



SEPHAKU
HOLDINGS LTD

INVESTOR PRESENTATION
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DISCLAIMER



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THE SEPHAKU STORY

EXPLORATION

Sephaku commenced business in 2006 as an HDSA-owned, mineral exploration company seeking opportunities brought about by changes in the MPRDA. 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 a decision was made to unbundle the Fluorspar business 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 development phase will come to an end during 2014 when the cement plants come into operation.

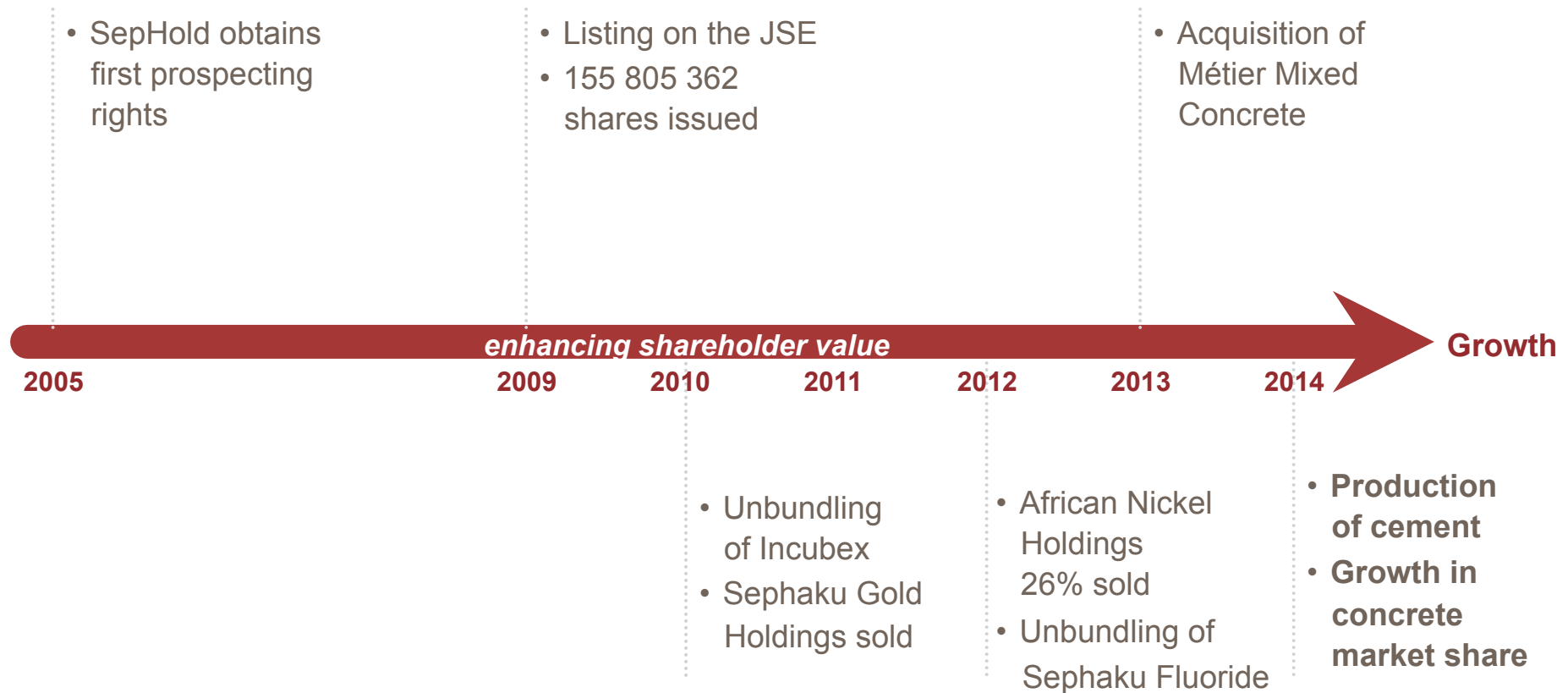
INCOME

The acquisition of Métier Mixed Concrete in 2013 started the new era for Sephaku in which 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.

