| Concrete: 150 000m <sup>3</sup>   | Concrete: 32 910t in roof  | Concrete: 450 000t  |
| Structural steel: 17 600t   |  |   |
|  |  |  |

# Board of Directors

## Mpho Makwana

### Non-executive Director

*B Admin; B Admin (Hons); Executive Development Programme, Kellogg Graduate School of Business; Post-graduate Diploma in Retail Management, Institute of Retail Studies, University of Stirling*

Extensive experience in both private and public sectors; director on the boards of Nedbank Group, Nedbank Limited, Adcock Ingram and Biotherm Energy (Pty) Ltd; former chairman of Eskom Holdings; previously, executive and senior positions in leading companies, including Edcon, Standard Bank, Saatchi & Saatchi, Ogilvy & Mather Rightford Searle-Tripp & Makin

## Modilati Gustav Mahlare

### Independent Non-executive Director

*B Com (accounting), B Compt (Hons)*

Extensive experience in internal audit, corporate governance, risk management; management consulting; joined SEMA Integrated Risk Solutions May 2007 as director; previous positions with Pricewaterhouse Coopers, National Sorghum Breweries

## Rose 'Shibe' Matjiu

### ISD Director

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

Professional social worker; extensive knowledge of, experience in community-related work, corporate social investment, public and private sectors Member of SA Women in Mining, NAFCOC, Business Women's Association

## Dr David Twist

### Non-executive Director

*B Sc (Hons) (Geology) PhD (Geology)*

Founder member of Platmin Limited, CEO until 2006; subsequently focused on new exploration opportunities with SepHold; previously with Impala Platinum Limited; involved in Bushveld Complex research at University of Pretoria

## Pieter Fourie

### Non-executive Director

*B Com (accounting); Executive Development Programme (PRISM) for Global Leaders, (Switzerland)*

Extensive experience in the cement industry; previously Marketing Director, Blue Circle (subsequently acquired by Lafarge SA), Managing Director of the Lafarge SA cement business unit, Strategic Development Director for Africa

## Moses Ngoasheng

### Non-Executive Director

*BA Hons (Industrial Sociology) M Phil (Development Studies), Sussex*

Former ANC activist. Co-founder and executive chairman, Safika Holdings; Chairman, Coega Development Corporation; board member, South African Breweries, Dimension Data plc; former economic adviser to then SA President Thabo Mbeki

## Rudolph de Bruin

### Non-Executive Director

*B Com (University of the Free State - cum laude), LLB (Rand Afrikaans University - cum laude)*

Practised as an advocate at the Pretoria Bar from 1977 to 1989; subsequently focused on finding, acquiring, developing mineral exploration, mining projects in Africa. Founder member of the Platinum Group and co-founded the Sephaku Group

## Dr Lelau Mohuba

### Chief Executive Officer

*MB ChB (Natal)*

Retired medical practitioner; co-founder, former Chairman of Sephaku Holdings (SepHold); currently serves as Chairperson of Incubex Minerals, Taung Gold Limited, Sephaku Fluoride Limited (SepFluor), Miranda Mineral Holdings

## Brent Williams

### Independent non-executive chairman

*LLM, Harvard Law School*

Extensive experience in South African corporate and commercial law, including mergers and acquisitions and corporate finance; appointed Chief Executive Officer of Cliffe Dekker Hofmeyr, first of top five law firms to appoint a black CEO

## Neil Crafford-Lazarus

### Financial Director

*CA (SA); B Compt (Hons), UNISA*

25 years' mining finance experience. Currently also CFO of SepFluor; previously CFO of Platmin, FD of Xstrata SA; senior managerial posts in finance, corporate finance, tax at Gencor (BHP Billiton), Anglo American





