



SEPHAKU
HOLDINGS LTD

INVESTOR PRESENTATION
MORGAN STANLEY:
OFF PISTE CONFERENCE
CAPE TOWN
30 SEPTEMBER 2015



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.

- **Strategic company overview**

Dr Lelau Mohuba: *Chief executive officer*

- **SA cement industry overview**

- **Financial performance highlights**

Neil Crafford-Lazarus: *Financial director*

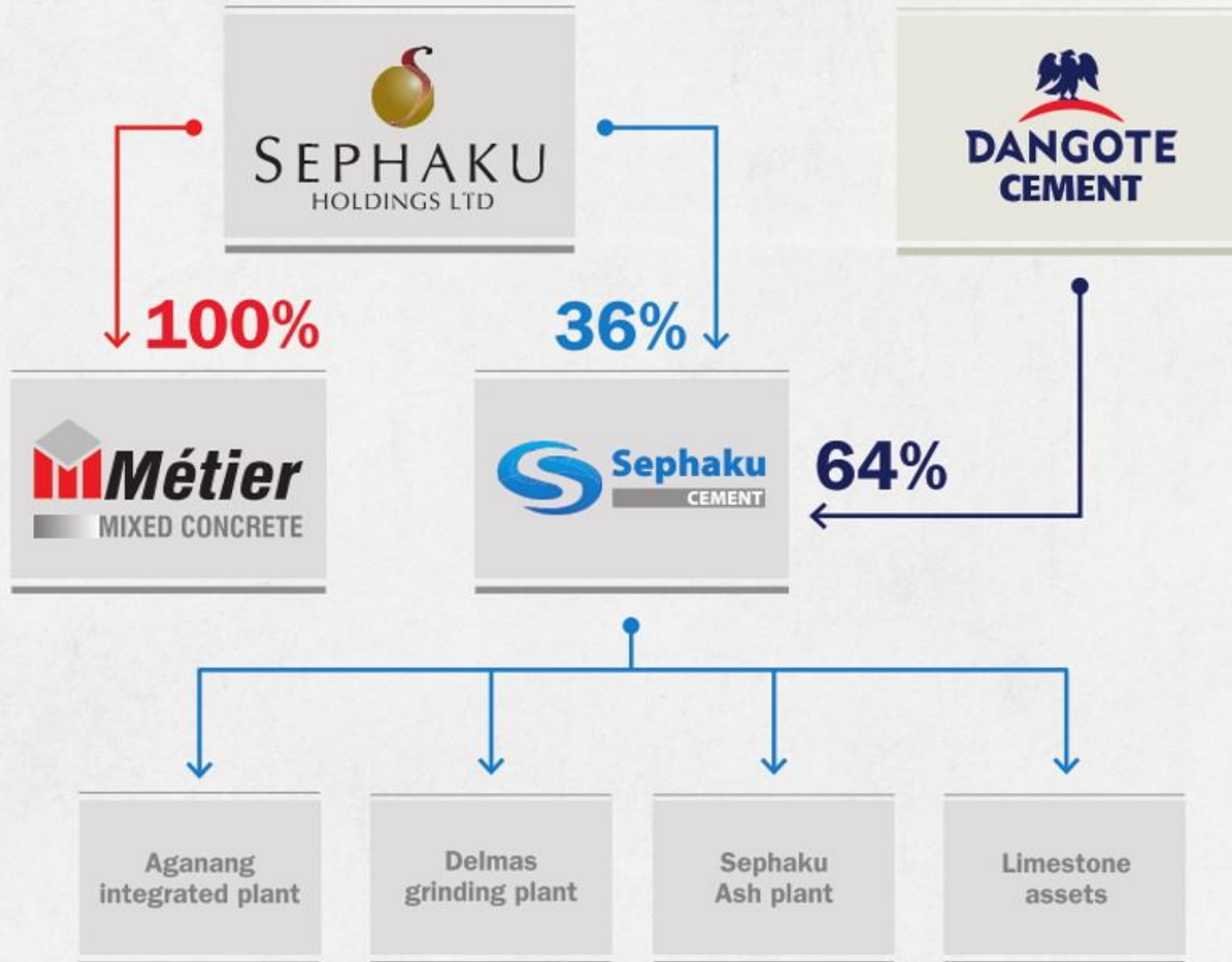
- **Investment case**

- **Outlook**

STRATEGIC COMPANY OVERVIEW

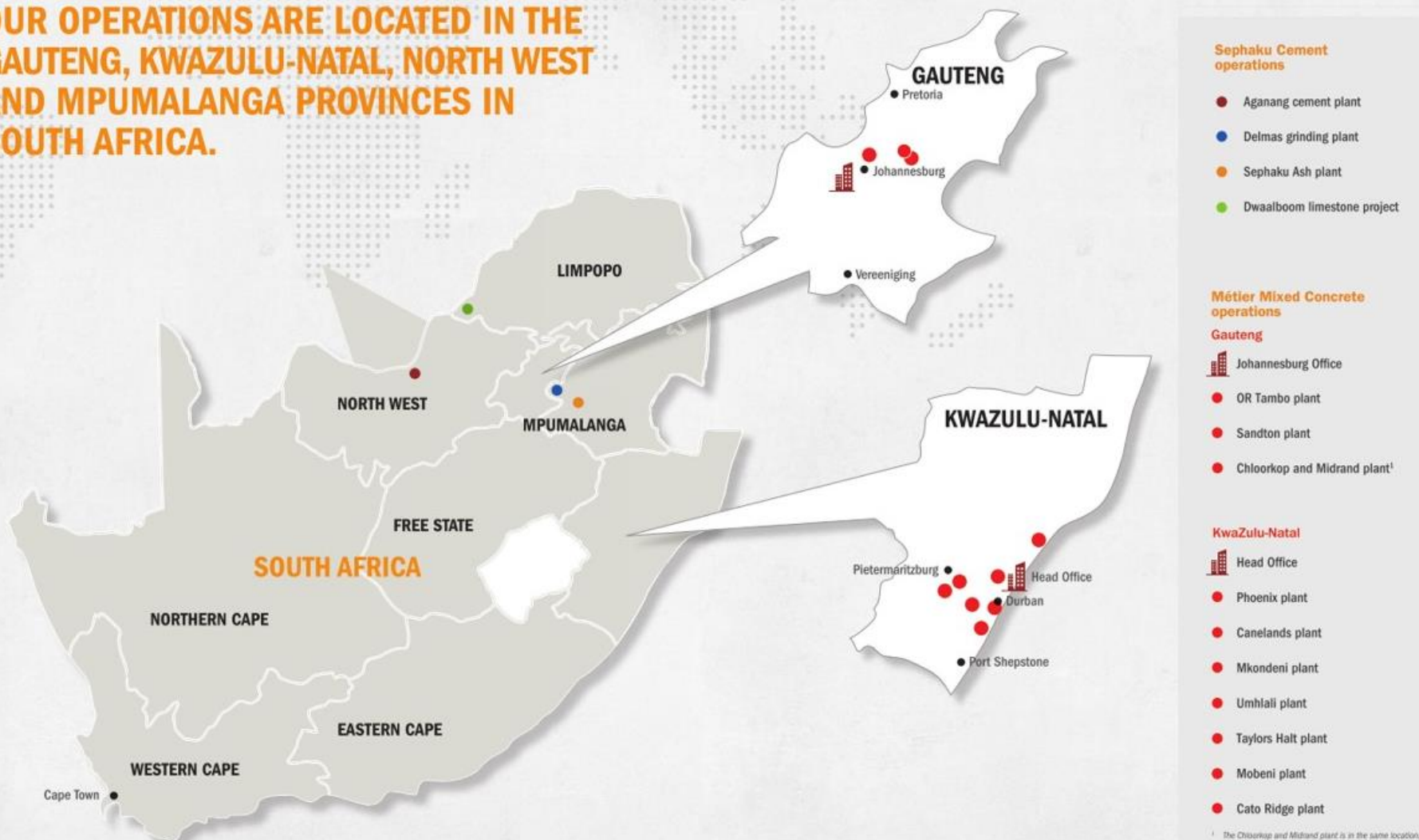


THE SEPHAKU HOLDINGS STRUCTURE



LOCATION OF ASSETS

OUR OPERATIONS ARE LOCATED IN THE
GAUTENG, KWAZULU-NATAL, NORTH WEST
AND MPUMALANGA PROVINCES IN
SOUTH AFRICA.



Note: Project locations not actual but indicative for illustrative purposes

KEY MILESTONES

SepHold listed on the JSE

Acquisition of Métier



2011

2014

2009

2013



Construction of SepCem
plants started

SepCem started producing
clinker and cement

The group is anchored by the following cornerstones

Deep technical, project management and marketing **skills**