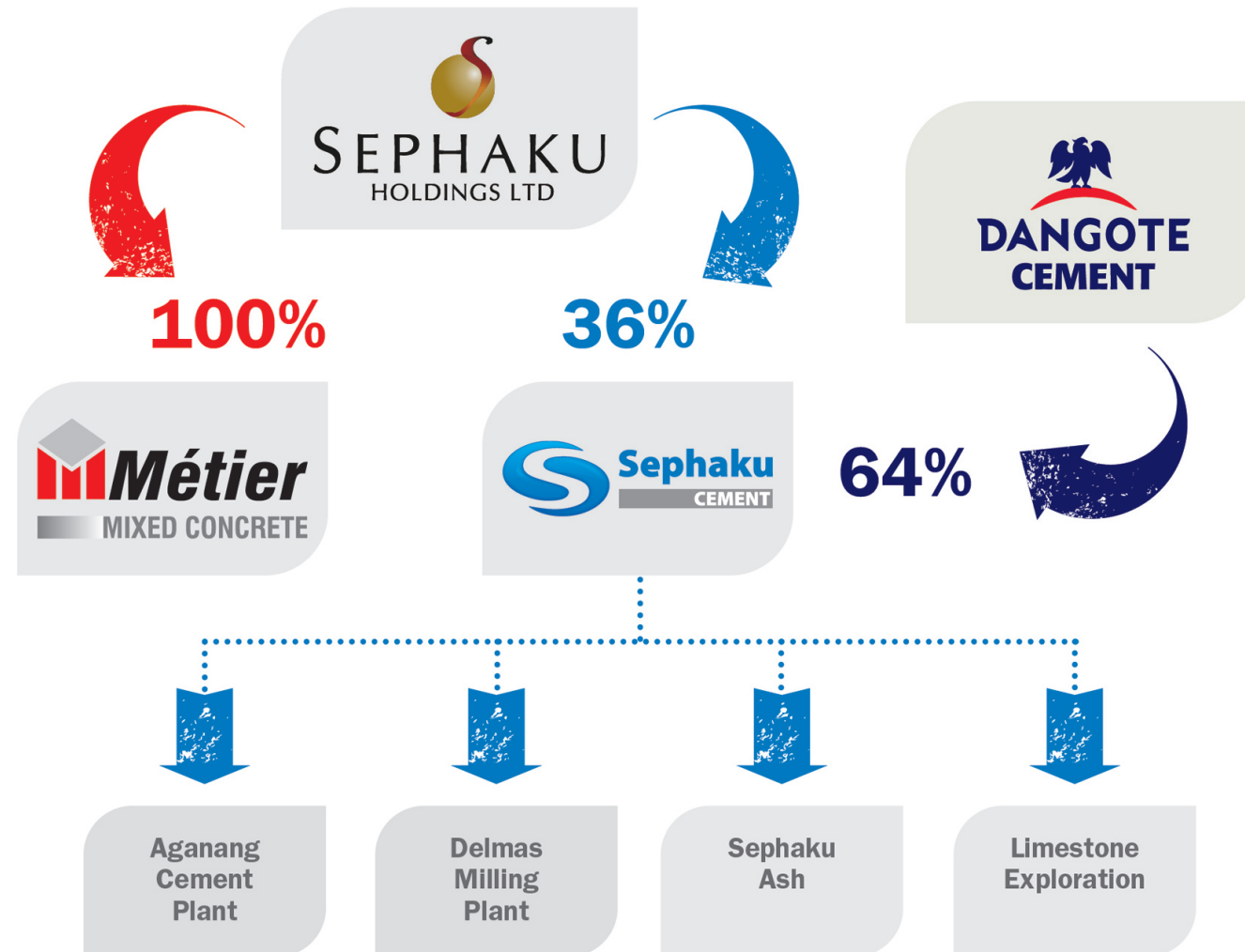
GROWTH

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.

