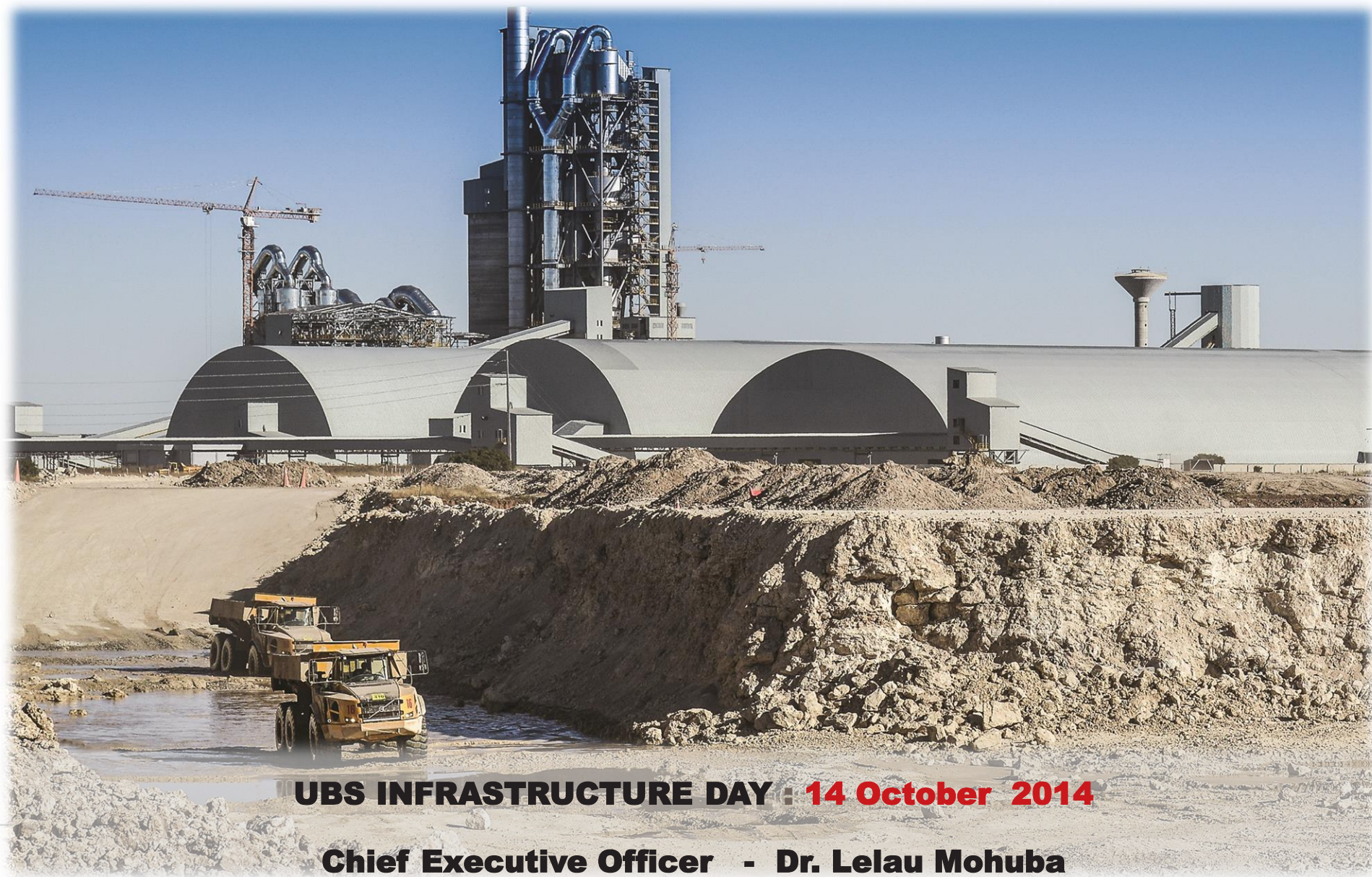


# INVESTOR PRESENTATION



**UBS INFRASTRUCTURE DAY : 14 