# Experienced management team

## **Pieter Fourie | Chief Executive Officer of Sephaku Cement**

### **BCom (Accounting), Executive Development Program (PRISM) for Global Leaders (Switzerland)**

Pieter Fourie has extensive experience in the cement industry, having been the Marketing Director of Blue Circle (subsequently acquired by Lafarge SA), the Managing Director of the cement business unit of Lafarge SA and Strategic Development Director for Africa based at Lafarge head office in France. Pieter's role at Blue Circle included sales, distribution and marketing and he was primarily responsible for leading Blue Circle from a legal cartel into a competitive environment. He was promoted to Managing Director of the cement business unit at Lafarge SA, at that time a company producing 1.7 million tons of cement per annum. Pieter subsequently accepted an assignment at Lafarge's head office, in a strategic development role aimed at integrating newly acquired business in Africa into Lafarge's portfolio and identifying new business opportunities

## **Duncan Leith | Commercial Manager of Sephaku Cement**

### **BCom (University of South Africa), Young Managers Program (INSEAD, France), MBA (GIBS)**

Duncan has extensive experience in all commercial aspects of the cement industry, having worked for Lafarge SA (formerly Blue Circle) for 10 years. His role at Blue Circle was to establish a fully integrated logistics process after the disbanding of the cartel in 1994. After the acquisition of Blue Circle by Lafarge, Duncan was promoted to Distribution Manager, responsible for logistics as well as all distribution depots. He was later promoted to Commercial Manager with total responsibility for marketing, sales, distribution and logistics. Before joining Sephaku Cement, Duncan spent three years with the Imperial Group managing its Renault Trucks franchise. Currently he is responsible for marketing, sales and distribution

## **Duan Claassen | Cement Operations Manager of Sephaku Cement**

### **BEng (Metallurgical Engineering) (University of Pretoria - cum laude), MDP (Duke University, USA)**

Duan has 10 years' experience in cement production, having worked for Lafarge and PPC as Operations Manager of Lichtenburg Works and Dwaalboom respectively. His principal duties included plant performance and reliability, people management, production planning, product quality, safety and cost control

## **E Heinrich de Beer | Engineering Project Manager of Sephaku Cement**

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

Heinrich started his career as Project Engineer and Maintenance Manager at Mittal (Isacor), Vanderbijlpark Carbonization Plant. He joined Lafarge SA as Depot Manager for its Kaalfontein terminal. He was then promoted to Depot Operations Manager responsible for all of Lafarge Cement's distribution facilities as well as its Richards Bay Grinding Plant. Heinrich was later promoted to Development Manager at the Lichtenburg Plant where he was responsible for major projects (including Lafarge SA's recent new kiln line), automation and IT, quality and environment

**In addition to the team mentioned above, Sephaku Cement boasts an additional 18 qualified cement professionals with more than 200 years cement experience, both internationally and locally**

