BUILDING BLOCKS FOR GROWTH

SEPHAKU
HOLDINGS LTD

RMB MORGAN STANLEY OFF PISTE CONFERENCE 28 – 29 SEPTEMBER 2016

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

1 GROUP OVERVIEW

2 OPERATIONAL PERFORMANCE:
MÉTIER MIXED CONCRETE

3 OPERATIONAL PERFORMANCE:
CEMENT

4 **INVESTMENT CASE**
SEPHAKU HOLDINGS

1 GROUP

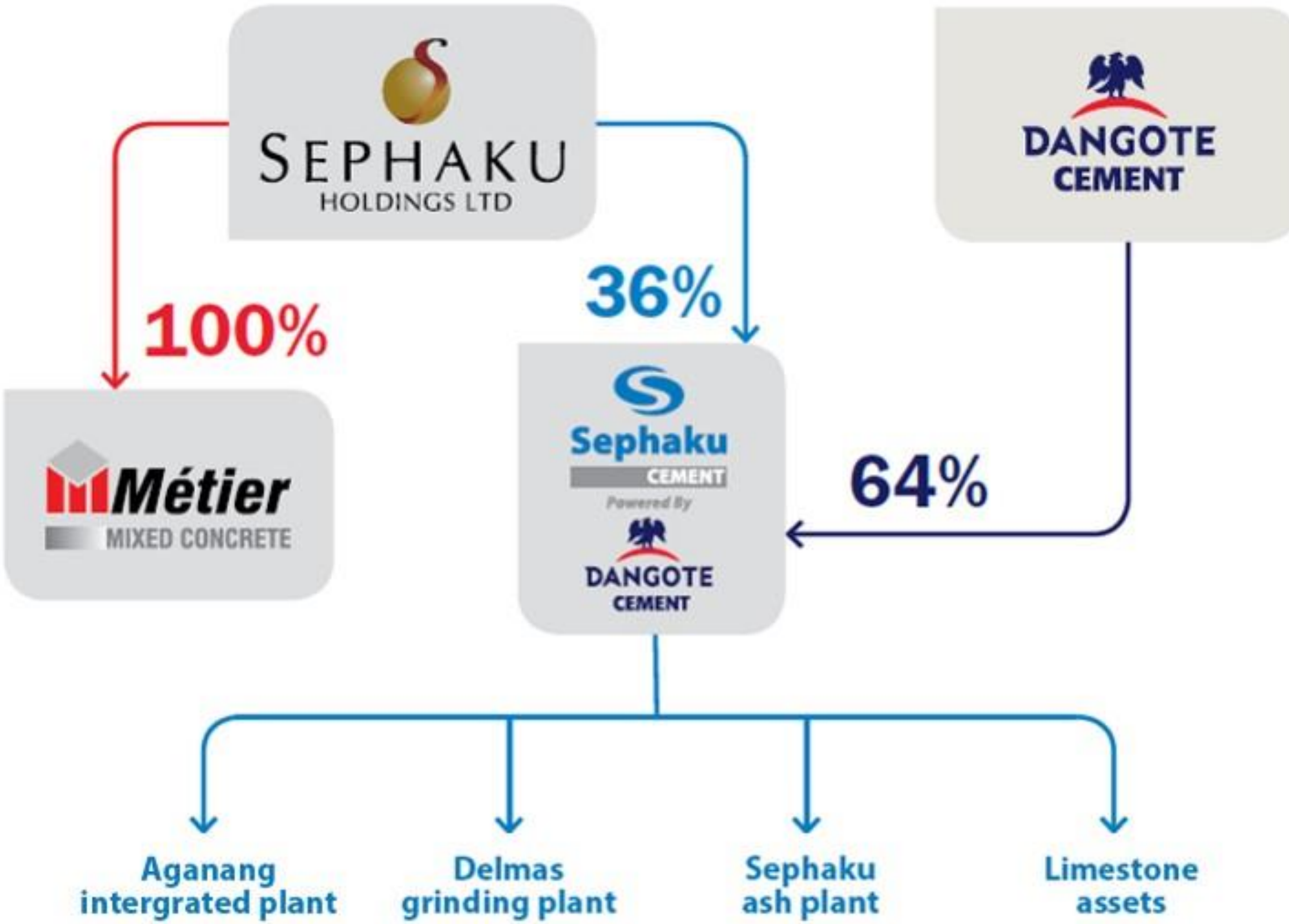
2

3

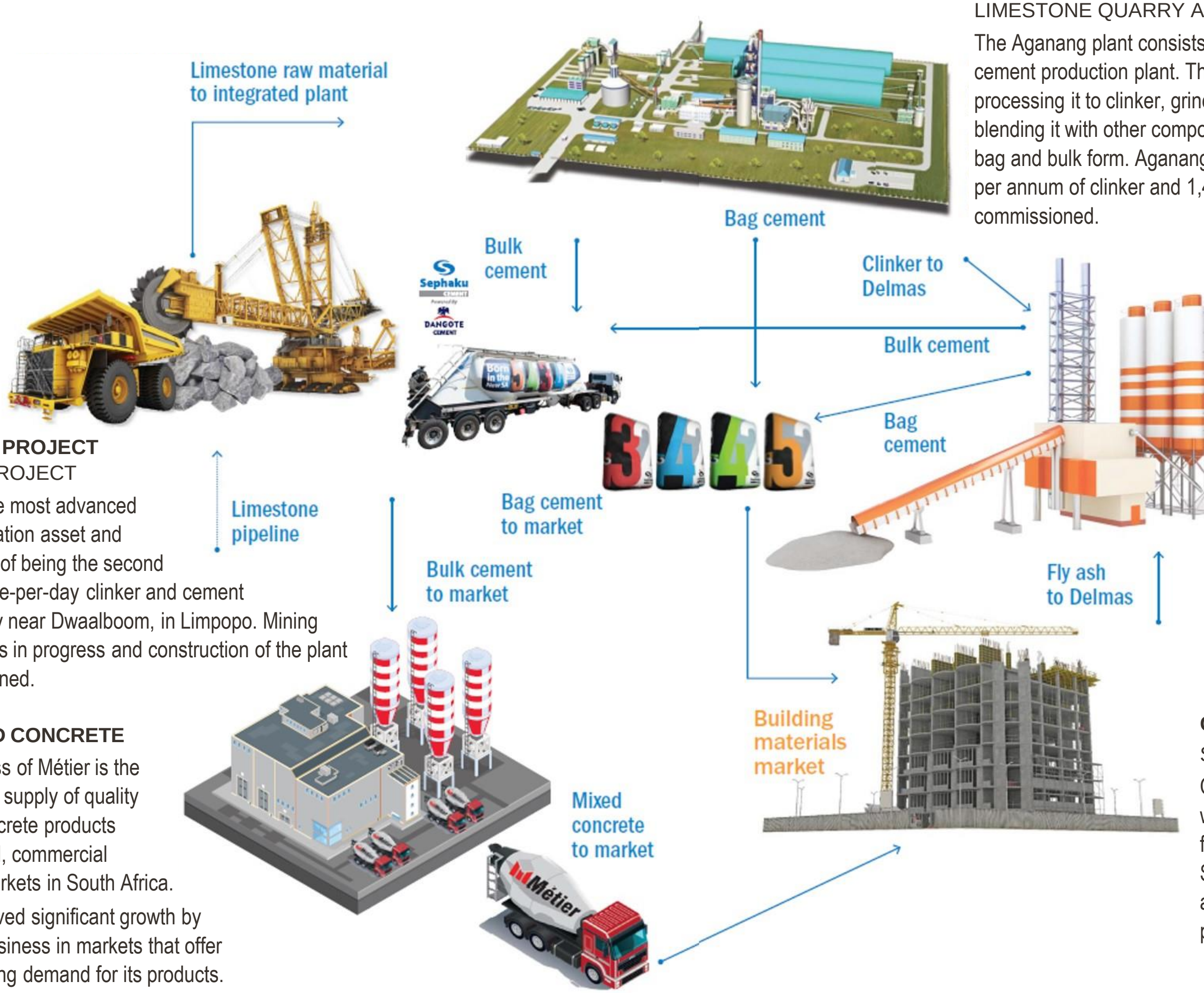
4

OVERVIEW

The Sephaku Holdings structure



Sephaku Holdings investments



CEMENT
AGANANG INTEGRATED PLANT
LIMESTONE QUARRY AND CEMENT PRODUCTION

The Aganang plant consists of a limestone open cast quarry, a clinker and cement production plant. The operation mines the limestone raw material, processing it to clinker, grinding approximately 45% of the clinker and blending it with other components to produce the finished cement product in bag and bulk form. Aganang has the capacity to produce 1,5 million tonnes per annum of clinker and 1,4 million tonnes per annum of cement when fully commissioned.

CEMENT
DELMAS GRINDING PLANT
CEMENT PRODUCTION

Approximately 55% of the clinker produced at Aganang is transferred to the Delmas cement-grinding facility for further processing.