Experienced key management with comprehensive industry knowledge and experience in cement and concrete manufacturing

Leading technologies that facilitate the production of high quality cement and mixed concrete

Modern, highly efficient cement plants with state-of-the-art equipment and infrastructure
Compact mixed concrete production plants

Customer focus through service excellence

Métier has built brand equity through its innovative specialised concretes and superior service offering

Strategic relationships and **deal-making abilities**

The group has developed robust relationships with the key stakeholders including the retail distribution channel, communities, funders and suppliers

SEPCEM'S COMPETITIVE EDGE



HIGH ENERGY EFFICIENCY

- Guaranteed 97,5 kWh/tonne utilisation
- Relative cost saving of 25-30%



LOGISTICAL ADVANTAGE

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



INLAND MARKET FOCUS

- Coastal margins being impacted by imports



MINIMAL MAINTENANCE

- Low costs due to brand new plants



CONSISTENT CEMENT QUALITY

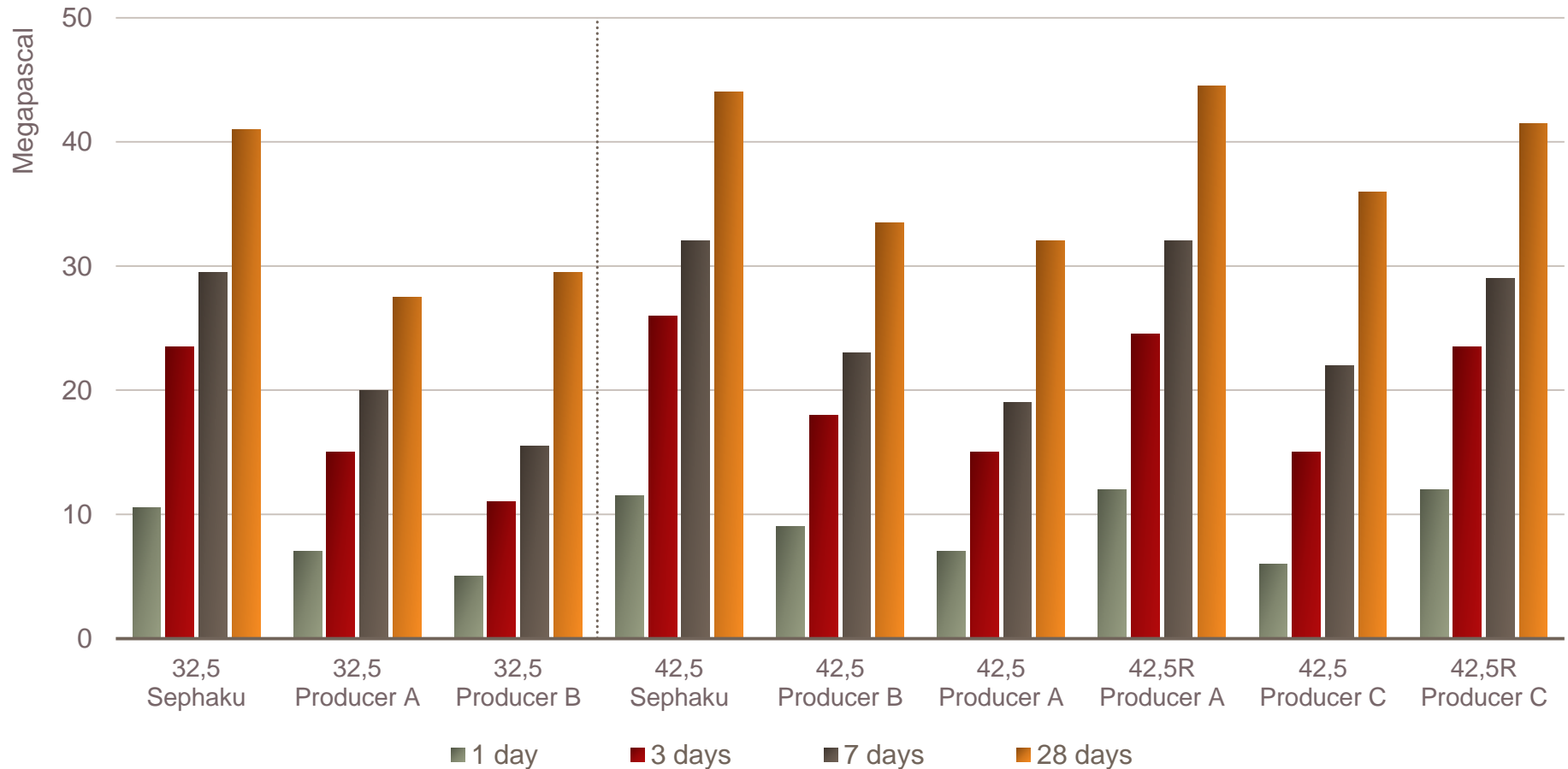
- Critical characteristic for penetrating the bulk market