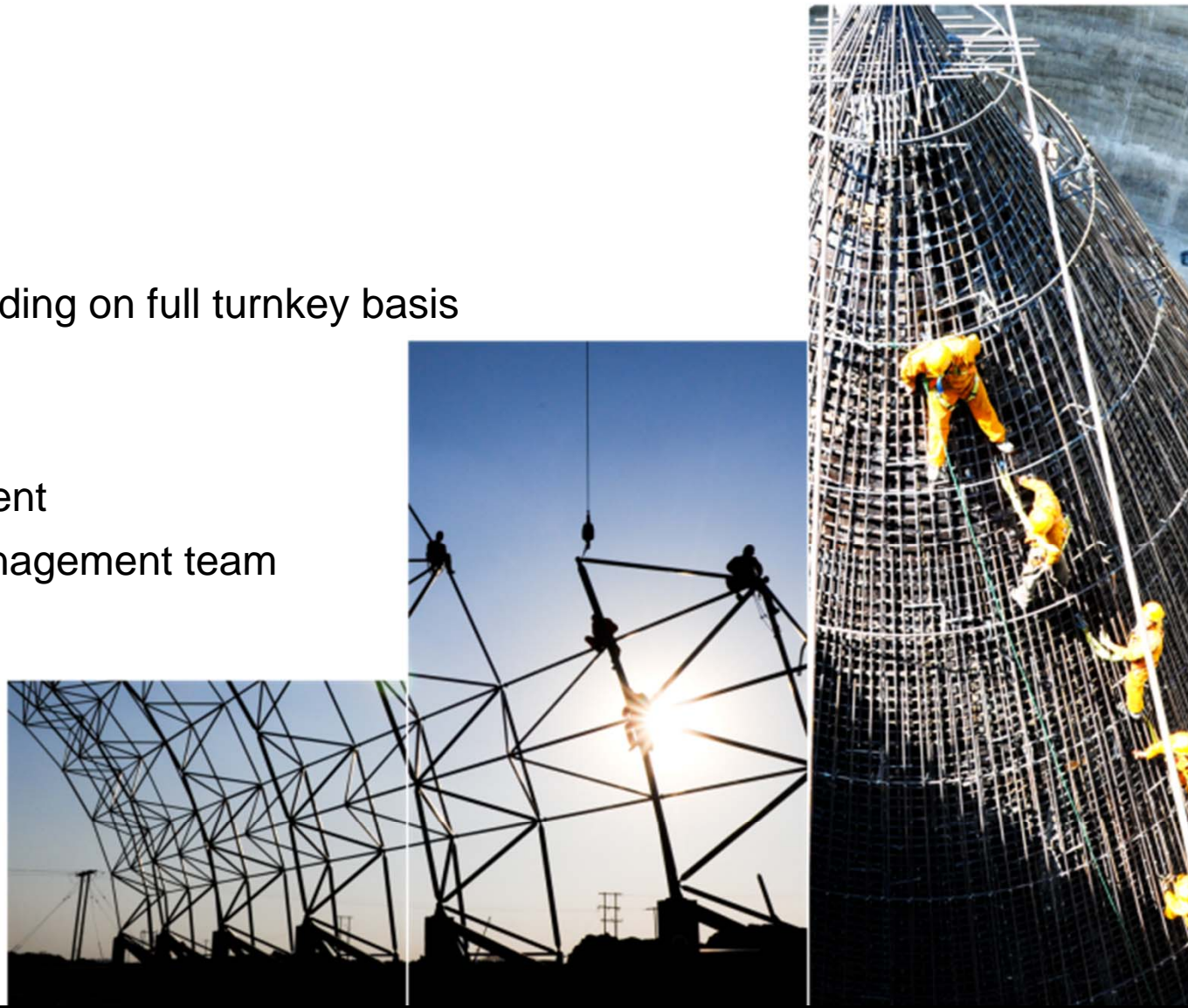


# Our value proposition

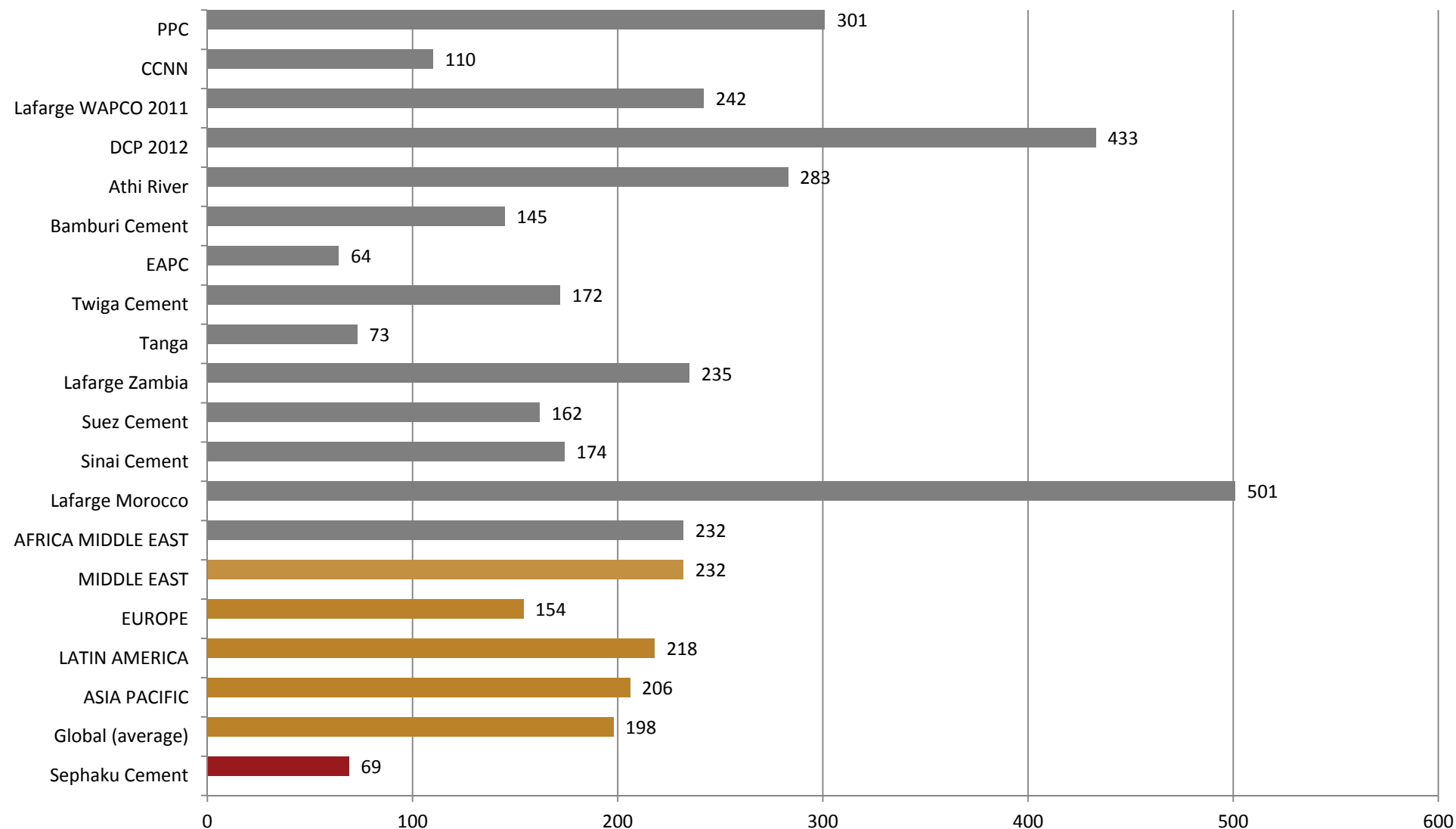
| SEP value analysis: 24 January 2013 |  | JSE    |
|-------------------------------------|--|--------|
| Market cap (million)                |  | R773   |
| Closing price                       |  | R4.25  |
| Net profit (million)                |  | R13.68 |
| Price to earnings                   |  | -33.91 |
| Dividend yield                      |  | 0.00%  |
| Earnings yield                      |  | -2.95% |

# Sephaku Cement

- Environmentally friendly
- 6 000t per day or 2.5Mtpa
- Lowest-cost producer
- First production, end 2013
- Plants: Sinoma supplying, building on full turnkey basis
- Capital: unchanged at R3.2bn
  - fully funded
- Newest, most reliable equipment
- Experienced, enthusiastic management team
- Backed by Dangote