CEMENT
DWAALBOOM PROJECT
LIMESTONE PROJECT

This project is the most advanced limestone exploration asset and has the potential of being the second major 3 000-tonne-per-day clinker and cement production facility near Dwaalboom, in Limpopo. Mining right application is in progress and construction of the plant still to be determined.

MÉTIER MIXED CONCRETE

The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa.

Métier has achieved significant growth by positioning its business in markets that offer strong and growing demand for its products.

CEMENT
SEPHAKU ASH PLANT

CEMENT has a fly ash processing plant contract with Eskom to acquire and remove waste ash from the coal-burning process at Kendal Power Station. The ash produced from this plant is used as a cement extender at the Delmas grinding plant to produce blended cement.

SEPHAKU HOLDINGS LTD

Drivers for success

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, efficient cement plants with state-of-the-art equipment and infrastructure

Compact mixed concrete production plants

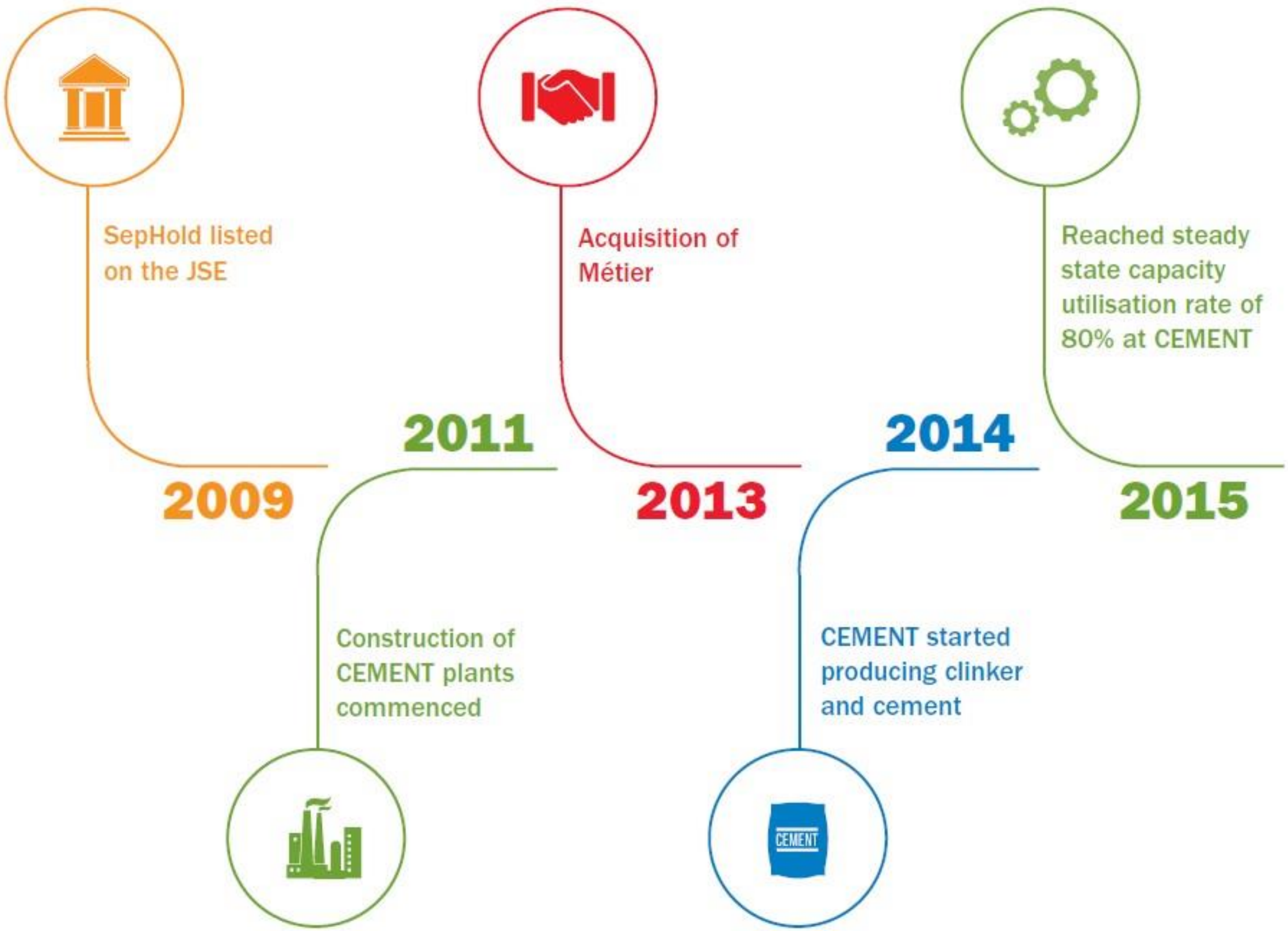
Customer focus through service excellence