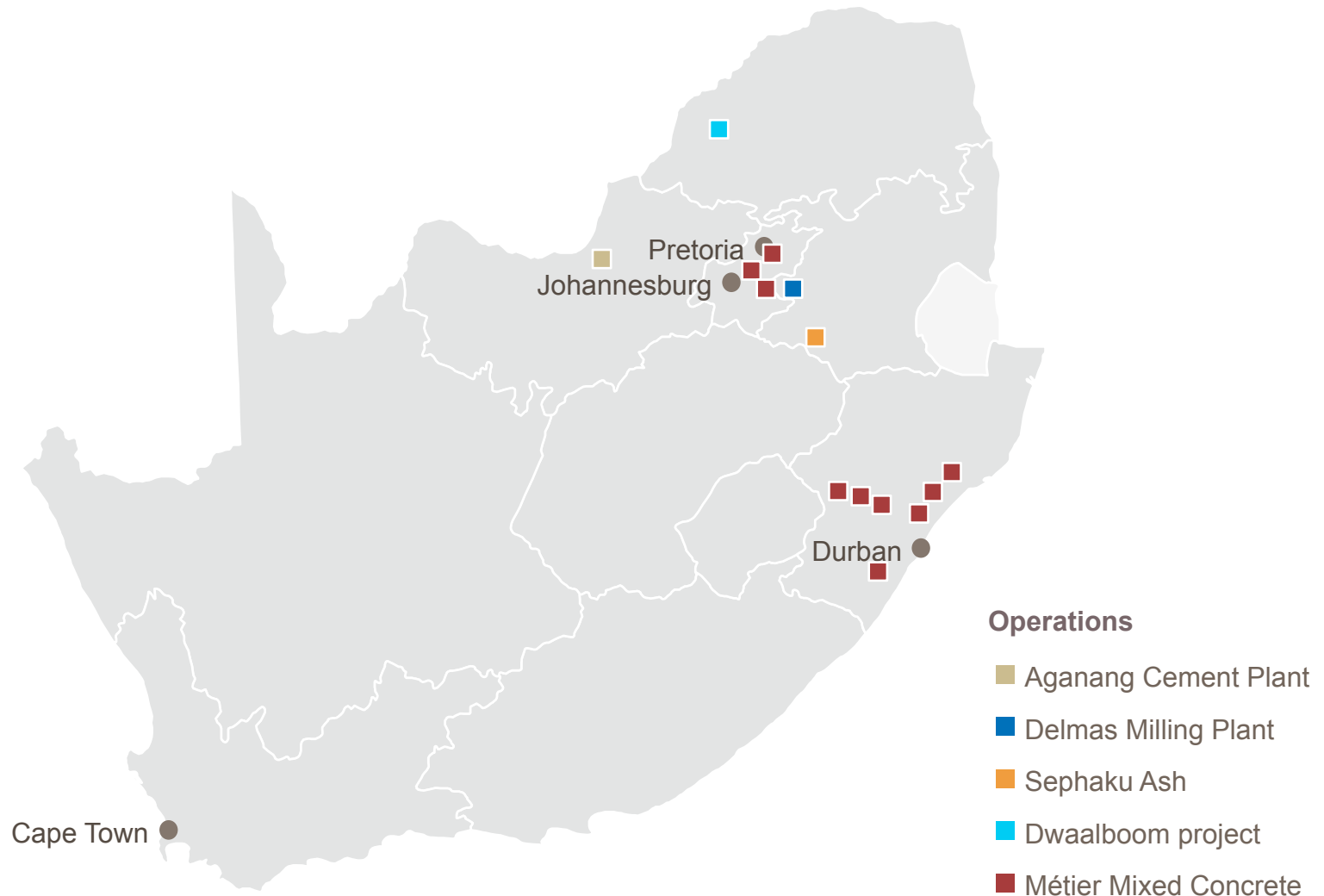
EXECUTION TIME LINE – STRATEGIC REFOCUS



THE SEPHAKU HOLDINGS STRUCTURE



OVERVIEW - LOCATION OF ASSETS



Note: Project locations not actual but indicative for illustrative purposes
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BUILDING AND CONSTRUCTION MATERIALS COMPANY



- 100% ownership; acquired in February 2013 for R365 million
- Specialist in the manufacture, distribution and marketing of high-value ready mixed concrete
- Fleet size, pumping division and advanced production technology enhances efficiency
- Ten plants in KwaZulu-Natal and Gauteng – strategically positioned to capitalise on numerous opportunities in the next 12 months



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- 36% interest in Sephaku Cement with 64% owned by Dangote Cement PLC, the largest cement producer in Africa
 - Comprises three components: Aganang – integrated cement and clinker plant, Delmas – grinding plant, and Sephaku Ash – a fly ash beneficiation plant
 - Production of cement at Delmas commenced in January this year
 - Aganang to produce 6 000t clinker per day
 - Latest cement plant technology – higher efficiency than incumbents
 - Lowest cost producer