LOW ENVIRONMENTAL IMPACT

- Low particle emissions of approximately 30mg/Nm³

CEMENT STRENGTH PERFORMANCE – CONCRETE COMPARATIVE



Source: Results from tests done by an independent technical consultancy commissioned by Sephaku Cement – 2014

HISTORICAL PERFORMANCE HIGHLIGHTS

SepCem

- Aganang integrated and Delmas milling plants at steady state production
- Production of clinker from Aganang commenced in August 2014 improving cost efficiencies by 50%
- SepCem supplying approximately 80% of the production output into inland markets
 - Balance supplied into the second largest market of KZN

Métier

- Métier sales continued to grow in spite of a highly competitive environment
 - Fleet increased by 23% and pumping capacity by 20% in the past financial year
- Secured four anchor contracts for an 18-month period from April 2015
- All eleven plants located in the main markets of KZN and Gauteng operating well

Main focus for the medium term is the creation of shareholder value through sustainable earnings and growth by:

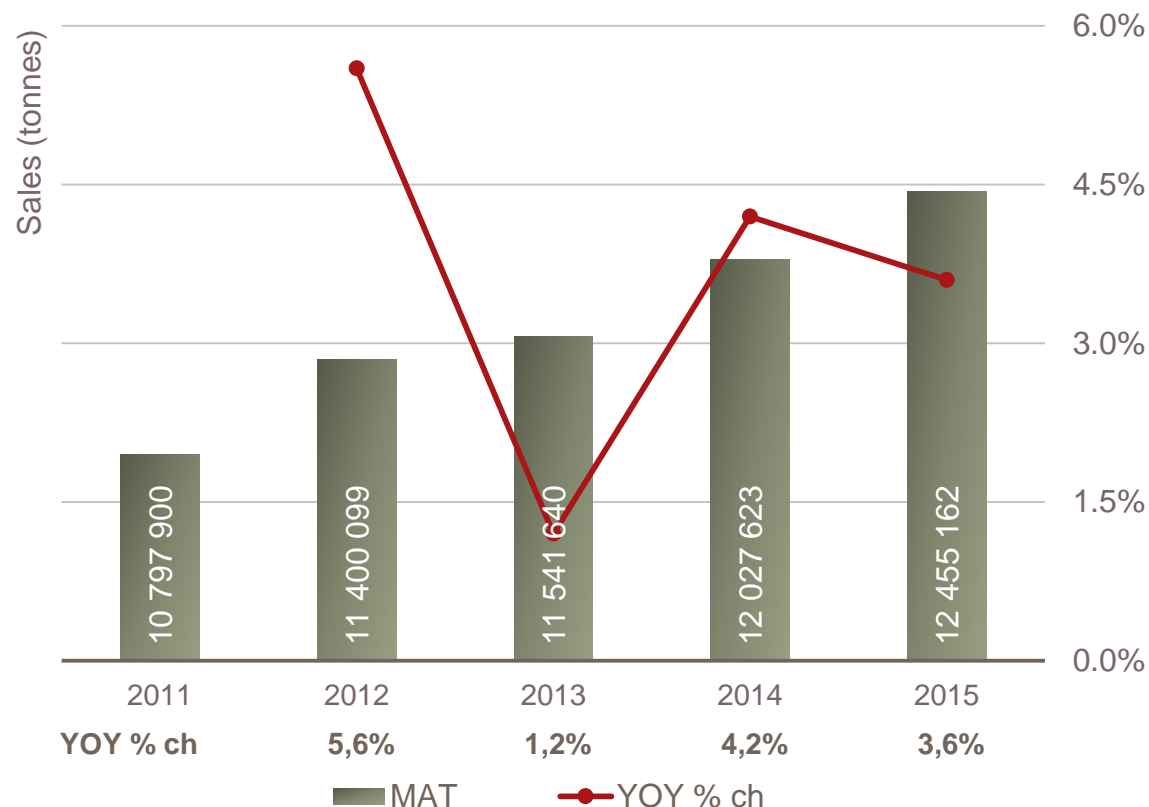
- ensuring that the operations adhere to their respective action plans to strengthen their balance sheets by **reducing debt in order to increase free cash flow** in preparation for the distribution of dividends to the shareholders
- ensuring that the operations become leaders in producing high-quality products and implement effective marketing activities that **secure market share and maximise margins**
- ensuring that the operational focus areas include strategically optimising logistics between plants and market to **improve cost efficiencies**



