



**Investor Presentation : Investec Wealth**

**27 February - Johannesburg**

# DISCLAIMER

---

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.

# AGENDA

## Sephaku Holdings H1FY15 - Neil (FD)

- ❑ Interim performance
- ❑ Share price performance

## Operational overview - Lelau (CEO)

- ❑ Sephaku Cement (SepCem)
- ❑ Métier Mixed Concrete (Métier)

## Investment case - Lelau (CEO)

## Questions



# 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) 





# KEY HIGHLIGHTS FOR THE INTERIM PERIOD

---

- ❑ Revenue essentially from Métier with SepCem equity accounted
- ❑ Métier added another plant to the Gauteng footprint in September 2014
  - **Revenue**  by **34%** to R404,2 million (2013: R301,6 million)
  - **EBITDA**  by **41%** to R77,5 million (2013: R55,1 million)
  - **EBIT**  by **43%** to R62,6 million (2013: R43,7 million)
- ❑ Delmas milling plant at 80% annualised capacity utilisation by September 2014
  - Milling started mid-January 2014 with purchased clinker
- ❑ Clinker production commenced on 20 August 2014 at Aganang
  - Internally produced clinker significantly reduced input costs
  - Delmas has been exclusively milling Aganang clinker since early September

NB – FY2015 interim period to end of September 2014

# INCREASING GROUP EARNINGS

---

- ❑ Group net loss of R3,7 million:
  - SepHold accounted for a non-cash once off contingent consideration loss of R22,2 million for the outstanding R100 million share based Métier acquisition payment
    - SepHold comprehensive loss of R31,6 million
  - SepHold operating loss of R5,8 million:
    - Included R2,3 million non-cash expenditure for the vesting of options
  - SepCem loss after tax of R25,9 million was due to market entry expenditure and low margin cement from purchased clinker:
    - SepHold's equity-accounted loss of R9,3 million\*
- ❑ Group EBITDA of R38,2 million compared to R40,3 million for the interim period 2013
- ❑ Headline loss per share of 2,0 cents and normalised headline earnings per share of 9,69 cents
- ❑ Basic loss per share of 1,96 cents

\* NOTE: SepCem year end is December, results up to end of June accounted for in the interim reporting period

# LUCRATIVE MÉTIER ACQUISITION SETTLED



## Equity

- ❑ Total purchase consideration of R365 million:
  - Initial settlement on 28 February 2013
    - Cash payment of R110 million and issuance of 5 million shares at R6 per share amounting to R30 million
    - Second tranche of 11.1 million shares at R9 per share amounting to R100 million
  - Final settlement on 1 December 2014:
    - Cash payment of R117million for the outstanding R125 million adjusted for uncollected debtors
    - Issuance of 4 429 196 as additional consideration for the difference between the minimum required payment of R100 million and the second consideration shares multiplied by the 60-day VWAP of approximately 643 cents
- ❑ Resultant dilution of 10% for earnings per share contribution of 40 cents per share



## Debt

- ❑ A revolving debt facility held in Métier for R150 million enabled SepHold to settle the initial R110 and final R117 million acquisition cash payments

\* NOTE: SepCem year end is December, results up to end of June accounted for in the interim reporting period