October 2014**

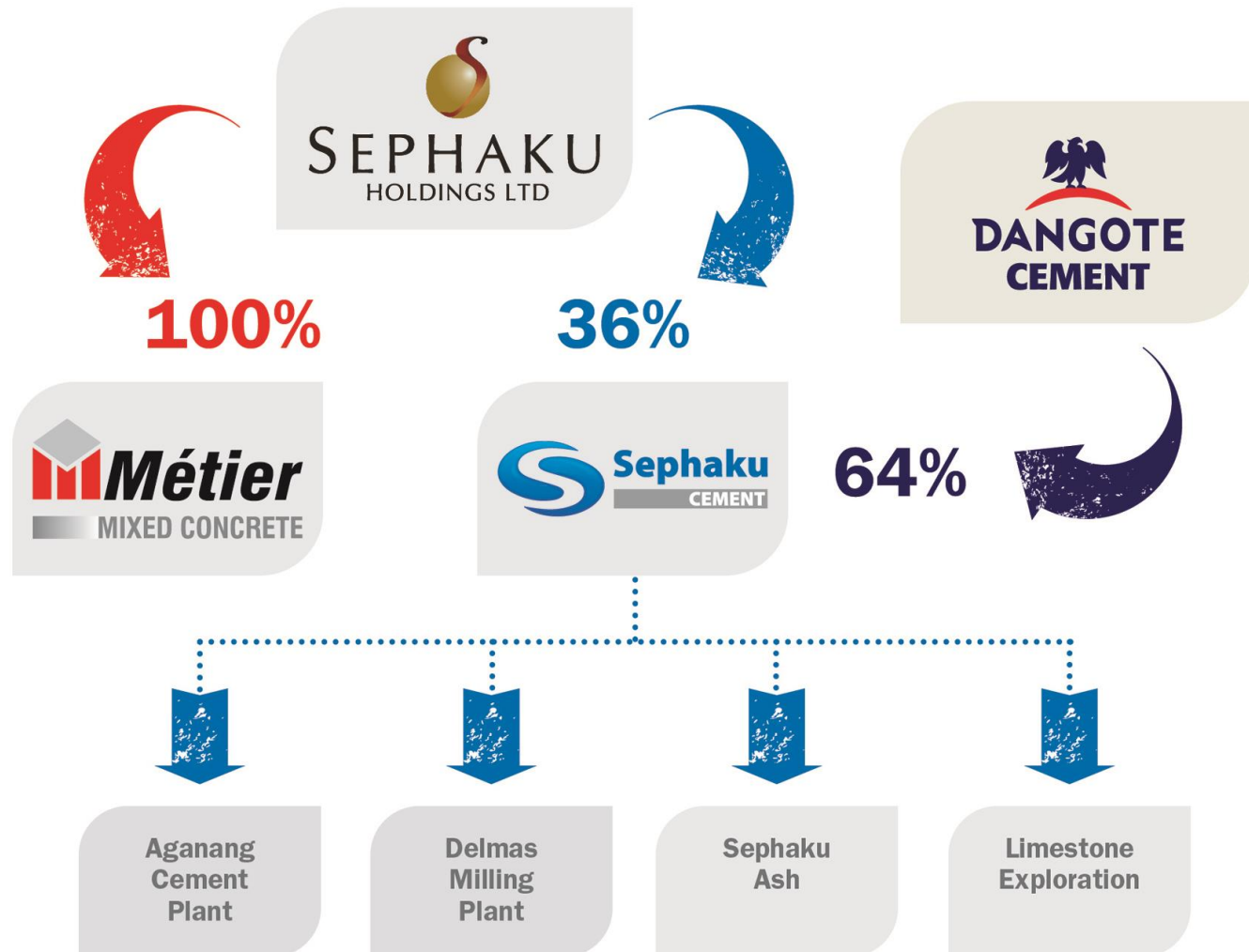
**Chief Executive Officer - Dr. Lelau Mohuba**