OVERVIEW OF THE SA CEMENT INDUSTRY



CEMENT SALES VOLUME PERFORMANCE



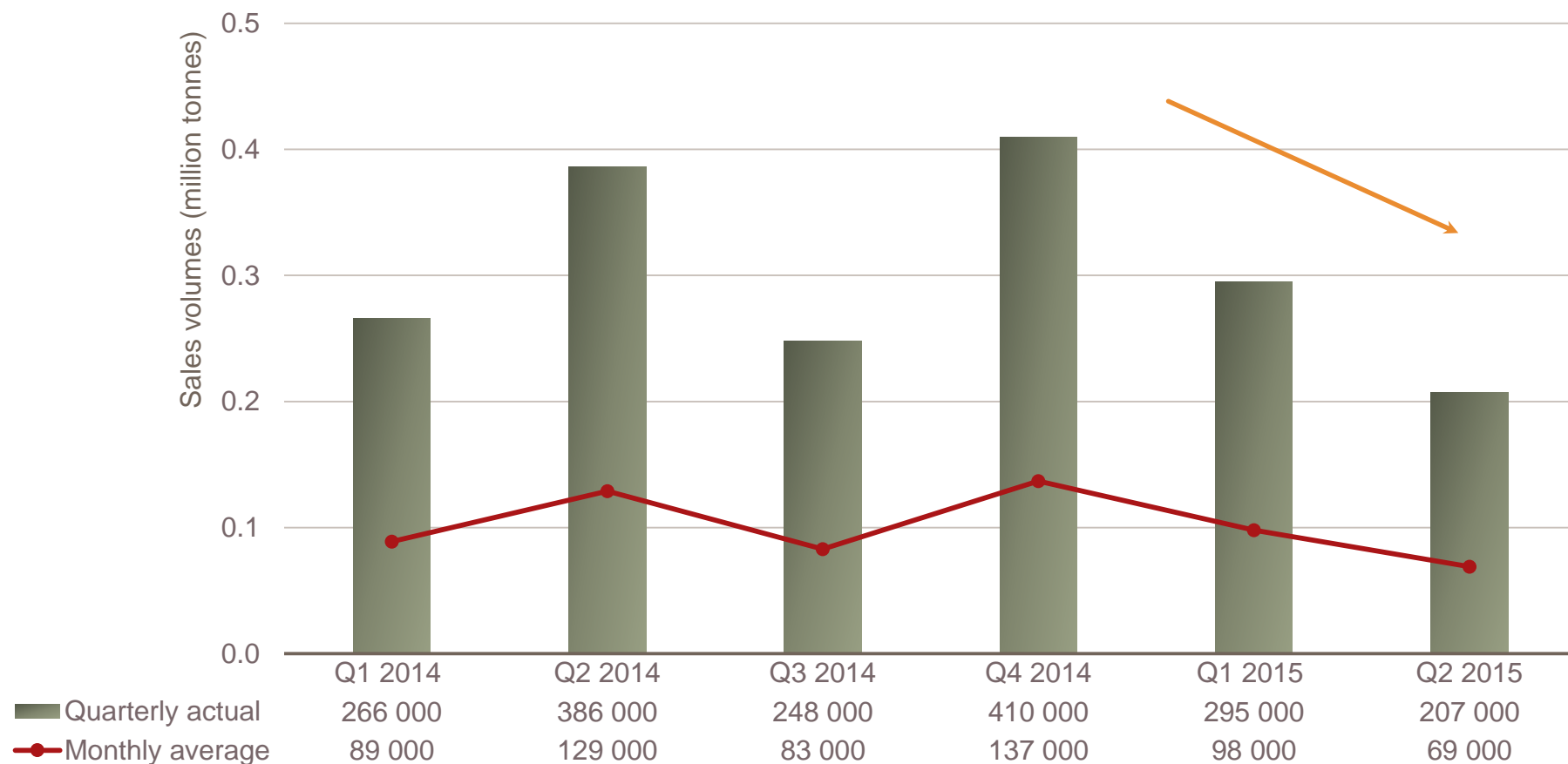
- In 2014 imports estimated at 1,3 million tonnes and domestic sales at 12,1 million tonnes
 - Implied total demand at approximately 13,4 million tonnes
- Total demand for 2015 to be relatively flat at 3,5% to 13,8 million tonnes based on sales volume quarterly data and projected imports

Source: Data from the quarterly cementitious sales data as published by Levitt Kirson in July 2015 based on local producers for Q1 2015. Volumes do not include Botswana, Lesotho, Swaziland, Namibia and imported volumes