OPERATIONAL HIGHLIGHTS FOR THE INTERIM PERIOD FY 2014 ENDED 30 SEPTEMBER 2013



☐ Initial reporting period of revenue

- Métier sales constitute 100% of the revenue

☐ Positive earnings : group profit

- Sephaku Cement to contribute profit by end of CY 2014

☐ Métier concrete sales increased by 35%

- High value concrete sales contributed 5%

☐ Delmas cement grinding plant completed

- Entered the market in mid January 2014

FINANCIAL HIGHLIGHTS FOR THE INTERIM PERIOD FY 2014

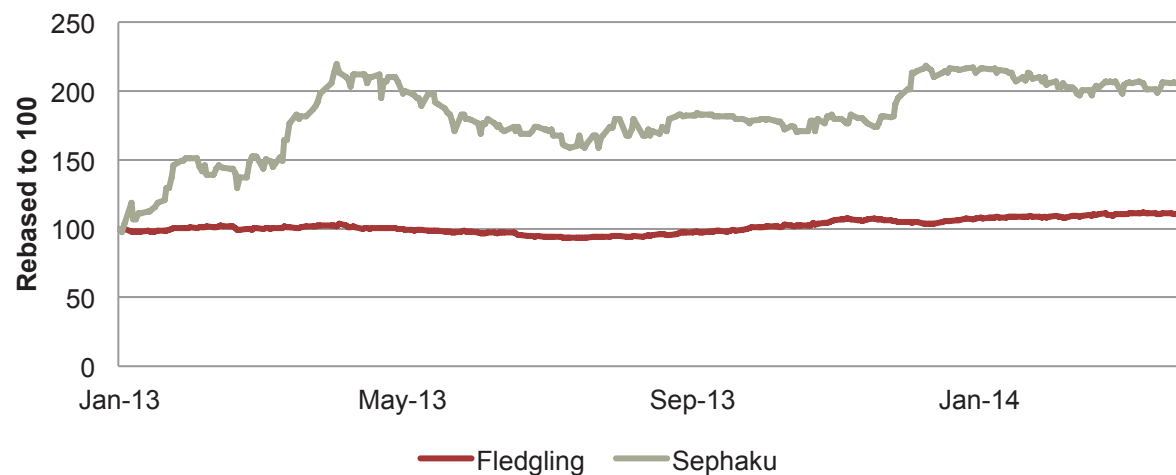


- ❑ **Operating profit of R33,8 million** compared to the operating loss of R10,1 million for end of September 2012
- ❑ **Earnings before interest, taxation, depreciation and amortisation (“EBITDA”) of R40,3 million** compared to the loss before interest, taxation, depreciation and amortisation of R9,8 million for end of September 2012
- ❑ **Headline earnings per share of 2,78 cents** compared to headline loss per share of 5,69 cents for end of September 2012
- ❑ **Earnings of R6,3 million** compared to the loss of R9,8 million for end of September 2012

SHARE PRICE PERFORMANCE

Share ticker: JSE (MAIN)	SEP
Sector	Construction and Materials
Listing	2009
Issued shares	189 872 979
Closing price @ 6 May 2014	R6.60
Market capitalisation as @ 6 May 2014	R1 253 161 661

Sephaku compared to the All share (fledgling) index

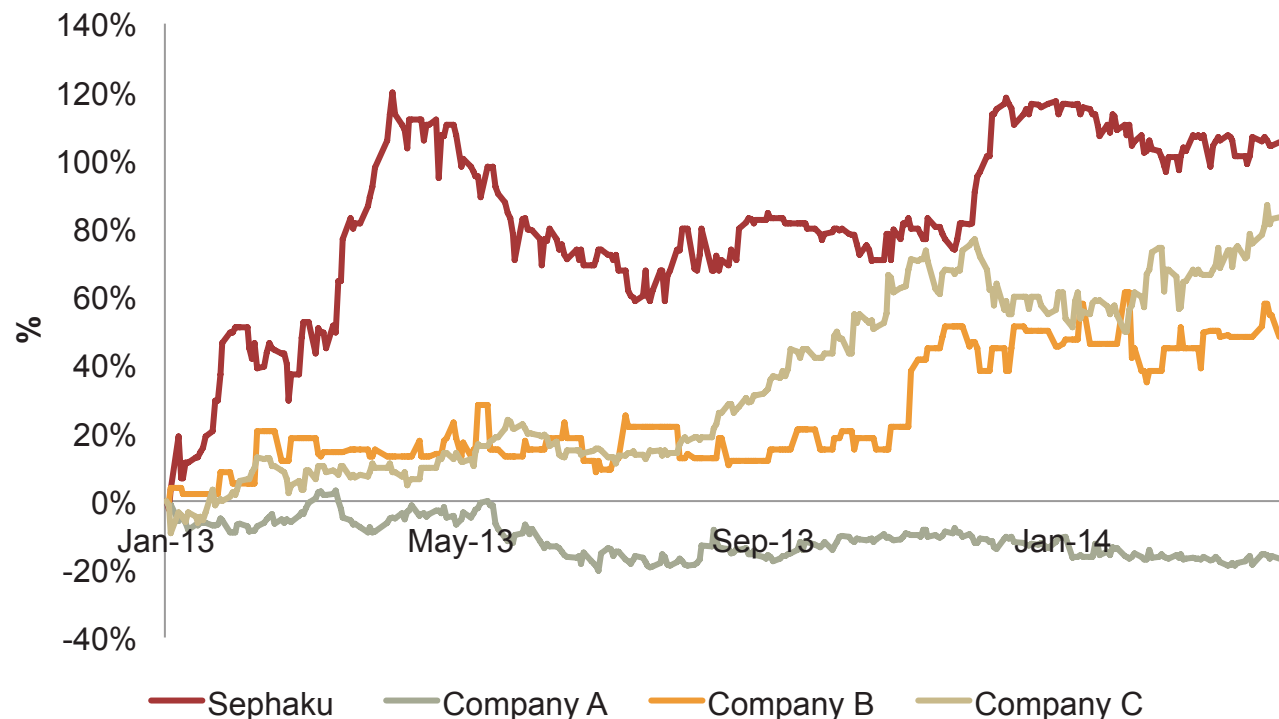


- Share has performed consistently better than the index since January 2013 to March 2014
- Attained position 13 on the JSE one year top performers for period ended 31/12/2013.
 - › Approximately 126% increase in share price
- Share price re-rating anticipated as multiples improve
- Production at Delmas has reduced the commissioning risk factor

SHARE PRICE PERFORMANCE



Peer performance January 2013 to March 2014



Sephaku has consistently outperformed its peers on share price performance for the period.