# DISCLAIMER

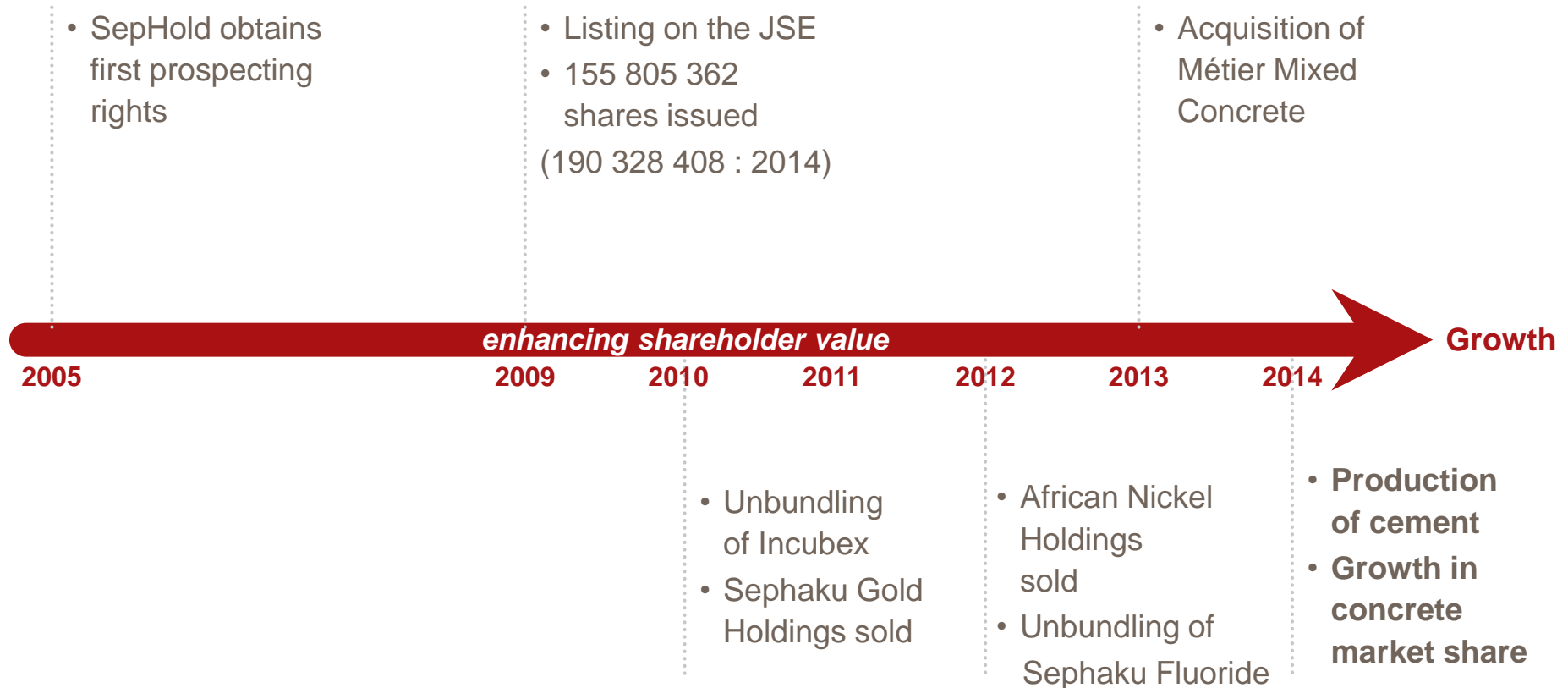
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This presentation includes certain forward-looking information. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: Sephaku Holdings' strategy; 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 concerning 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 affect 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.