CEMENT IMPORTS & NEW ENTRANT

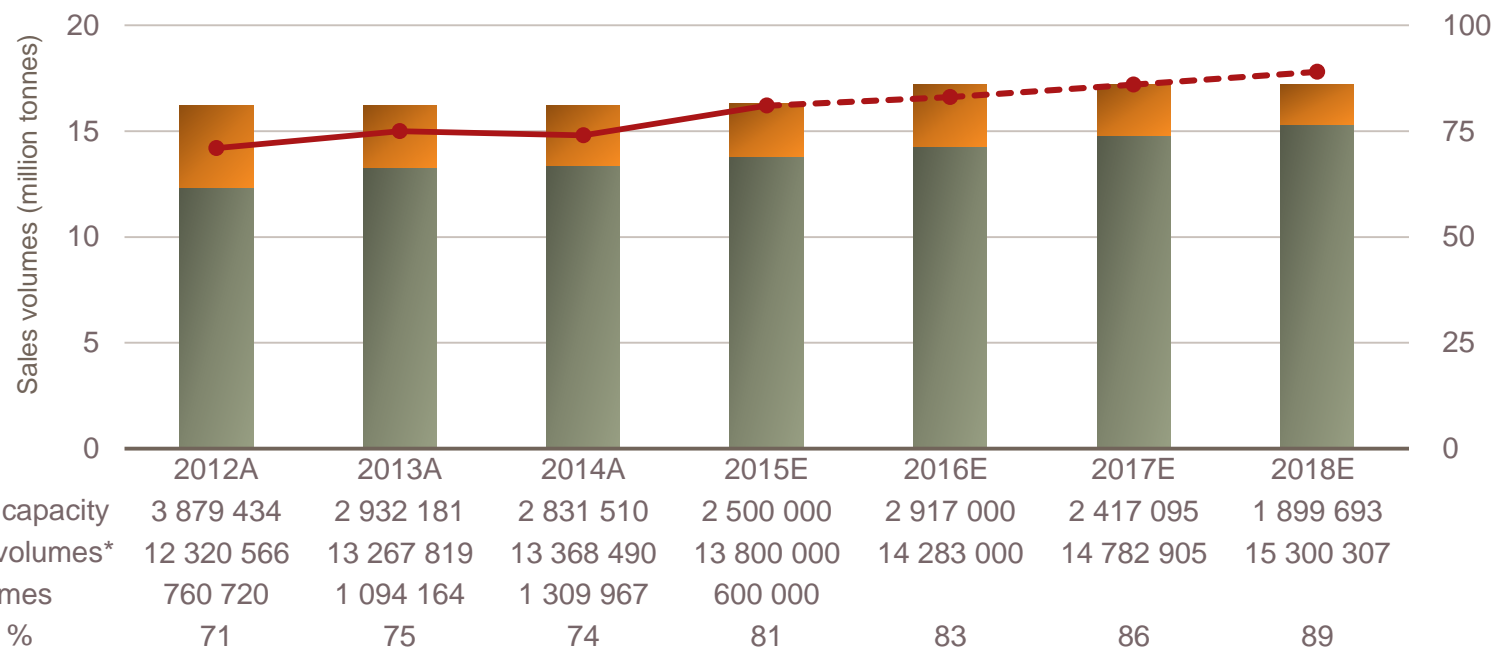
- Increasing volumes of imports from approximately 500 000 tonnes in 2011 to 1,3 million tonnes in 2014 resulted in downward pricing pressure
- ITAC imposed tariffs have resulted in an immediate reduction in import activity with no imports into KZN in August 2015
 - All importers have halted imports except for Lucky Cement who had the least tariff rate of 14,29% imposed
 - Lucky Cement prices have since increased to approximate the level of local producers
- Ultimate impact on imports will depend on
 - Final ITAC decision on the duties expected in November
 - USD/ZAR exchange rate trend
- A new entrant with cement capacity of 1 million tonnes per annum expected to place additional pressure on producers with older and inefficient capacity
 - The entrant has disclosed that the planned commencement of operations is Q1 2016
 - Downward pricing pressure to continue until CY 2017
- SepCem well positioned to defend its market share because of superior cost efficiencies

IMPORTED VOLUMES ON A DOWNWARD TREND



Source: SARS, Sephaku Cement research – July 2015

POSITIVE DEMAND GROWTH TREND



Projected demand volumes as at 2015 implying increased capacity utilisation

- Utilisation based on available domestic production capacity of 16,2 million tonnes per annum up to 2015 and 17,2 million tonnes from 2016 onwards based on clinker
- Increased volumes to improve efficiencies and margins for the industry
- Demand volumes exclude Botswana, Lesotho and Swaziland at ~600 000 tonnes per year
- Expectation that producers with inefficient capacity will continue to retire the oldest kilns
- Import volumes trend from 2016 unknown

* Figures include the imported volumes. Source: SARS, Levitt Kirson quarterly cementitious data, Sephaku research – September 2015