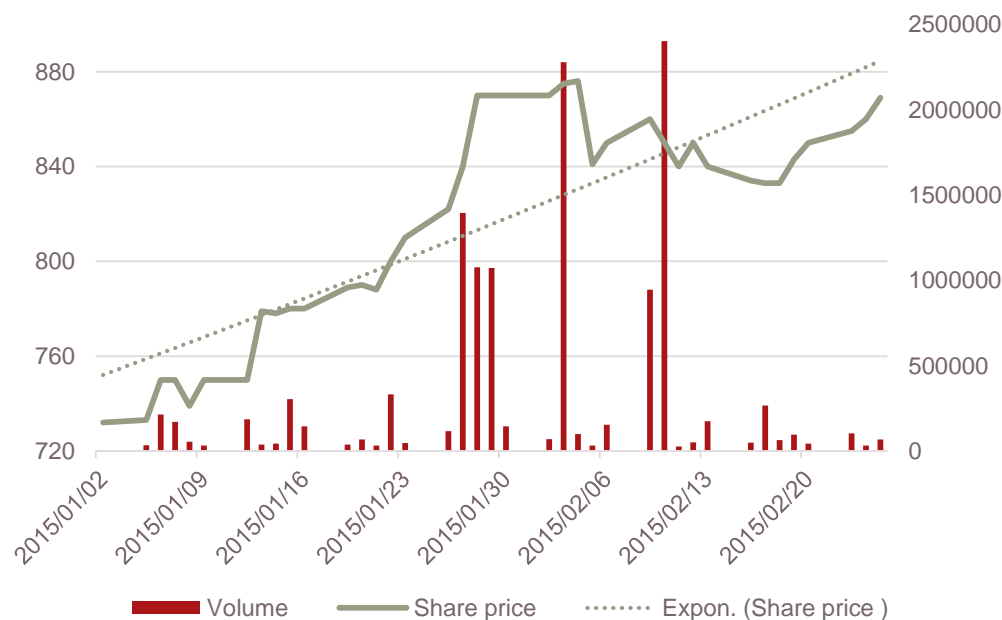
# POSITIVE OPERATING CASH FLOWS

- ❑ Net operating cash flow of R34,8 million (2013: R17,7 million) improved by cash generated of R58,1 million
- ❑ Net investing cash outflow increased due to R23,4 million expended on:
  - acquisition of trucks
  - additions to plants
- ❑ Cash outflow from financing activities of R23,5 million as repayment for financial liabilities
  - proceeds from financial liabilities of R18,9 million



# SHARE PRICE ON AN UPWARD TREND

Share ticker: JSE (MAIN)	SEP
Sector	Construction and Materials
Listing	2009
Issued shares	201 149 508
Closing price as at 25 February 2015	869cents
Average value traded per week	13 193 729
Average volume traded per week	1 558 416
Market capitalisation	1 747 989 224



- ~20% return since 2 January 2015
- Highest 52 week price at R9.01
- Increased interest from institutional investors



# OPERATIONAL OVERVIEW : SEPCEM



Above: Aganang integrated plant

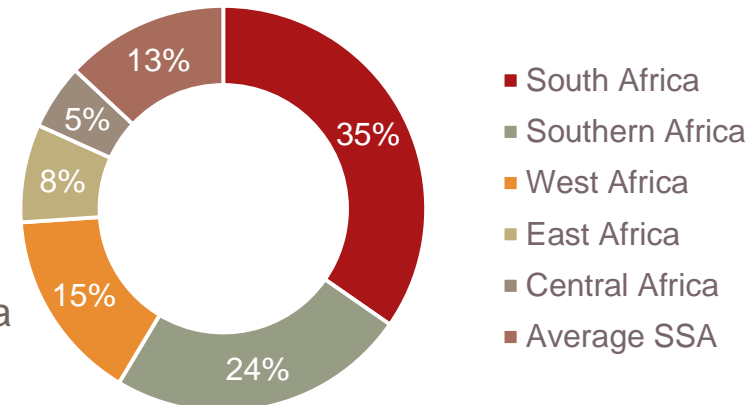
Below: Delmas milling plant



# KEY PARAMETERS INDICATING RECOVERY

- ❑ Cement demand growth in developing countries typically increases at a multiplier of 1.5 to GDP
  - Sephaku Cement long term demand growth projection at 4.5%
- ❑ <sup>1</sup>UBS research projects cement demand at 2% and 4% for 2014/2015 respectively
- ❑ <sup>2</sup>BofAML's cement sales growth forecast at 3.7% and 5.2% for 2014/2015 respectively in line with fixed investment spend forecast
- ❑ Urbanisation expected to create impetus for infrastructure expenditure in the medium term
- ❑ Cement consumption peaks at approximately 700kg in developed markets
- ❑ Sub Sahara Africa consumption with significant demand growth upside at an average of 150kg per capita