# EV/ton of plant capacity (US\$)



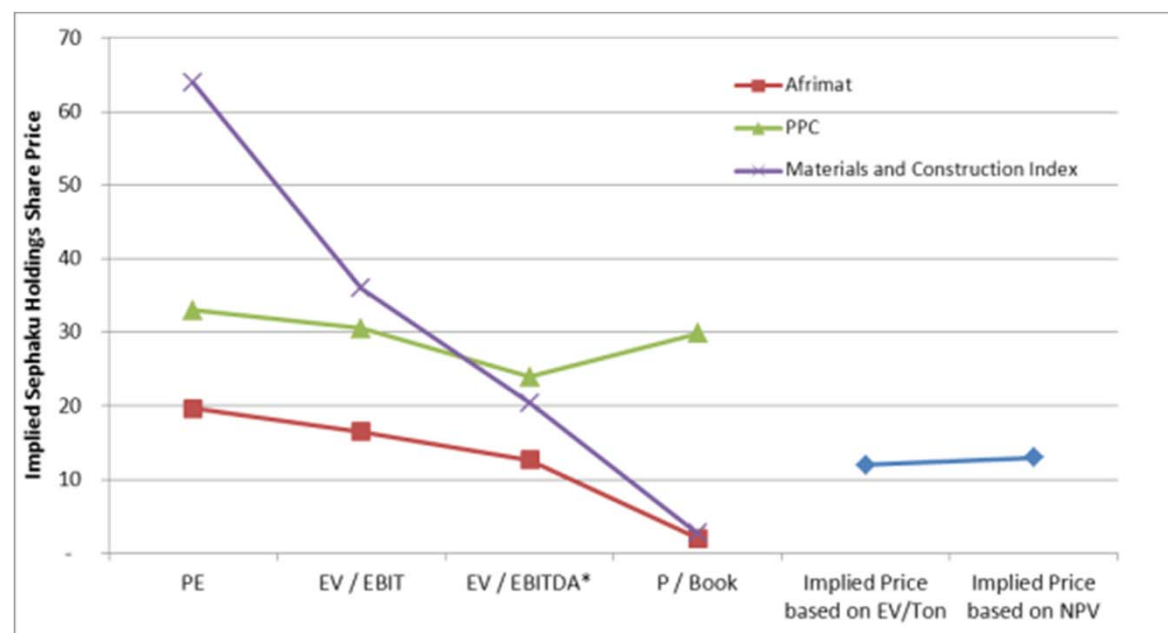


# Market comparables

- 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                                     | 10.1    | 17.0 | 32.8                             |
| EV / EBIT                              | 6.5     | 12.1 | 14.2                             |
| EV / EBITDA                            | 4.5*    | 8.5* | 7.2                              |
| P / Book                               | 1.4     | 20.1 | 1.8                              |

\*Calculated using FYE 2011 results



# Métier Mixed Concrete (Pty) Limited

- Significant operations around the Durban, Pietermaritzburg and Gauteng areas
- Experienced management with four concrete technologists
- Fleet of 100+ 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

- 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 Mixed Concrete:
  - secures input material
  - liquidity event
  - become part of larger, JSE listed group
  - upside in exposure to the Sephaku shares
  - BEE
  - access to capital



# Transaction structure

- Cash: R110 m
- 5m primary shares: R30 @ R6 per share
- 11.1m secondary shares: R100m @ R9 per share