FINANCIAL PERFORMANCE OVERVIEW



Above: Aganang integrated plant

Below: Delmas milling plant



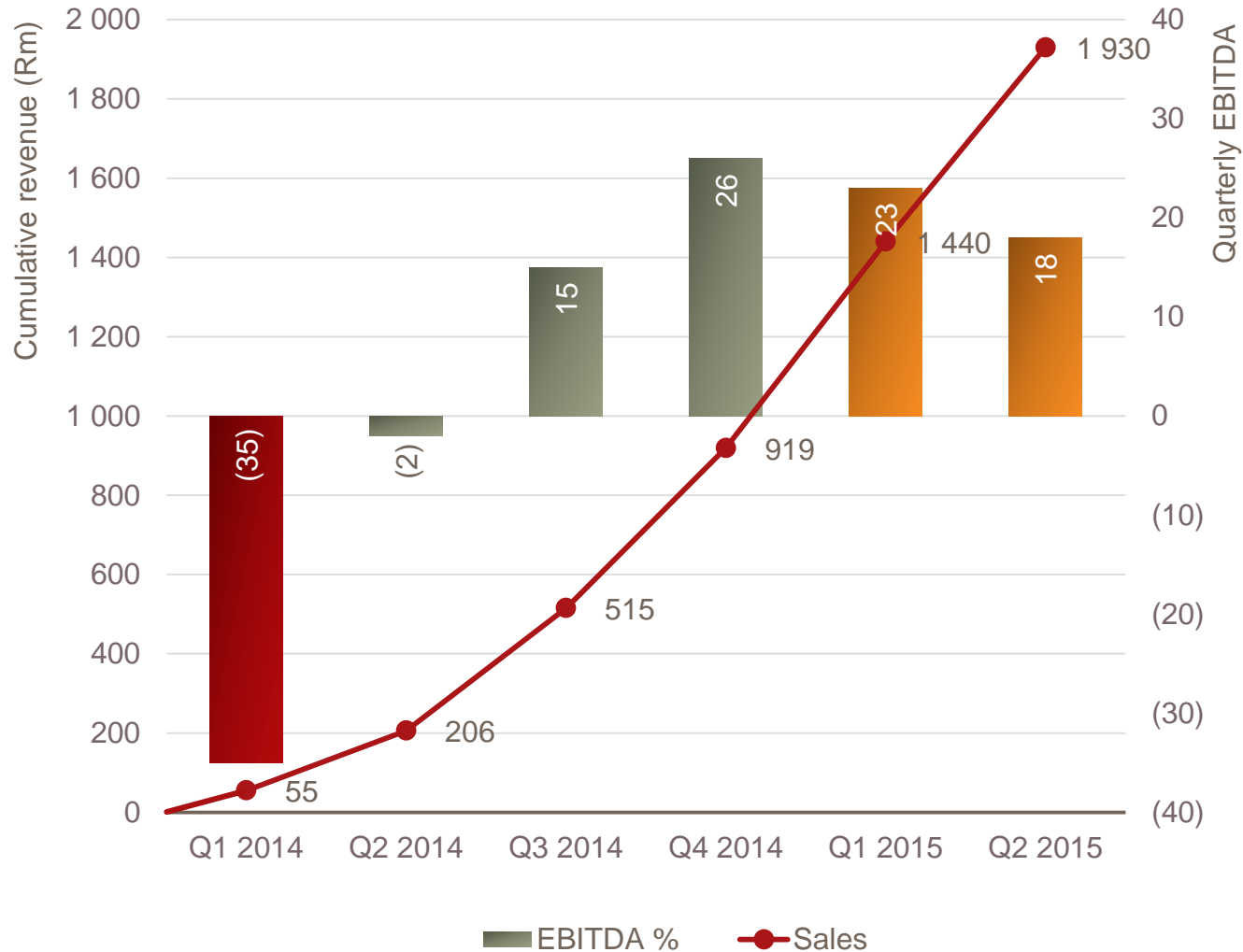
KEY HIGHLIGHTS TO DATE

- Métier stellar performance persisted to the end of financial year 2015
 - Revenue ▲ by **36%** from R571,5 million to R775,4 million
 - EBITDA ▲ by **39%** from R100,0 million to R139,1 million
 - Operating profit ▲ by **44%** from R75,5 million to R108,9 million
 - Consistently performing better than peers at an average EBIT margin of 14%
 - Profit after tax ▲ by **57%** from R41,3 million to R64,7 million

- ¹SepCem successful penetration of the market demonstrated by exceptional growth
 - Cumulative revenue of R2 billion in 18 months since January 2014
 - Successful market penetration strategies ensured ramp up of sales to R919 million in 12 months to the end of December 2014
 - Six-months revenue to end of June 2015 at R1 billion in a highly competitive environment
 - EBITDA margin has continued to increase to 21% for the interim period 2015 with industry average estimated at 25%

¹ SepCem has a December year-end as a subsidiary of Dangote Cement Plc

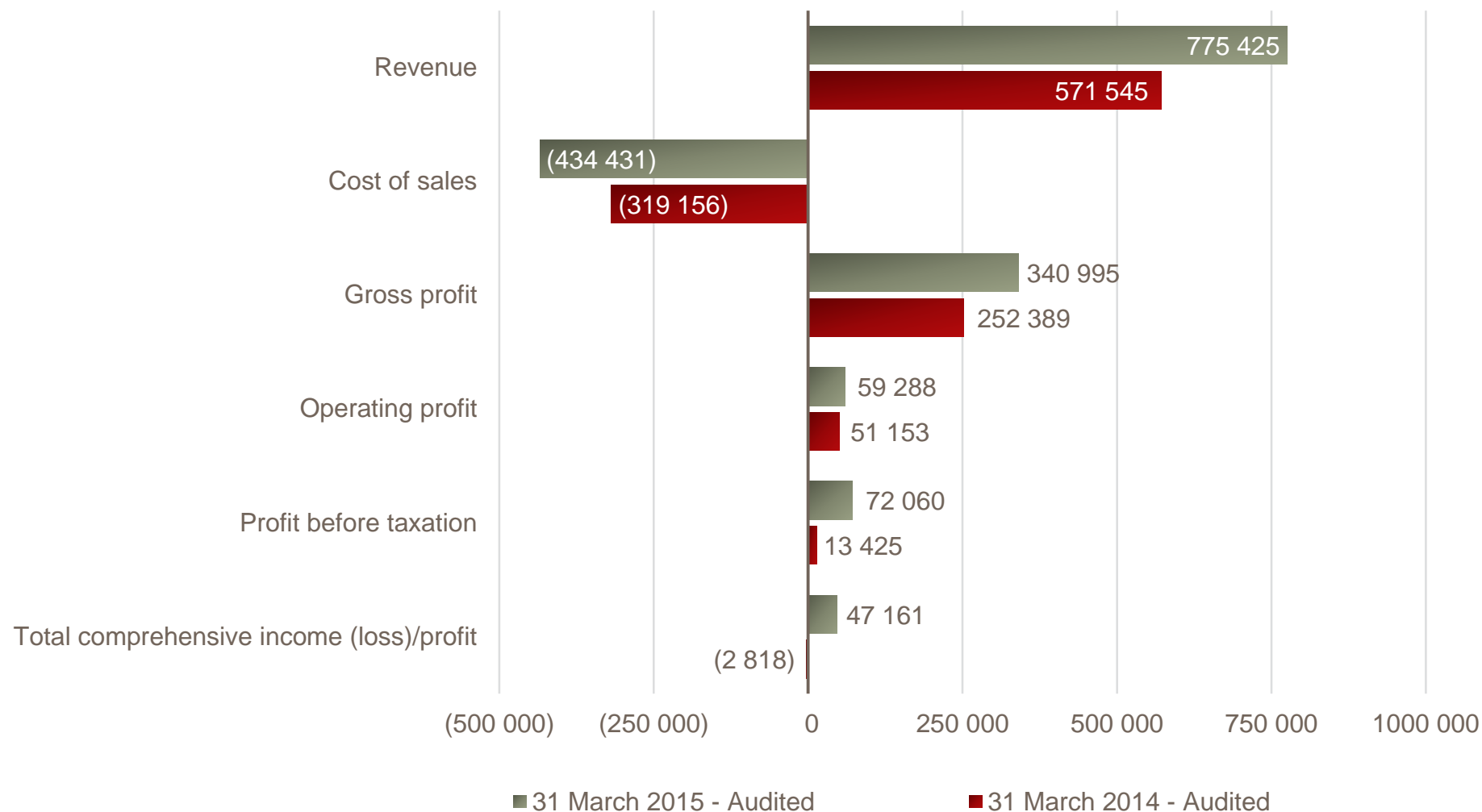
SEPCEM REVENUE AND PROFITABILITY PROFILE