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

Strategic relationships

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

Key milestones

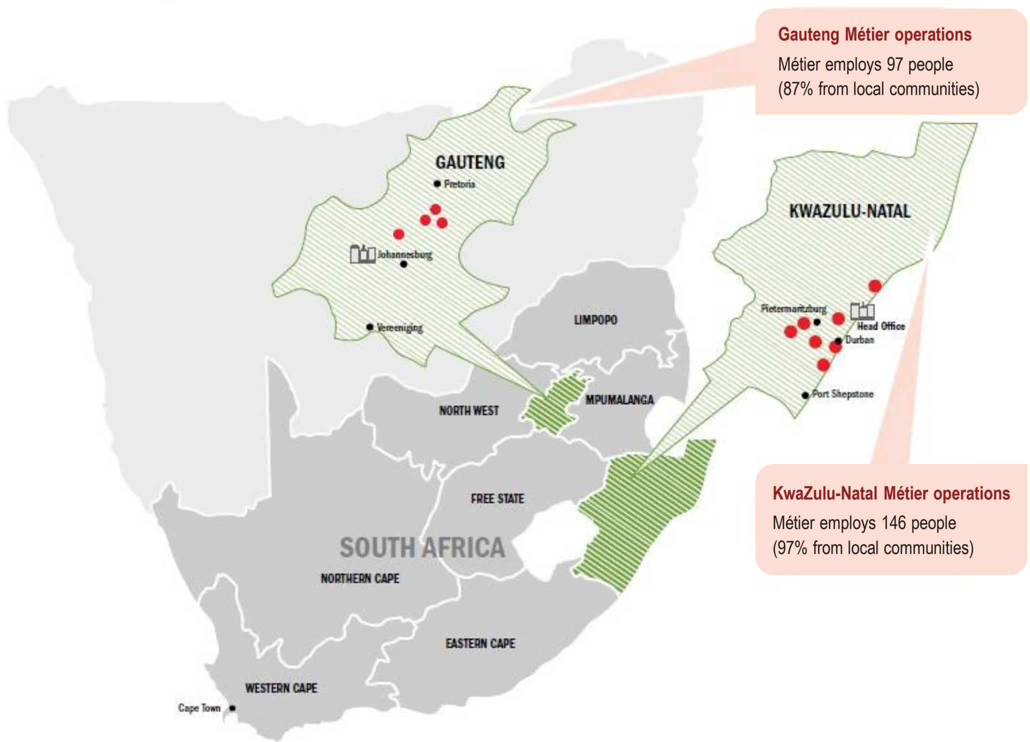


SEPHAKU HOLDINGS LTD

1
2 OPERATIONAL PERFORMANCE
3
4

MÉTIER MIXED CONCRETE

Location of assets



MÉTIER MIXED CONCRETE OPERATIONS

GAUTENG

Johannesburg Office

- OR Tambo plant
- Sandton plant
- Chloorkop plant
- Midrand plant

KWAZULU-NATAL

Head Office

- Phoenix plant
- Canelands plant
- Mkondeni plant
- Umhlali plant
- Taylors Halt plant
- Mobeni plant
- Cato Ridge plant

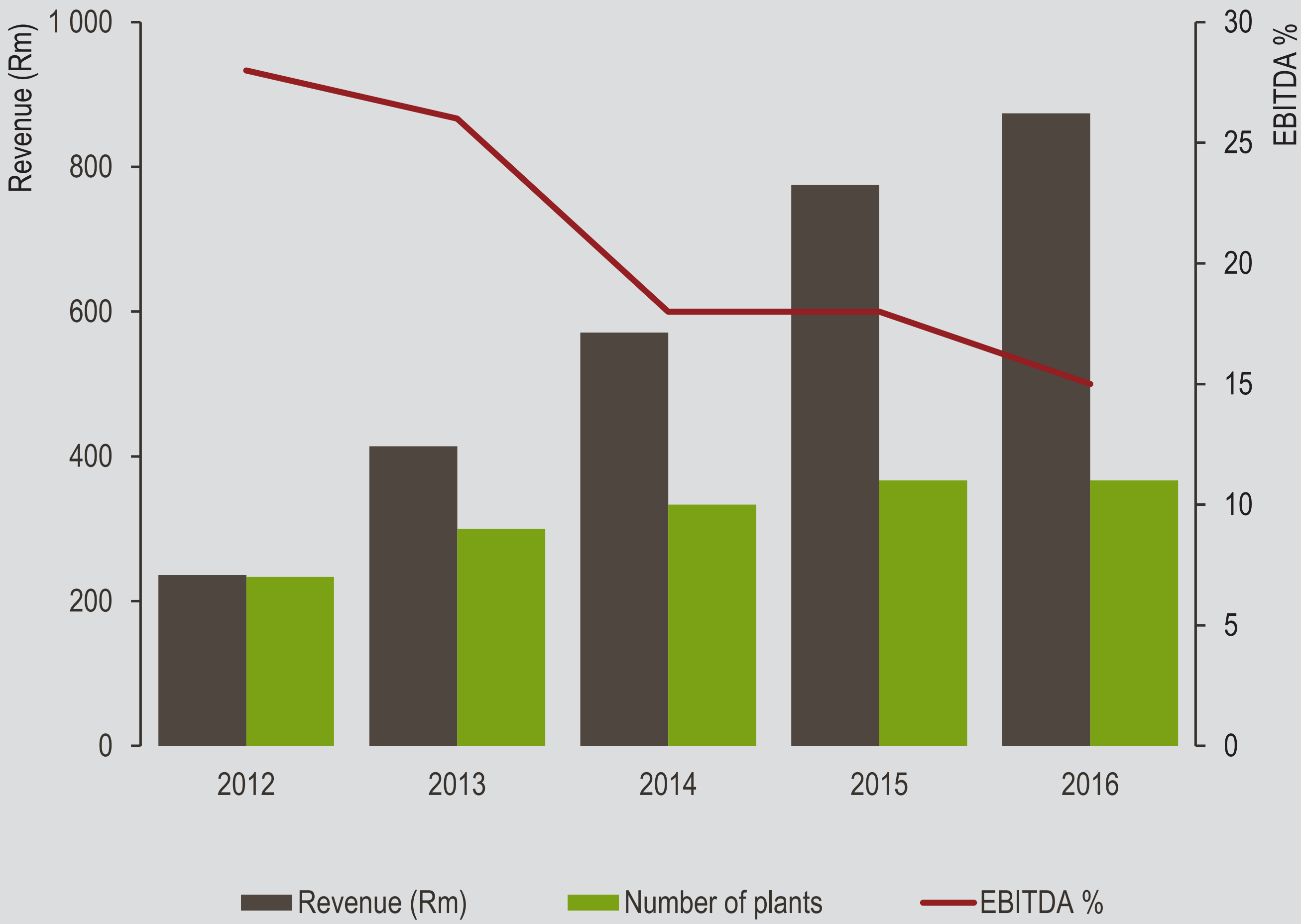
- Operations located in the KwaZulu-Natal and Gauteng provinces. Métier offers a full service offering to its customers
- 11 concrete batch plants
  - 12th plant being installed, to be commissioned in the current financial year, in Gauteng
- 153 concrete truck mixers
  - Increased by 70% from 2013 to date
  - 30% owned and 70% contracted
- 7 concrete boom pumps
  - From two concrete pumps at acquisition date in 2013
- Own central laboratory in Gauteng and KwaZulu-Natal