<sup>3</sup>SSA Cement consumption for key markets per capital breakdown of 650kg total in 2013



Sources: SepCem Research.<sup>1</sup>UBS Global Equity Research by Kwame Antwi - 18 August 2014. <sup>2</sup>Bank of America Merrill Lynch Equity Research , Sub- Sahara Africa Cement research report by Rasia Naidoo - 3 September 2014 . <sup>3</sup>BofA Merrill Lynch Equity Research : 3 September 2014



# INDUSTRY CAPACITY BASED ON CLINKER – 2014

	Number of operating kiln(s)	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>
<b>SepCem</b>	<b>1</b>	<b>0.6</b>	<b>2,500</b>

- ❑ Cement production capacity determined by kiln instead of milling capacity
- ❑ SepCem to introduce 1,8 mtpa clinker capacity resulting in 2,5mtpa cement capacity

Source: Sephaku Cement research – 2014.

# SEPCEM'S COMPETITIVE EDGE



## High energy efficiency

- Guaranteed 95kWh utilisation



## Logistical advantage

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



## Inland market focus

- Coastal prices being impacted by imports



## Minimal maintenance

- Low costs due to brand new plants



## Consistent cement quality

- Single 6 000 tonnes per day clinker kiln



## Low environmental impact

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

# **<sup>1</sup>INTERIM PERFORMANCE**

## **SEPCEM SUCCESSFULLY PENETRATES INLAND MARKETS**

---

- ❑ SepCem brand in Gauteng, Limpopo, Mpumalanga, Free State and North West
- ❑ Prices were under pressure in isolated provinces, however average pricing at the prevailing industry level
  - SepCem's operational efficiencies providing significant competitive advantage over competitors
- ❑ SepCem delivering to all of the four large retail market distributors
  - Balance supplied to the smaller regional and retail channels
  - Bulk market penetration rate lower than for the retail market due to :
    - Purchased clinker limiting ability to carry out requisite product tests
    - Long adoption cycle by the technical (bulk) users
- ❑ Achieved R515 million revenue for the nine months ended September 2014

<sup>1</sup>SepCem year end is December, results up to end of June accounted for in the interim reporting period