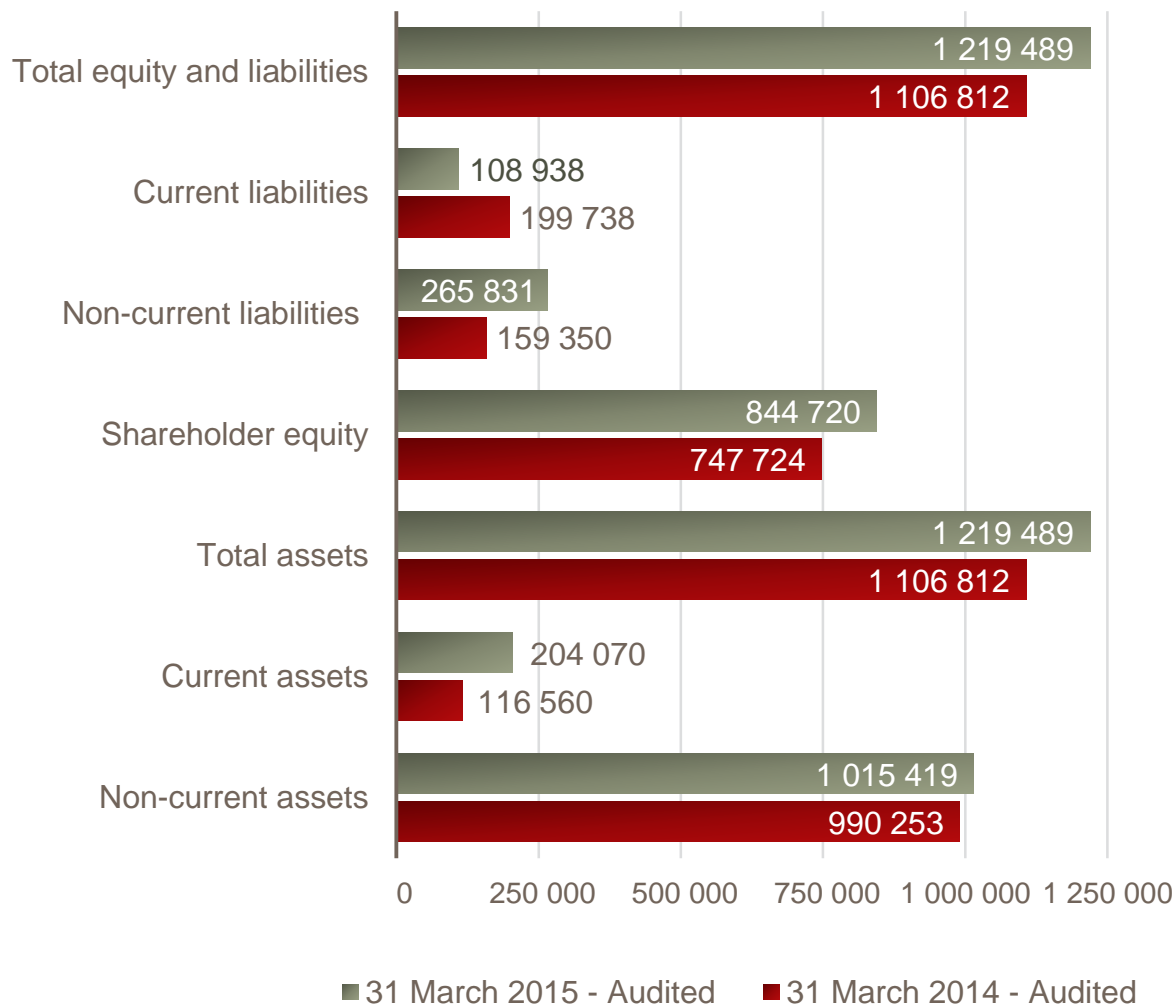
- SepCem Q2 2015 revenue of R490 million and EBITDA at 18% due to kiln downtime at Aganang
- Cumulative revenue in 18 months to end of June 2015 at ~ R2 billion
- Total volume sold of 780 000 tonnes for the year ended December 2014



FOCUS ON EARNINGS GROWTH (R'000)