# THE SEPHAKU HOLDINGS STRUCTURE



# EXECUTION TIME LINE – STRATEGIC REFOCUS



## OUR COMPETITIVE EDGE TO INDUSTRY AVERAGE



### Minimal maintenance

Low costs due to brand new plants



### Consistent cement quality

Single 6,000 tonnes per day clinker kiln



### High energy efficiency

Guaranteed 95kWh utilisation



### Inland market focus

Coastal prices being impacted by Pakistan imports



### Logistical advantage

- Delmas plant proximity to Gauteng
- Return load cost advantages between the two plants



### Low environmental impact

Low particle emissions of approximately 30mg/Nm<sup>3</sup>

## OUR INVESTMENT CASE

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- ❑ Strategic focus on the building materials sector in Africa's second largest economy , offering increasing earnings and growth opportunities
- ❑ New technologically advanced production plants with higher cost efficiencies
- ❑ Geographically well located cement operations targeting the inland markets
- ❑ Profitable concrete operations with distinctive technical skills providing solid earnings and positive net cash flows
- ❑ Key operational management with approximately 250 years combined experience in cement manufacturing and over 80 years in mixed concrete technology

# OUR VIEW ON THE S.A CEMENT INDUSTRY



**Above: Aganang integrated plant**

**Below: Delmas milling plant**





## KEY ECONOMIC PARAMETERS INDICATING RECOVERY

- ❑ Cement demand growth in developing countries typically grow at a multiplier of 1.5 to GDP
  - Sephaku Cement long term demand growth projection at 4.5%
  - <sup>1</sup>Moving average SA cementitious quarterly sales tonnes increased by 4.2% for 2Q2014
- ❑ <sup>2</sup>UBS research projects cement demand at 2% and 4% for 2014 / 2015 respectively
- ❑ <sup>3</sup>BofAML's cement sales growth forecast at 3.7% and 5.2% for 2014 / 2015 respectively in line with fixed investment spend forecast
- ❑ South African GDP growth lowered to 1.5% in September by the Reserve Bank

<sup>4</sup> Indicator	2011	2012	2013	2014	2015	2016	2017
Gross domestic expenditure %	4.6	3.6	2.6	1.7	3.5	3.0	3.5
Fixed investment growth %	4.2	4.5	4.7	4.0	3.9	4.6	4.2
Private consumption growth %	4.9	3.6	2.6	2.1	2.7	2.9	2.8
Gross fixed capital formation construction % change	0.6	-0.2	1.4	4.4	3.7	6.6	3.9
Cement volume growth	3.3	2.9	5.3	2.9	4.9	0.4	3.9
Real GDP growth %	3.6	2.5	1.9	1.7	2.8	3.1	3.5

Sources: SepCem Research.<sup>1</sup> Nexia Levitt Kirson Management Services (Pty) Ltd - National Cementitious Sales Statistics for South Africa , 2<sup>nd</sup> Quarter 2014.<sup>2</sup> UBS Global Equity Research by Kwame Antwi - 18 August 2014. <sup>3</sup> Bank of America Merrill Lynch Equity Research , Sub- Sahara Africa Cement research report by Rasia Naidoo - 3 September 2014 . <sup>4</sup> Econometrix Quarterly Cement Outlook Q3 2014 - August 2014.

## ☐ Public and private sector building and construction

- Increasing construction activity observed in the informal retail market
- <sup>1</sup>Budgeted spending for public sector infrastructure at R827 billion over three years from 2013
  - General government expenditure estimate at R429 billion
  - State owned entities expenditure estimate at R397 billion

## ☐ Residential housing demand in line with improved incomes

- <sup>2</sup>Entry-level housing market with a shortfall of ~2.1 million houses
  - <sup>1</sup>Government allocated ~ R40 billion for the provision of social housing and upgrades of informal housing

Source: SepCem Research - 2014.

<sup>1</sup> National budget review 2013 , Chapter 7.

<sup>2</sup> Media comment by then Human Settlements Minister ,Tokyo Sexwale, at a New Age breakfast live broadcast – 7 June 2013.