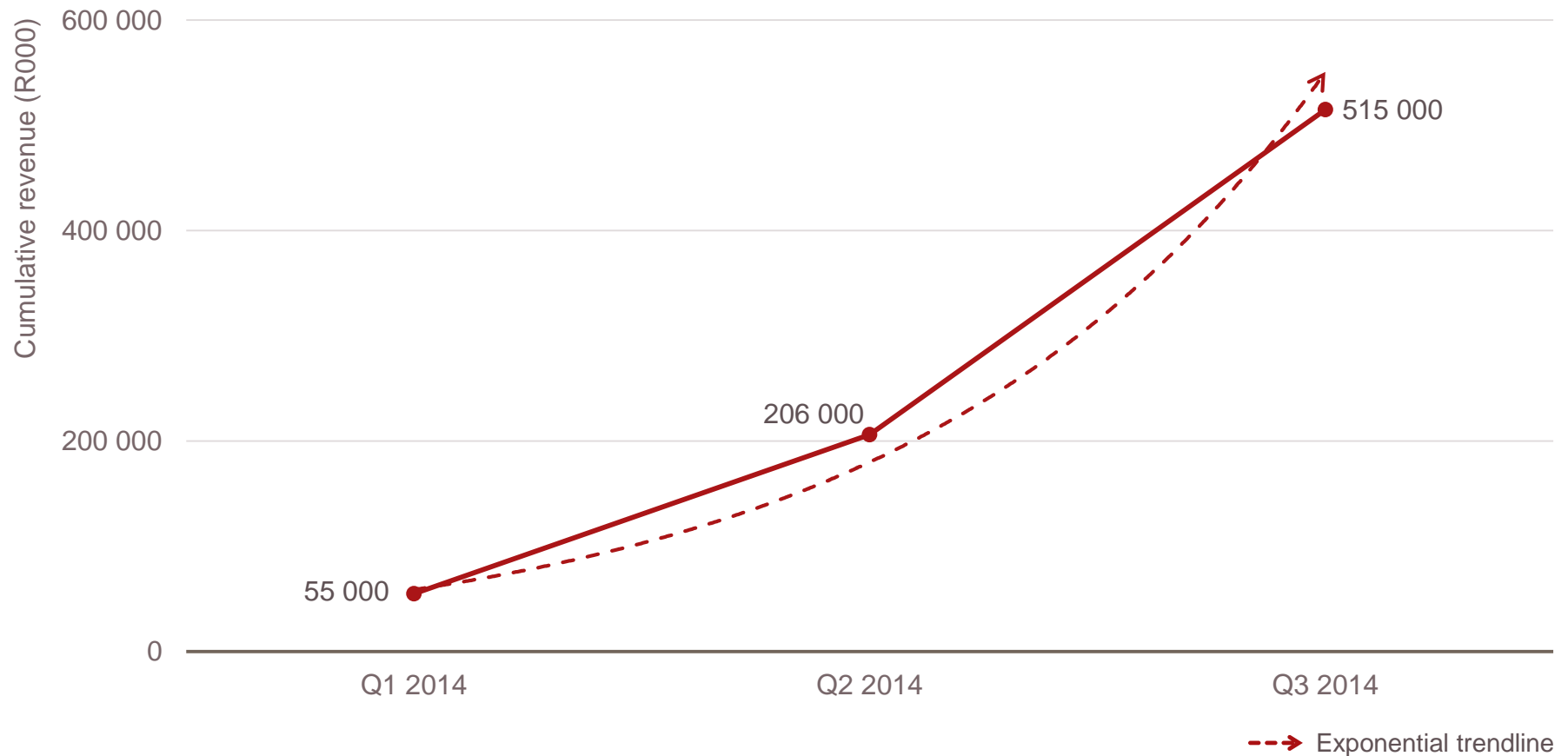


# SEPCEM INCREASES PRESENCE IN THE INLAND MARKETS



Highly competent sales and marketing team headed by seasoned industry executives

## Sephaku Cement's revenue profile for the 9 months ended September 2014



# OUR PRODUCTS ALWAYS GET TO THE MARKET





# OPERATIONAL REVIEW : MÉTIER PLANT



# MÉTIER EXPANSION SUCCESSFUL



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
- ❑ Métier had a strong order book with new contracts worth more than R250 million recently secured by end of September 2014