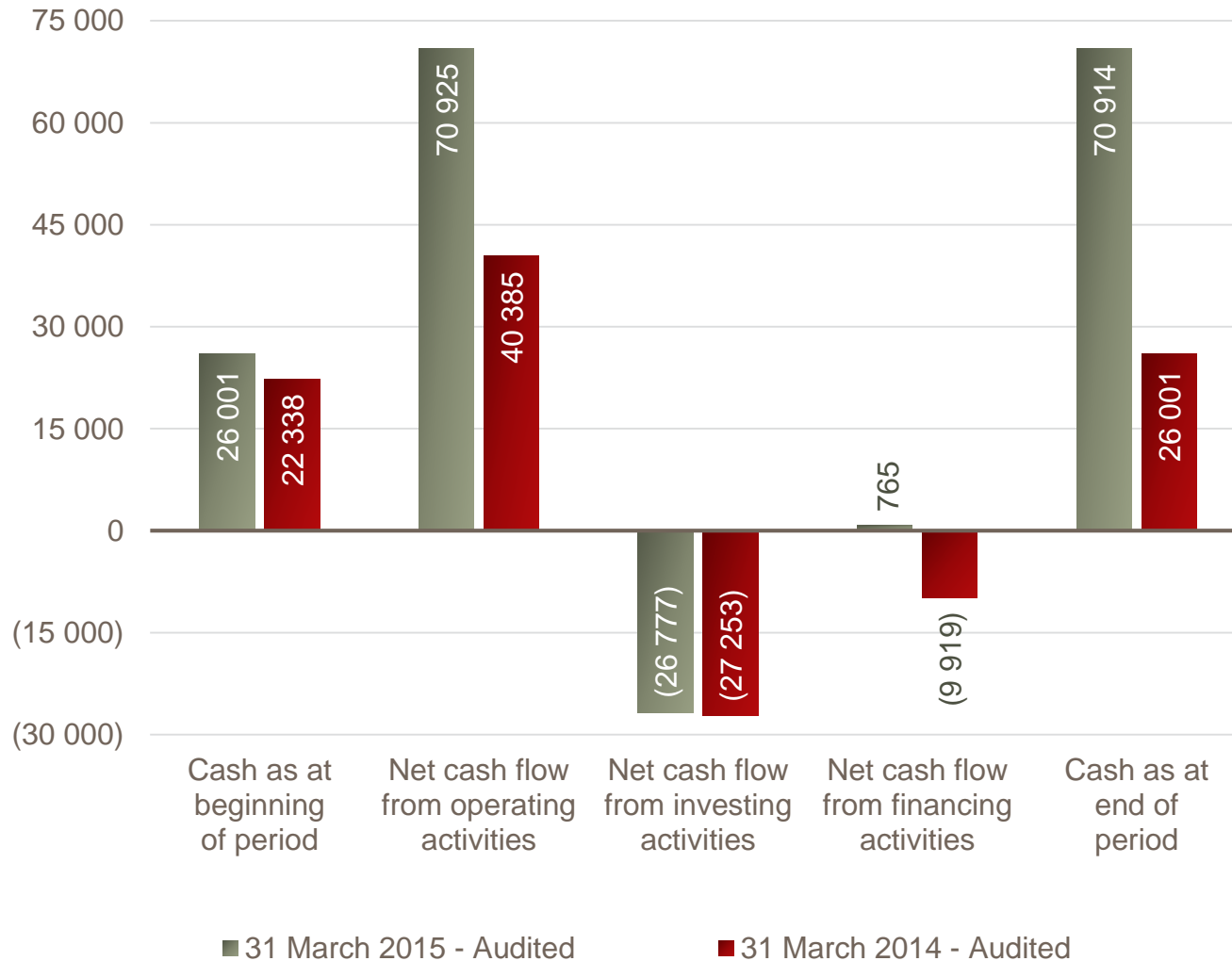
STRONG BALANCE SHEET (R'000)



- Net asset value increased by 6,6% to 419,79 cents per share at the end March 2015
- Tangible net asset value at 304,86 cents representing an increase of 12,6%
- Net reduction of R10,1 million in financial liabilities
- Fixed asset turnover at 6x in 2015 financial period compared to 4,6x in FY 2014 due to Métier increase in revenue
- Current ratio at end of FY 2015 at 1,9x from 0,5x due to an increase in cash and trade receivables



INCREASING NET OPERATING CASH FLOW (R'000)



- Net cash from operations increased by 76% year on year at the end of March 2015 to ~ R71 million
 - Growth in profitable concrete sales
 - Métier sustaining an EBIT of 14% since acquisition

SHARE INFORMATION

Sector	Construction and Materials – JSE
Listing	2009
Issued shares	201 224 508
Closing price as at 25 September 2015	700 cents
Average value traded per week 12 months to 25 September 2015	R9 930 210
Average volume traded per week 12 months to 25 September 2015	1 336 840
Market capitalisation as at 25 September 2015	R1,4 billion
Total number of shareholders as at 31 August 2015	2 489
Free-float as at 31 March 2015	164 033 446
Number of ordinary shares issued in the year ended 31 March 2015	11 351 529

- Highest price in the 12 months to 28 September at R10,22 on 7 April 2015
 - Lowest price of R5,15 on 14 October 2014

Source 1: JSE Limited

Source 2: Company Annual Report

INVESTMENT PROPOSITION AND OUTLOOK



OUR INVESTMENT PROPOSITION

New
technologically
advanced
production
plants with
higher cost
efficiencies that
enhance
competitiveness.

OUR INVESTMENT PROPOSITION

**Profitable
concrete
operations
with distinctive
technical skills
providing solid
earnings and
positive net
operating cash
flows.**



OUR INVESTMENT PROPOSITION

Long-term strategic focus on the building materials sector that offers increased earnings and growth opportunities.

OUR INVESTMENT PROPOSITION

Key operational
management
with **deep**
industry skills.



INCREASE FREE CASH FLOW



SepCem

- Increase sales focus to gain market share
- Ensure sufficient and optimised logistics between plants and market
- Further increase production efficiency to optimise operating costs



Métier

- Exploring further expansion opportunities to grow earnings and market share
- Short-term strategy
 - Generate positive earnings
 - Reduce gearing
 - Increase operating cash flows

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SEPHAKU
HOLDINGS LTD

CONTACT

Sakhile Ndlovu

Investor relations officer

Tel: + 27 12 612 0210

Email: sakhile@sepman.co.za

Website: www.sephakuholdings.com