Note: Location of assets not actual but indicative for illustrative purposes

Operating environment

- Number of producers in markets Métier operates in
  - KwaZulu-Natal: 11 producers (three linked to a cement producer and three own an aggregates business)
  - Gauteng: 26 producers (five linked to a cement producer and four own an aggregates business)
- Key drivers in the ready mixed concrete sector
  - Demand level: determines price
  - Technical expertise: contributes to improved margins
  - Logistics and plant location: capability to offer exceptional service
- Medium-term outlook
  - Market anticipated to remain flat with increased activity in particular areas
  - Margins low due to intense competition resulting in downward pricing pressure
  - A major contract has been renegotiated for a further three years enhancing sales volumes albeit at reduced price

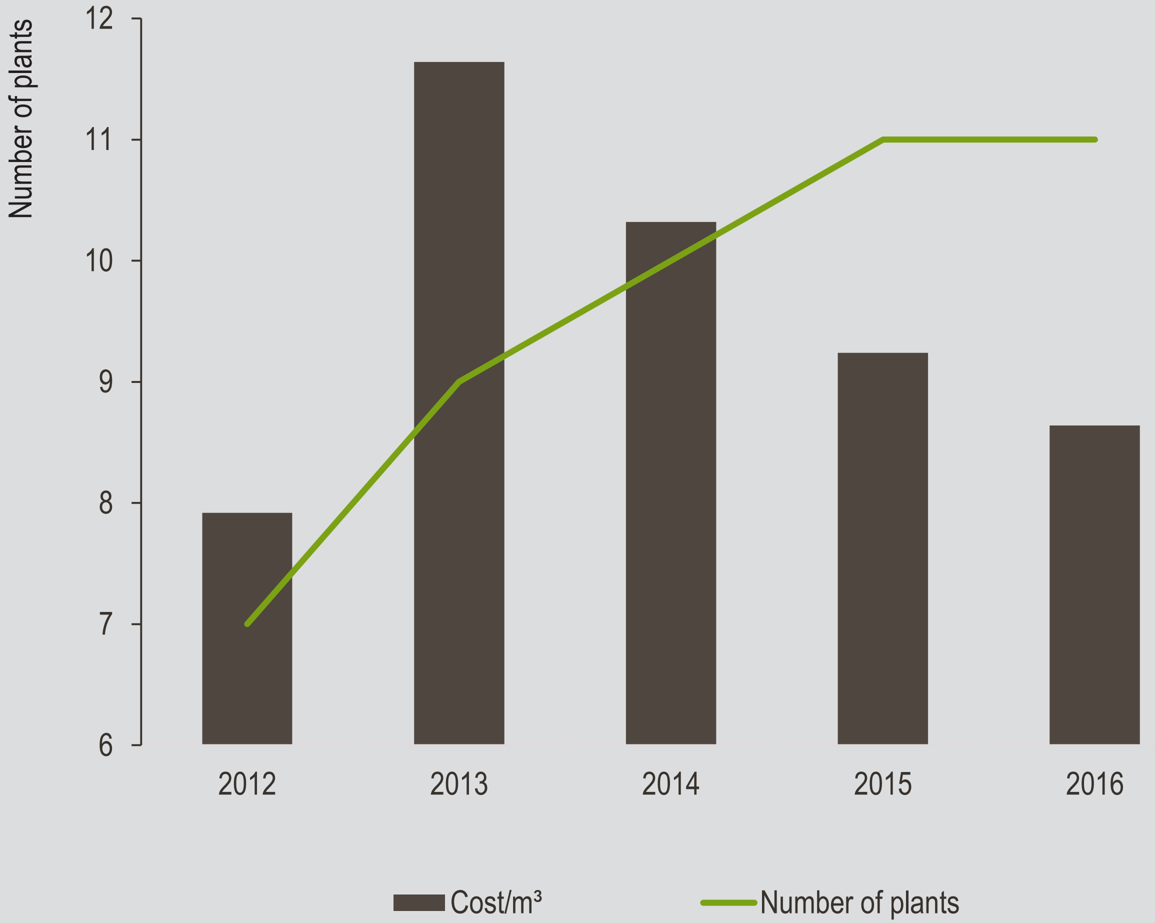
Revenue growth in relation to EBITDA



- Revenue CAGR at 30% over the past five years
  - Growth mainly due to increase in the plant footprint and plant network
  - 13% year-on-year revenue growth in 2016
- Lower EBITDA in
  - 2013 - 2014 period due to sub-contracted transport
  - 2016: aggressive pricing due to intense competition
    - Higher raw materials cost escalation

SEPHAKU HOLDINGS LTD

Cost control



- 2013 cost increase due to two new plants and administration growth
- Cost/m³ up 5,17% since 2012

Opportunities and challenges

Medium-term challenges present opportunities for Métier:

- Low building activity levels limit growth
  - New geographic markets in SA are a potential platform for growth on the back of the Métier model
  - Expanding new markets nationally
  - Métier well positioned for growth when market recovers due to its positioning in two main GDP growth areas and resilience under current market conditions
- Decreasing margins
  - Product differentiation underpins market share and margins
    - Continue strong position on specialised products
  - Review all raw material supply contracts
- Inconsistent performance from raw materials suppliers
  - Enter the aggregate market to ensure consistent supply and quality
- New BEE codes of compliance: Listed entities to be penalised in the future
  - Métier committed to improving the B-BBEE level and is reviewing business processes to enhance the rating

Operational performance in 2016 financial period

- Recorded 13% revenue increase to R874 million
  - Growth in sales mainly due to the 11th plant output and the pumping services division
  - Métier started the year with a strong order book
- Métier completed its main Gauteng operational premises fully equipped with a laboratory
  - Increases the research and development capabilities
- Intense competition in all its markets impacted the margins reducing the operating margin to 12%
- Métier is exploring various expansion opportunities to expand its footprint by taking full advantage of its production processes and technical skills

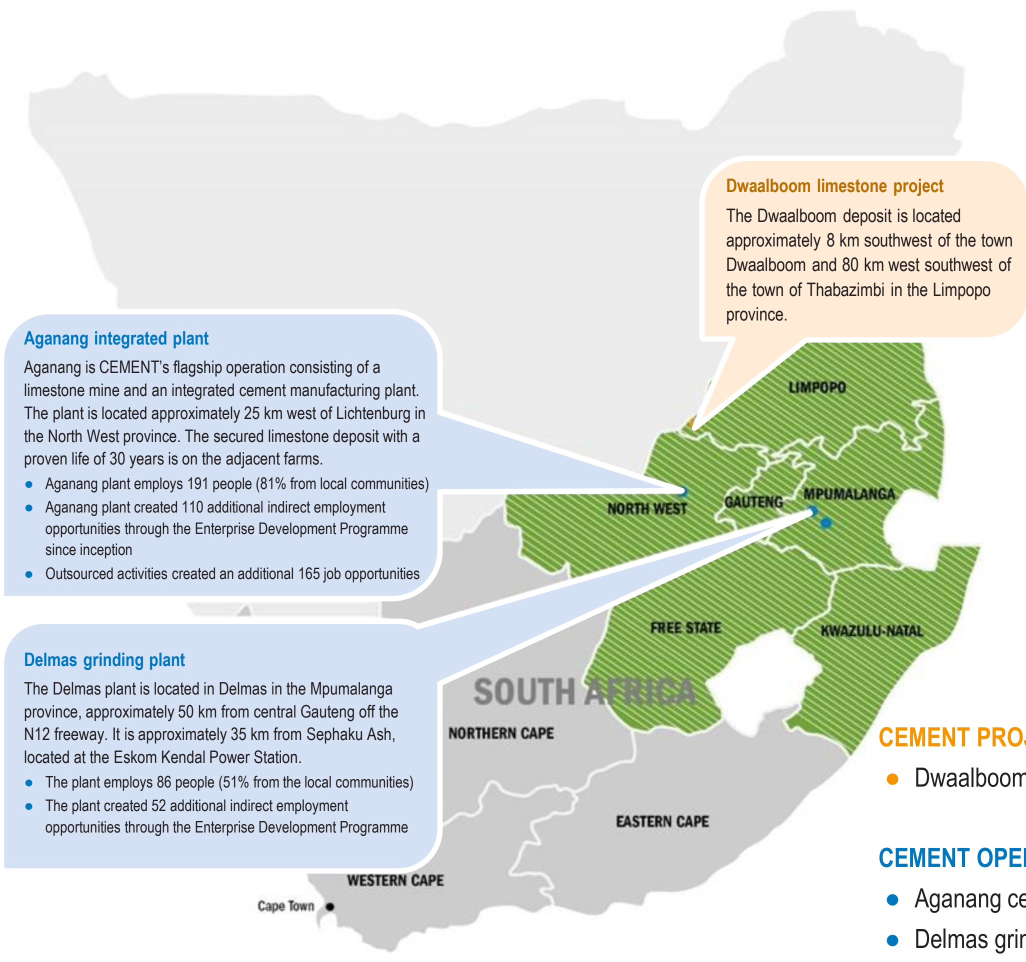
SEPHAKU HOLDINGS LTD

Outlook

- Expand operations in Gauteng by the end of March 2017
- Explore opportunities in the aggregates sector
- Explore growth in new geographical markets in South Africa
- Continue to focus on debt reduction

CEMENT

Location of assets



Dwaalboom limestone project

The Dwaalboom deposit is located approximately 8 km southwest of the town Dwaalboom and 80 km west southwest of the town of Thabazimbi in the Limpopo province.

Aganang integrated plant

Aganang is CEMENT's flagship operation consisting of a limestone mine and an integrated cement manufacturing plant. The plant is located approximately 25 km west of Lichtenburg in the North West province. The secured limestone deposit with a proven life of 30 years is on the adjacent farms.

- Aganang plant employs 191 people (81% from local communities)
- Aganang plant created 110 additional indirect employment opportunities through the Enterprise Development Programme since inception
- Outsourced activities created an additional 165 job opportunities

Delmas grinding plant

The Delmas plant is located in Delmas in the Mpumalanga province, approximately 50 km from central Gauteng off the N12 freeway. It is approximately 35 km from Sephaku Ash, located at the Eskom Kendal Power Station.

- The plant employs 86 people (51% from the local communities)
- The plant created 52 additional indirect employment opportunities through the Enterprise Development Programme

CEMENT PROJECTS

- Dwaalboom limestone project

CEMENT OPERATIONS

- Aganang cement plant
- Delmas grinding plant
- Sephaku Ash plant

Our operations are located in the Mpumalanga and North West provinces in South Africa