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



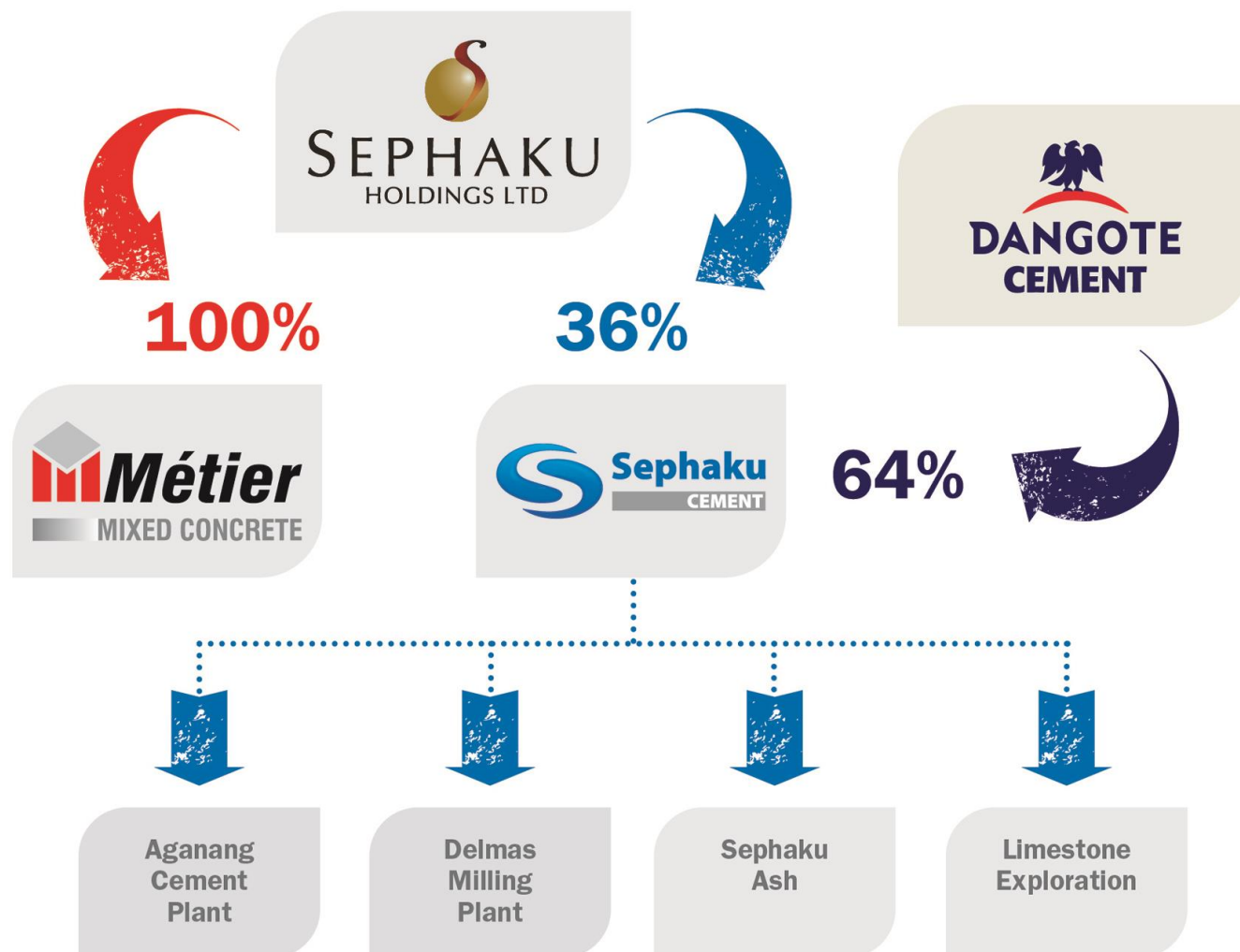
# QUESTIONS ??