# POTENTIAL NATIONAL DEVELOPMENT PLAN DRIVERS 1/2

SEPHAKU  
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- ❑ Backlog in infrastructural projects coupled with the government's National Development Plan's 18 strategic infrastructure projects (SIPs).
  - The Infrastructure Development Act No. 23 of 2014 was signed into law by the President of South Africa on 30 May 2014, and became operational on 10 July 2014.
- ❑ Targeted **cement-intensive** projects include;
  - **SIP 1** : Unlocking the Northern Mineral Belt
    - Waterberg investment in rail, water, pipelines, energy generation and transmission infrastructure
  - **SIP 2** : Durban ,Free State & Gauteng Logistics and Industrial Corridor
    - Strengthening the logistics and transport corridor between SA's main industrial hubs
    - Improving access to Durban's export and import facilities



# POTENTIAL NATIONAL DEVELOPMENT PLAN DRIVERS 2/2

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- **SIP 4:** Unlocking the economic opportunities in the North West Province
  - Acceleration of identified investments in roads, rail, bulk water and water treatment and transmission infrastructure
- **SIP 6 :** Integrated Municipal Infrastructure Project Development
  - To address all the maintenance backlogs and upgrades in 23 least resourced districts with approximately **17 million inhabitants**
- **SIP 18:** Water and Sanitation infrastructure
  - 10 year plan to address the estimated backlog of adequate water supply to **1.4 million households** and basic sanitation to **2.1 million households**

## KEY INDUSTRY SENTIMENT INDICES IMPROVING

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- ❑ FNB/BER building confidence index steadily rising quarterly to 45 points (41 points: 2Q2014) in 3Q2014
  - Highest confidence increase recorded from retailers of building materials
  - Confidence improvement from residential building contractors due to sharp increase in building activity in this sector
  - Non-residential activity was unmoved in the quarter
- ❑ FNB/BER civil confidence increased to 48 in 3Q 2014
  - Capital expenditure by provinces increased by an annual rate of 19.1% between April – June 2014 as reported by National Treasury
  - Municipal capital expenditure was subdued at 1%

*Sources:*

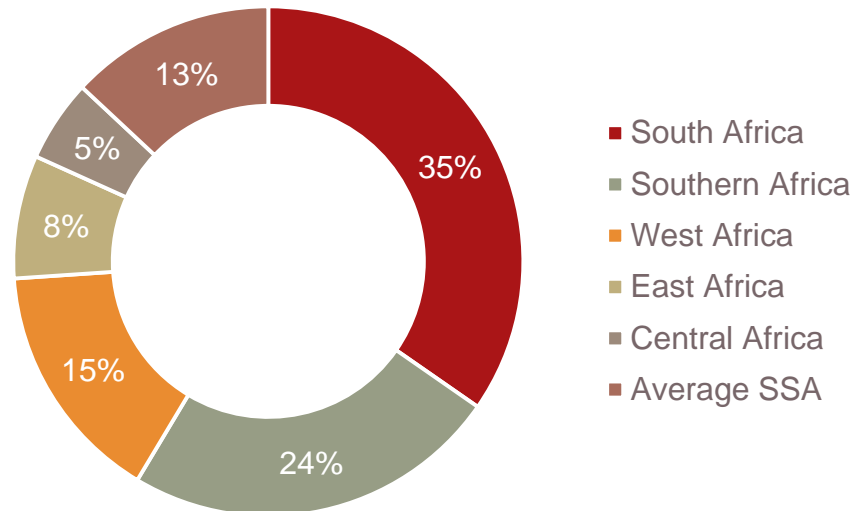
*FNB/BER : Building confidence index report - 16 September 2014.*

*FNB/BER : The state of the civil construction industry - 22 September 2014.*

# POTENTIAL CEMENT CONSUMPTION GROWTH

- ❑ Urbanisation expected to create impetus for infrastructure expenditure in the medium term in Sub Sahara Africa
  - <sup>1</sup>Approximately 62% of the South African population resides in cities and towns
- ❑ <sup>2</sup>Cement consumption peaks at approximately 700kg in developed markets.
  - Sub Sahara Africa consumption with significant demand growth upside

<sup>2</sup>SSA Cement consumption per capital 2013 at 652kg total



<sup>1</sup> National budget review 2013, Chapter 7.

<sup>2</sup> BofA Merrill Lynch Equity Research by Rasia Naidoo, Ilze Roux - 3 September 2014.