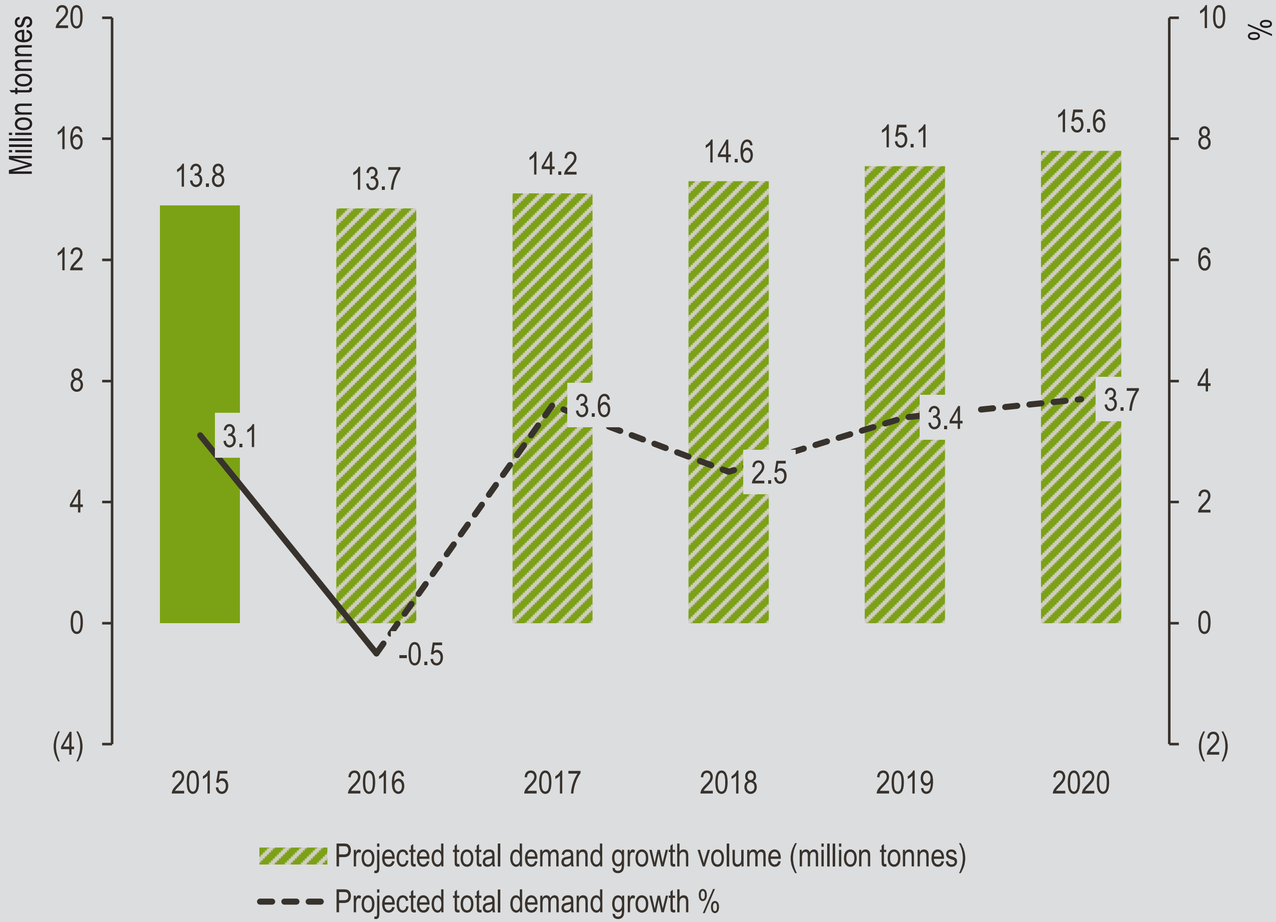
Our Markets:

- Our target markets are Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and North West.

Note: Location of assets not actual but indicative for illustrative purposes

SEPHAKU HOLDINGS LTD

Operating environment



RSA cement demand market at 13,8 million tonnes per annum in CY2015

- 3,1% year-on-year cement demand growth including imports in calendar year 2015
- Sales statistics not available for 2016 due to the fact that the new entrant has declined requests to submit its sales information
- Slight decline of 0,5% in total demand estimated for 2016. Positive demand growth rate anticipated from 2017

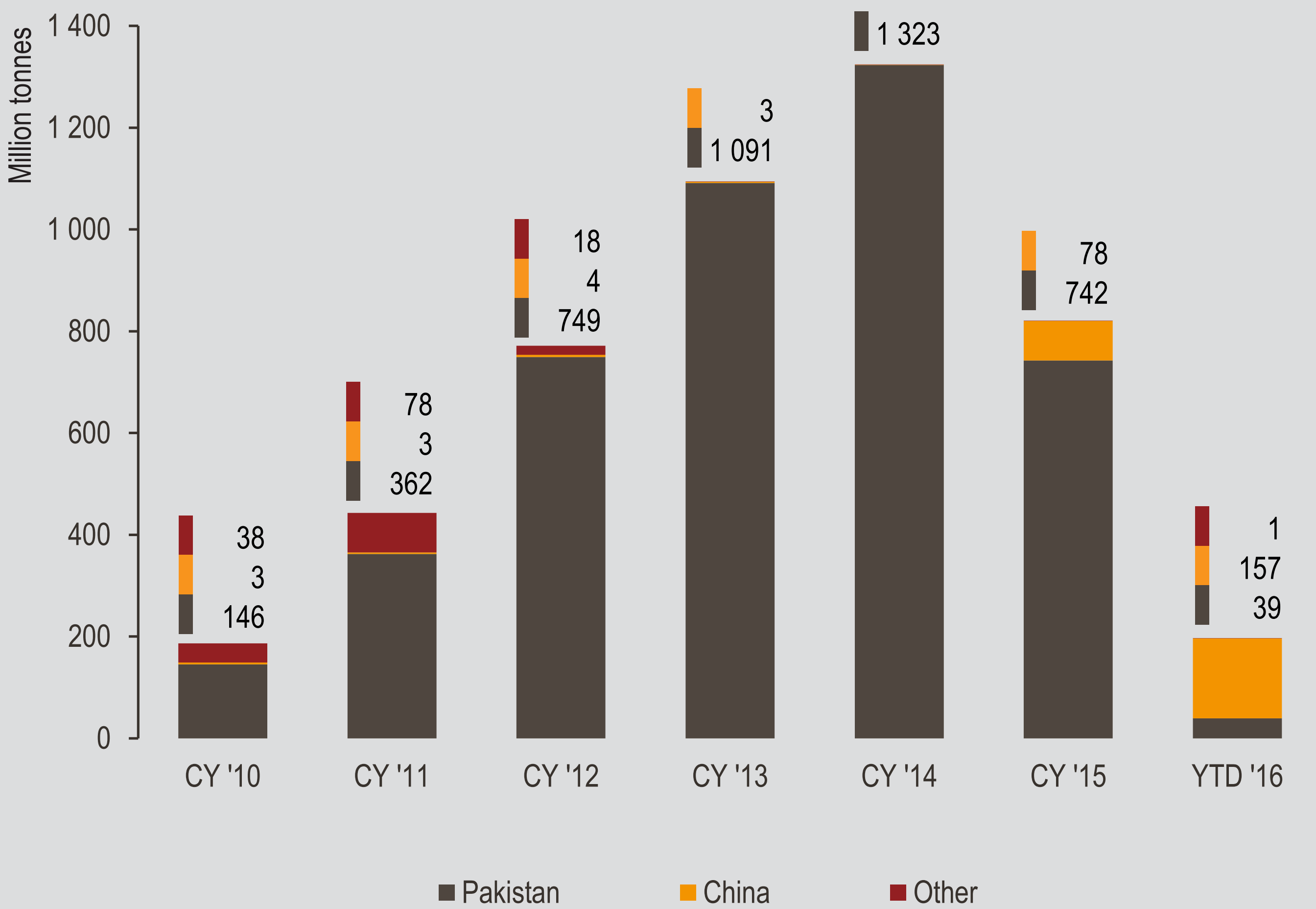
Source: Econometrix (Pty) Ltd Quarterly Cement Outlook Q2 2016 report