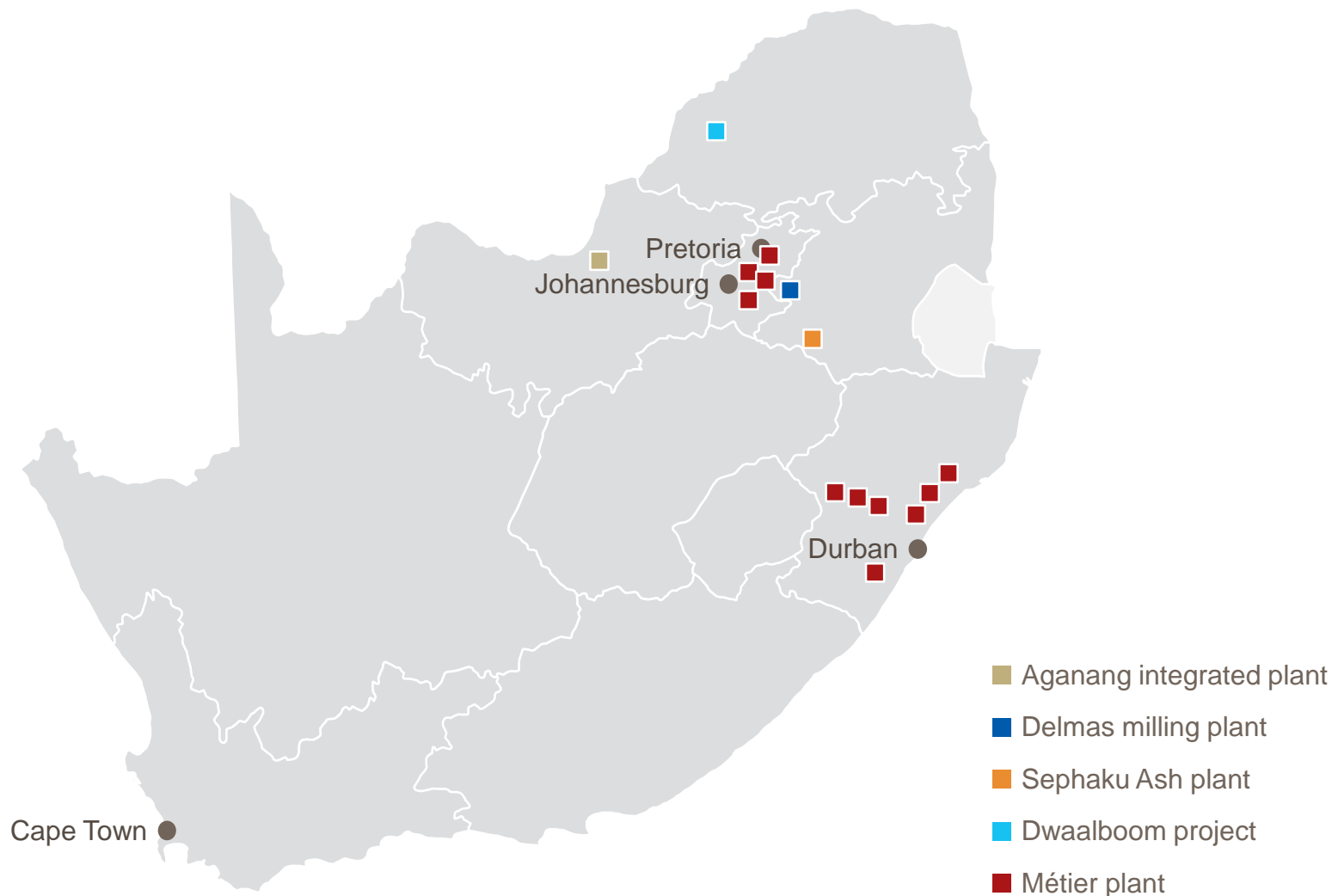




# THE SEPHAKU HOLDINGS STRUCTURE



# OVERVIEW - LOCATION OF ASSETS



Note: Project locations not actual but indicative for illustrative purposes



# COMPLEMENTARY SEPCEM OPERATIONS

## ❑ Limestone mine (North West)

- Situated adjacent to the Aganang plant and with an expected life of mine at 30 years
- Limestone is mined opencast at a rate of 1.6 million tonnes for 1.0 million tonnes of clinker
- Extensive quality control is conducted on the drilling of reserves and real-time quality control on run-of-mine material as it passes through the crushing circuit

## ❑ Sephaku Ash

- Situated within the Kendal power station premises
- Processes approximately 800ktpa of fly ash
- Fly ash used as an extender of the cement

## ❑ Dwaalboom limestone project

- Situated 80 km west of Thabazimbi and 10 km south of Dwaalboom
- Non-samrec resource estimation at 85 million tonnes





# BOARD OF DIRECTORS

## BRENT WILLIAMS

**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

**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 MPHO MAKWANA

**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

**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 CRAFTFORD-LAZARUS

**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

**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.

# BOARD OF DIRECTORS

---

## **PIETER FREDERICK FOURIE**

**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.

## **MOSES MODIDIMA NGOASHENG**

**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.

## **KENNETH CAPES**

**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.

## **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.

20



SEPHAKU  
HOLDINGS LTD

## CONTACT

Sakhile Ndlovu

Investor relations officer

Tel: + 27 12 612 0210

Email: [sakhile@sepman.co.za](mailto:sakhile@sepman.co.za)

Website: [www.sephakuholdings.com](http://www.sephakuholdings.com)