Company	~Market Capitalisation (000') as at 6 May 2014
Sephaku	R1,253,161
A	R19,002, 867
B	R2,220,567
C	R291,603

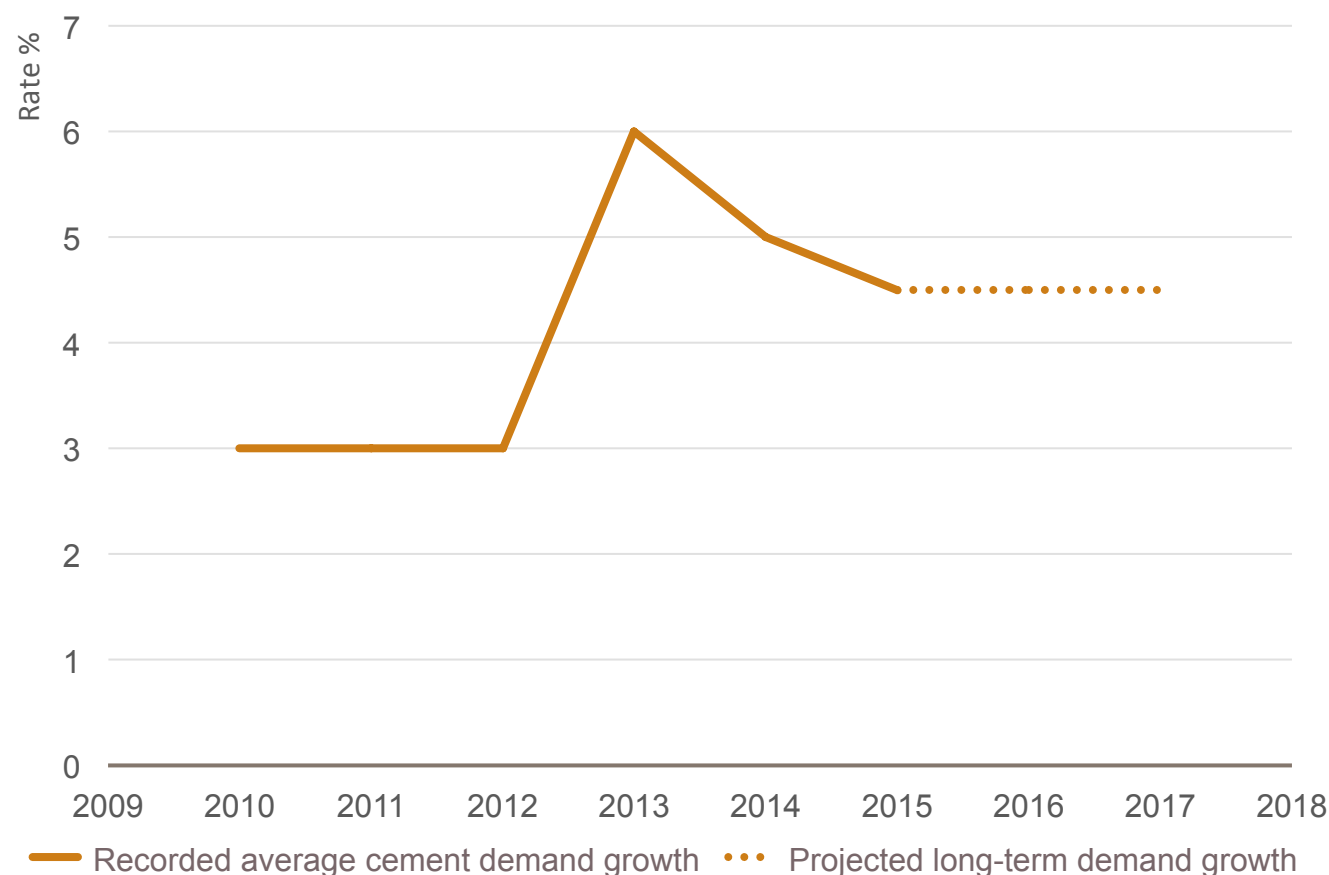
OUR VIEW ON THE CEMENT INDUSTRY



Metier supplying concrete at a construction site in Durban



THE SOUTH AFRICAN CEMENT INDUSTRY TRENDS



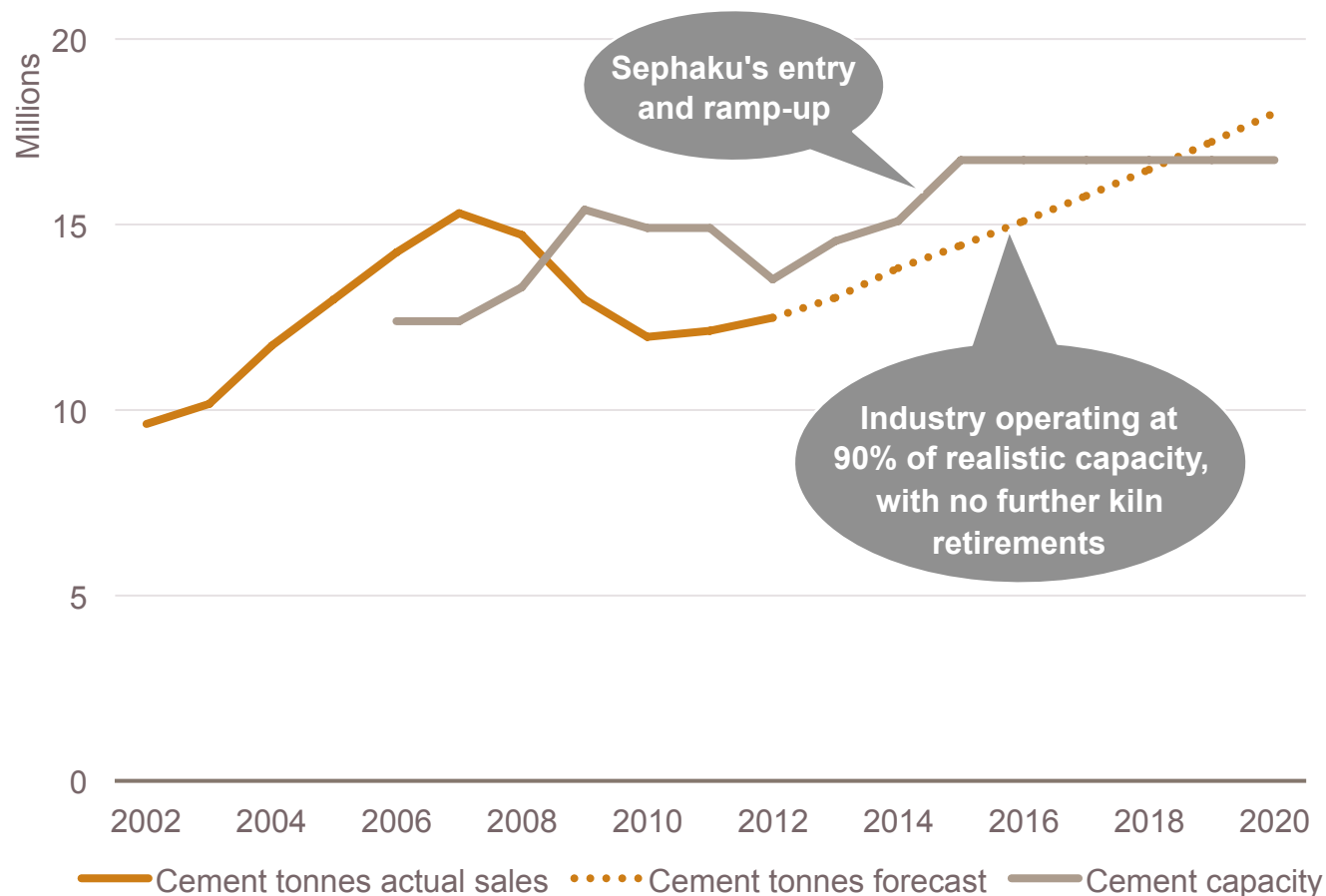
- Cement demand growth was at **6%** in 2013
 - › Growth at **3%** per annum 2010 – 2012
- Residential plans YOY growth at **14,6%** and **19,7%** for non-residential plans²
- Long-term cement growth trend projected at **4,5%**³ at a multiplier of 1.5 to GDP

SA PLANT CAPACITY ANALYSIS – 2014

	Number of operating kilns	Average operating kiln age	Estimated cement tonnes per annum (000')
Producer A	3	27	3,200
Producer B	3	37	3,900
Producer C	9	38	5,600
Producer D	2	19	1,800
TOTAL	17	37	14,500

- ☐ Production capacity determined by kiln instead of milling capacity
- ☐ Current capacity at approximately 14,5 million

SA CEMENT CAPACITY vs DEMAND : 2006 – 2020



- Capacities are based on SepCem research, using the maximum estimated clinker capacity of each producer, combined with the estimated extender ratios to produce finished cement
- Demand forecast is based on an average estimate of several leading economic forecasts
- Capacities exclude the possible entrance of new players
- Excludes the effect of seasonality on capacity to meet demand

Note: These figures include volumes to the BLNS countries, Namibia factored to 30%

Source: Sephaku Cement research – November 2013

CONSTRUCTION DEMAND DRIVERS 1/2

☐ Public and private sector building and construction potential investment

- Bulk water infrastructure : **R14.2 billion**
- Roads : **R149 billion**
- Power generation : **R300 billion**
- Education institutions : **R140 billion**