# SEPCEM'S POSITIONING IN THE S.A. MARKET



## INDUSTRY CAPACITY BASED ON CLINKER – 2014

	Number of operating kilns	Average operating kiln age (years)	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
<b>TOTAL</b>	<b>17</b>	<b>37</b>	<b>14,500</b>

- ☐ Production capacity determined by kiln instead of milling capacity
- ☐ SepCem to introduce 1,8 mtpa clinker capacity
- ☐ \*Clinker capacity forecast to increase to 16,2mtpa from 14,1mtpa in 2017 due to new entrants

Source: Sephaku Cement research – 2014.

\*UBS Global Equity Research by Kwame Antwi - 18 August 2014.

## 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



## SEPCEM MARKET READINESS CAMPAIGN

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Dedicated team established to execute the client management drive in its bag and bulk markets

- Attained over 1000 delivery points in targeted markets to date



Focus on delivering consistent quality cement products and offering excellent service to the market



Efficient outsourced cement delivery function is a major element of the campaign



SepCem product distributed into inland markets namely:

- Gauteng, Mpumalanga, Limpopo and North West provinces
- Will ramp up cement volumes at both plants in line with market demand

# SEPCEM COMMENCES CLINKER PRODUCTION



## Aganang

- Aganang integrated plant commenced production of clinker on 20 August 2014
  - Establishing SepCem as a key cement producer in the country



## Delmas

- Delmas milling plant commenced cement production in January 2014
- First load of clinker from Aganang delivered in August 2014
- Capacity utilisation at annualised 80%, targeting mainly the inland bag market
- Increasing presence in the market through various distribution channels

## LOGISTICS OVERVIEW

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Five major contractors have been selected as main transporters

- Three of the contractors transporting return bulk consignments between Aganang and Delmas
- Back – haul logistics advantage between Delmas and Aganang attained



Several process systems and plans have been developed to increase loading efficiency at the plants

- Which will contribute significantly in ensuring the superior service promise



SepCem owned extender source ,Sephaku Ash, located 34km from Delmas

- Extender constitutes 40% content of the 32.5R cement strength targeting the bag market

**OUR BRANDS ALWAYS GET TO THE MARKET**



## COMPLEMENTARY SEPCEM OPERATIONS

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### ❑ North West limestone mine

- Situated right next to the Aganang plant with an expected life of mine at 30 years
- Limestone to be mined opencast at a rate of 1.64 million tonnes for 1.0 million tonnes of clinker
- Extensive quality control will be done on drilling of reserves, and real-time QC on run-of-mine material as it passes through the crushing circuit

### ❑ Dwaalboom limestone project

- Situated 80 km west of Thabazimbi, 10 km south of Dwaalboom
- Non-samrec resource estimation at 85 million tonnes
- Strategically located in close proximity to northern inland market

### ❑ Sephaku Ash

- Situated within the Kendal power station premises
- Process approximately 800ktpa of fly ash

# MÉTIER MIXED CONCRETE PLANT



# MÉTIER SUCCESSFULLY EXPANDS INTO GAUTENG



In line with the expansion plans to increase plant footprint and gain market share in the Gauteng province ;

- Métier commenced production at a fourth plant with a capacity of 70m<sup>3</sup> /hour in September 2014
- Métier has a complement of 11 plants including 7 in KwaZulu Natal province



## FY2014 Highlights

- A plant with a capacity of 70m<sup>3</sup>/hour was added to Métier's Gauteng footprint
  - Commenced supplies from its new Chloorkop concrete mixing plant, on time and within budget, in April 2013
- Specialised concrete and Gauteng sales accounted for 29% and 40% of total sales respectively
- Maintaining gross margin while gaining market share is a key focus area

# Born in the New SA



Sephaku Cement was born in the New South Africa; the South Africa that today celebrates its democracy's 20th anniversary. A new South Africa, a new democracy, and a new freedom to choose. And, just like you have the freedom to choose your government, you have the freedom to choose your cement. Sephaku Cement is the first new entrant into the cement industry in 80 years: a new cement for a new South Africa. Choose freedom. Choose new. Choose Sephaku Cement. We're not the only choice; we're the obvious choice.

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



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