CEMENT's market positioning

- Market progressively skewed towards bagged cement with high demand in the rural areas
  - Well positioned in the rural bag market at approximately 65% of the sales volumes
- Lower demand for bulk cement due to the lack of major infrastructure development
  - Gauteng province currently the only robust bulk market in the inland region
  - Significant share of the Gauteng bulk market through the Métier relationship
  - National development plan necessary to create impetus
- New entrant with c1mtpa capacity started production of cement in January 2016
- Competition remained fierce but signs that pricing is starting to stabilise
- Import activities increasing, but not at historical levels
- Strong sales and marketing acumen to appropriately differentiate the market
  - Established and solid strategic relationships with the distribution channels

SEPHAKU HOLDINGS LTD

Annual imports by origin

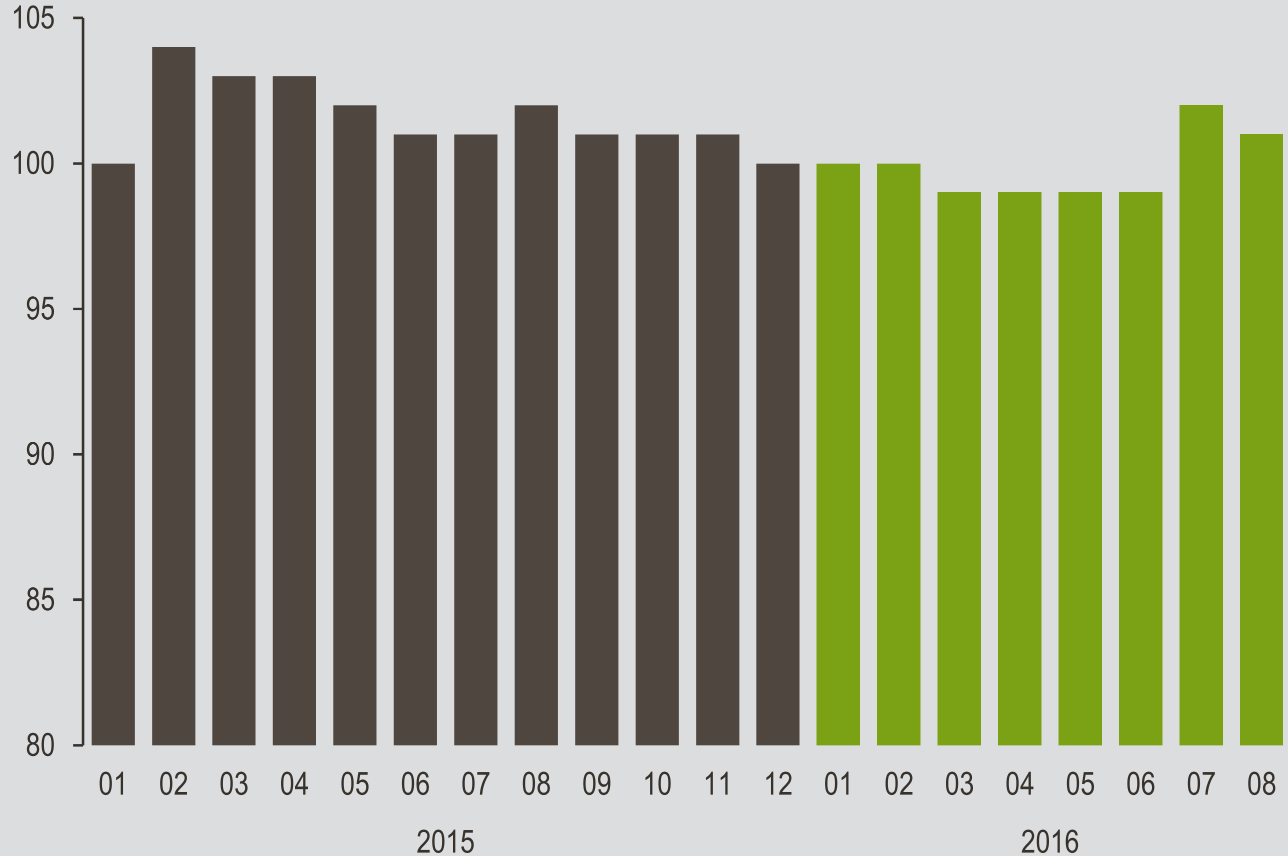


- Year-on-year volume decline at 61% for the 7-month period ended July 2016 at 196 kt
- Re-introduction of imported cement from China at 10% of total volume in CY2015
  - Chinese imports at 80% (157 kt) of total imports by July 2016 for the current calendar year