☐ Residential demand in line with improved incomes

- Entry-level housing market with a shortfall of **c2.1 million houses**
- Resultant **50%** increase in demand for related infrastructure

CONSTRUCTION DEMAND DRIVERS 2/2

❑ Backlog in infrastructural projects coupled with the government's NDP 18 defined strategic infrastructure projects (SIPs). Targeted cement-intensive projects include;

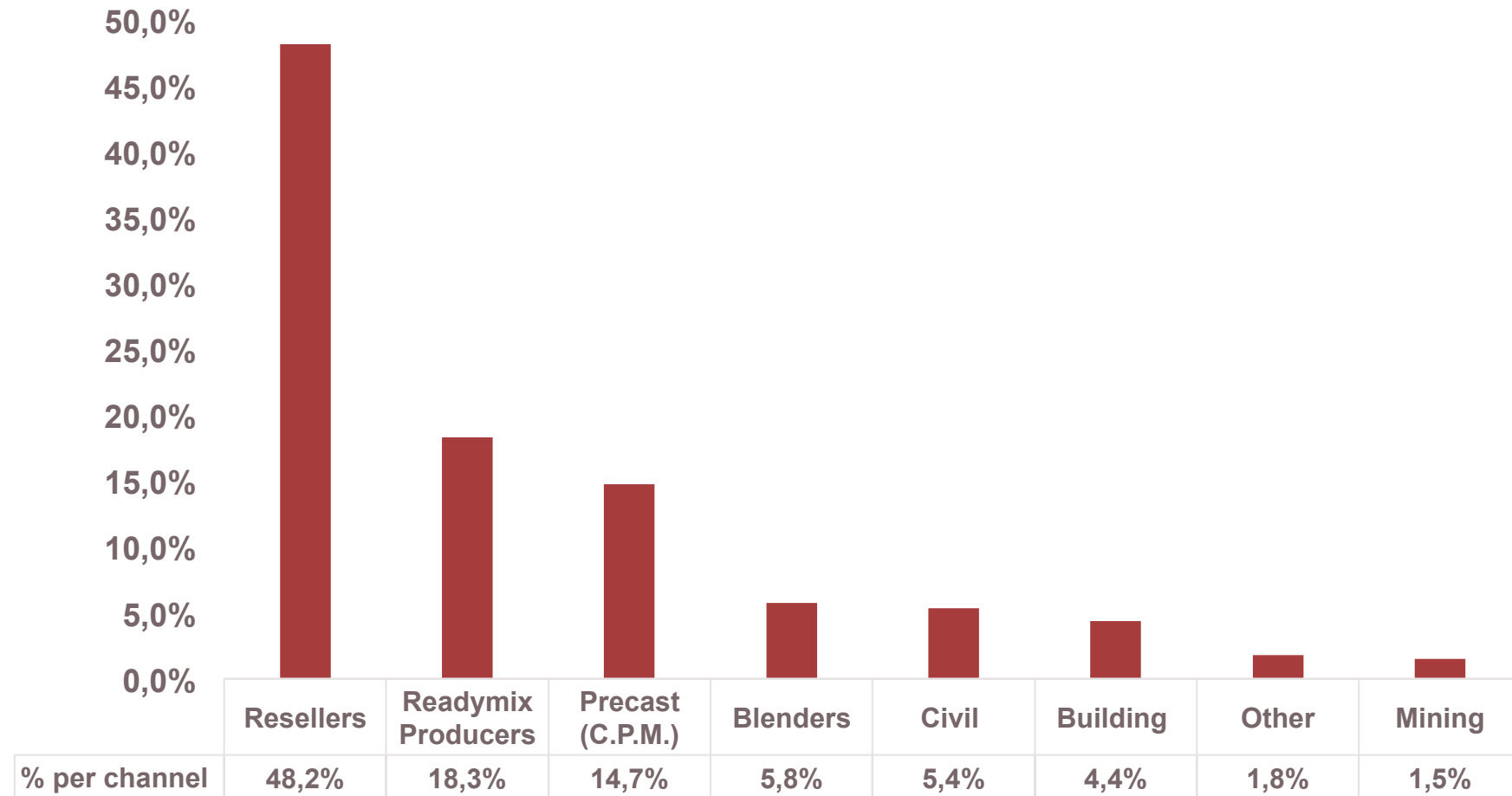
- **SIP 1:**Unlocking the Northern Mineral Belt
- **SIP 2:**Durban ,Free State & Gauteng Logistics and Industrial Corridor
- **SIP 4:**Unlocking the economic opportunities in North West Province
- **SIP 6:**Integrated Municipal Infrastructure Project Development
- **SIP 18:**Water and Sanitation infrastructure