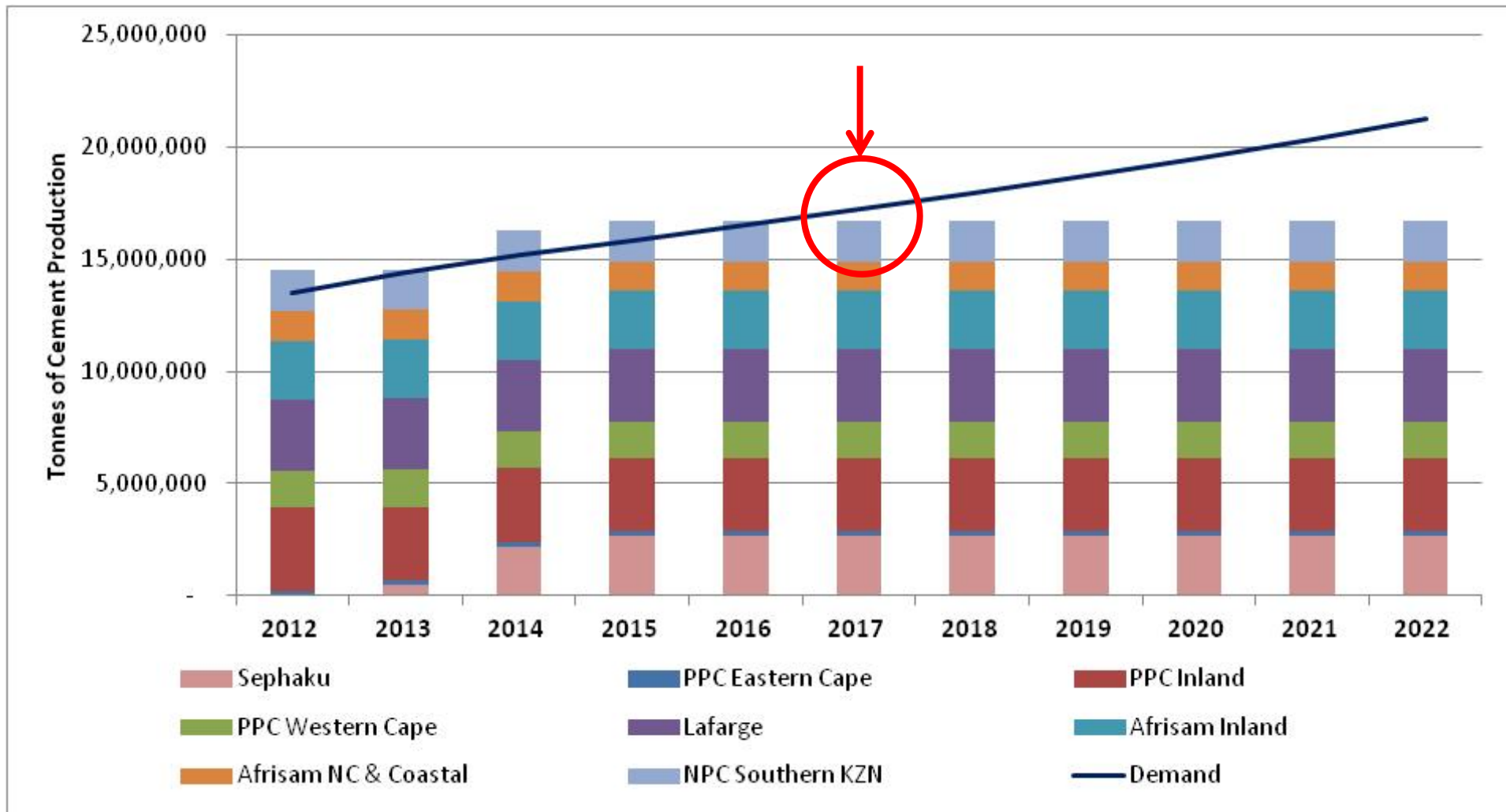
- Cash: R125m
- Agterskot: an additional amount of shares at current 60-day VWAP which would make total consideration in secondary shares at current 60-day VWAP equal to R100m, subject to a share price cap of R9 and floor of R4

# Our markets

- The cement market is expected to reach capacity in 2016
- Anticipated retirement of existing kilns
- Anticipated shortfall in cement capacity in five years due to lack of investment and shortage high quality limestone deposits

|      | Existing plants | Sephaku Cement | Total demand | Surplus (+)/deficit (-) | Percentage capacity |
|------|-----------------|----------------|--------------|-------------------------|---------------------|
| 2012 | 14.5            | 0.0            | 13.5         | 1.0                     | 93                  |
| 2013 | 14.1            | 0.5            | 14.4         | 0.1                     | 99                  |
| 2014 | 14.1            | 2.2            | 15.2         | 1.1                     | 93                  |
| 2015 | 14.1            | 2.5            | 15.8         | 0.8                     | 95                  |
| 2016 | 14.1            | 2.5            | 16.5         | 0.1                     | 99                  |
| 2017 | 14.1            | 2.5            | 17.2         | -0.6                    | 104                 |
| 2018 | 14.1            | 2.5            | 18.0         | -1.4                    | 108                 |
| 2019 | 14.1            | 2.5            | 18.7         | -2.1                    | 111                 |
| 2020 | 14.1            | 2.5            | 19.5         | -2.9                    | 115                 |
| 2021 | 14.1            | 2.5            | 20.4         | -3.8                    | 119                 |
| 2022 | 14.1            | 2.5            | 21.2         | -4.7                    | 122                 |

# Our markets, cont'd





# 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 plant in South Africa
- Capacity expected to come on line around the end of 2013
- 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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