SA CEMENT MARKET OVERVIEW



Aerial view of Delmas milling plant : April 2014

TYPICAL INDUSTRY CUSTOMER CHANNELS : RELATIVE DEMAND



☐ Resellers the largest volume customer category

- Key driver of the bag market which constitutes 55 to 60% of sales volumes

☐ SepCem targeting all channels

SEPCEM'S APPROACH TO THE MARKET

- ❑ Target to attain 20 – 25% of the inland market share
 - Resultant national market share of 13 -17%
- ❑ To produce three cement strengths : 32.5R , 42.5R and 52.5N
 - Essentially 32.5 R and 42.5 R will be produced for the bag market
 - Bulk market to be supplied with the 42.5 R and 52.5 N and supported through a sophisticated customer laboratory, and concrete experts
- ❑ Determined not to engage in a price war

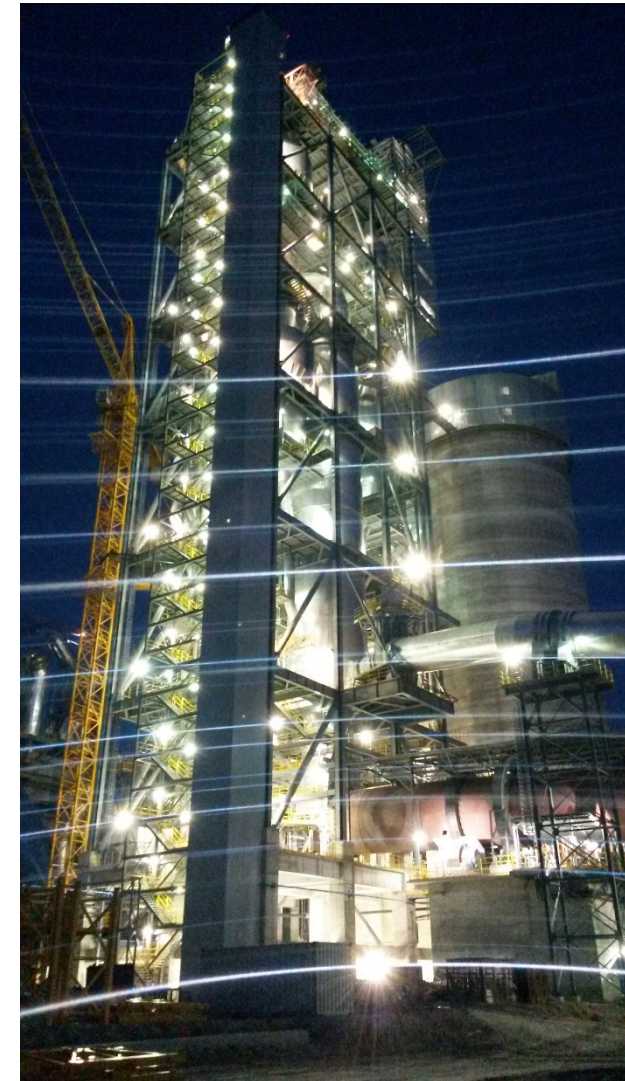


Production of 32.5 R cement at Delmas plant : April 2014

COMPETITIVE EDGE TO INDUSTRY AVERAGE

- ❑ **Energy utilisation efficiency:** 95 kWh per tonne as compared to 145 kWh per tonne
- ❑ **Consistent cement quality:** single 6 000tpd kiln for clinker
- ❑ **Logistical advantage:** proximity of Delmas to extender source, coal supply and the market
- ❑ **Environmental impact:** lowest particle emissions of 30 mg/Nm³ compared to up to 200 mg/Nm³ for older plants
- ❑ **Minimal maintenance costs** – brand-new plants compared to 36 years
- ❑ **Inland price structures higher** – better margins because coastal prices impacted by imports

***Aganang pre-heater :
April 2014***



OUR BRAND NEW PLANTS



Delmas milling plant : April 2014

UNIQUE FEATURES OF OUR PLANTS

- ☐ Latest generation primary impact-crusher : Germany
- ☐ Latest limestone roller-screening technology for beneficiation : Germany
- ☐ Latest pyro-processing technology :air-separate pre-calciner kiln with 5-stage preheater
- ☐ Latest generation high-impulse multi-channel main burner : France
- ☐ Latest generation pendulum-grate cooler : Germany
- ☐ Best-in-class vertical roller milling across the board for raw milling, coal grinding and cement milling : Germany
- ☐ Main process fans all from European supply : Germany
- ☐ Rotary packer / palletisers : Italy
- ☐ Control systems supplied : Siemens
- ☐ High-voltage electrical motors : ABB and Siemens

CONCLUSION



Bulk cement truck departing Delmas plant for the market : April 2014

SEPHOLD INVESTMENT CASE

- ❑ Key management ~ 250 years combined experience in cement manufacturing and technology
- ❑ Technologically advanced plants
- ❑ Profitable concrete asset providing solid earnings and cash flow
- ❑ Focused strategy on the lucrative cement manufacturing sector
- ❑ Potential share price re-rating





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