Source: SARS

CEMENT's pricing profile based to 100 from January 2015

Average weighted bagged cement indexed price

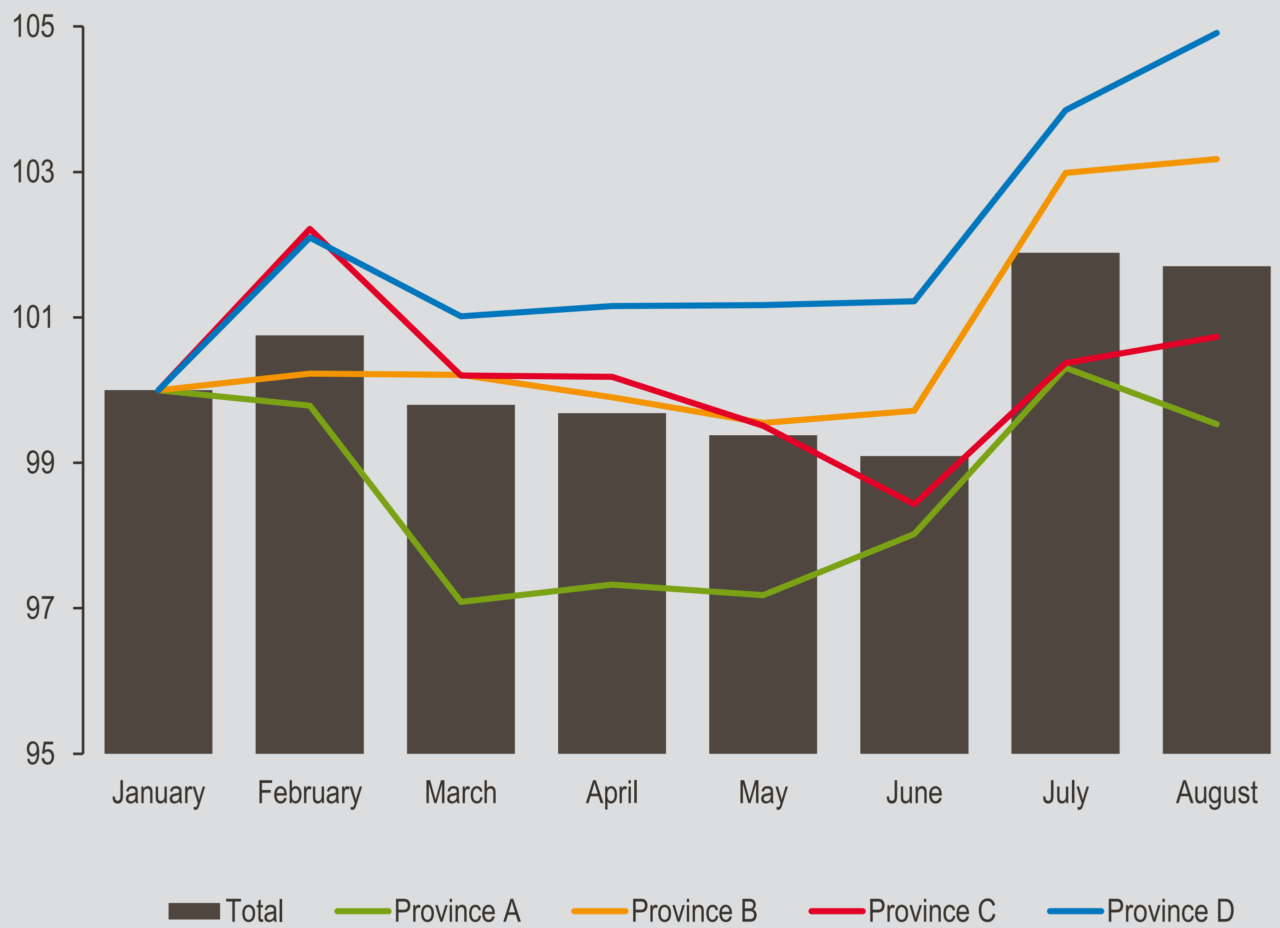


- Year-on-year pricing largely flat in most markets except for the highly contested Gauteng market that had a 5% decline for the 12 months ended December 2015
- Price competition eroded the price increases implemented in February 2016
- July 2016 increases expected to hold from September, when other manufacturers increase their prices

SEPHAKU HOLDINGS LTD

CEMENT's pricing profile based to 100 from January 2016

Average weighted bagged cement indexed price



- Average price increase of 5% implemented in July 2016 in all markets
- Substantive improvement as compared to the six months to the end of June 2016
- Pricing dynamics in certain provinces still volatile

Why KwaZulu-Natal?

- KwaZulu-Natal is the second largest demand market at 2,5 million tonnes per annum
- CEMENT geographically well positioned to supply the KwaZulu-Natal area from Delmas
- Decision taken from the onset to defend CEMENT's natural market
- Market doing well

SEPHAKU HOLDINGS LTD

Key enablers

Careful selection of markets

A factor in the selection of a market to construct a plant is the age and size of the incumbents' plants. Modern technologies introduced high efficiencies in a market with average plant age of 36 years.

New quarry, easier mining

Competitive advantage begins with securing a limestone resource and opening a new quarry that gives access to shallower depths, thereby saving on mining costs. The quarry at Aganang is approximately 1 km from the plant with shallow, single bench limestone at depths of seven to nine metres.

Efficient plants

Plants have the latest production technology and are highly efficient on a per tonne basis.

Efficient kilns

The use of a large modern rotary kiln equipped with pre-heaters and a pre-calciner that use the exhaust gases from the kiln presents a recycling system that enables CEMENT to reduce the cost of production and minimise carbon emissions inherent in the cement manufacturing process. The Aganang kiln is paired with a four-stage preheater, and is the single-largest kiln in South Africa with a capacity of 6 000 tonnes of clinker produced per day. The energy efficiency of CEMENT's core operations are at 97,5 kWh/tonne of cement.

Efficient grinding, better cement

Plants are designed with the latest vertical rolling mill technology to grind clinker and other additives into cement. The Aganang integrated plant has three vertical mills namely the raw, coal and cement mills. The vertical mills are generally 20% to 30% more efficient than the standard ball mills that are prevalent in the competitors' plants.

Good emissions control

CEMENT plants are designed to perform at a higher standard than the stated European requirements to restrict emission levels in terms of dust, noise and other forms of pollution. To date, the Aganang and Delmas plants have recorded emissions well below the guaranteed 30 mg/Nm³.

Strong focus on quality

CEMENT plants are equipped with the latest quality control systems that ensure the excellence of the final product from the quarry to the cement grinders.

CEMENT optimisation programme

- To date, the improvement results include:
  - An increase in production capacity to 2,8 million tonnes per annum as a result of optimising raw materials composition
  - Initial production runs have not been as efficient as expected, but will be improved through minor capital expenditure of between R12 million to R16 million at the end of 2016
- The programme is expected to improve the EBITDA margins by 5% to 7% over time as a result of enhanced efficiencies
- Optimisation programme is targeting the following operational functions:
  - Logistics – Rationalisation of volumes and re-negotiation of rates
  - Sales – Refining customer segmentation and providing cost-effective customised service
  - Raw materials – Improvement in the sourcing and use of raw material additives
  - Production – Mastering of the production process and improving plant output and reliability

Outlook

- To achieve higher prices in all markets
- Pursue the optimisation programme in all focus areas
  - Increase sales focus
  - Ensure sufficient and optimised logistics between plants and market
  - Further increase production efficiency to optimise operating costs
  - Improve raw material sourcing

1

2

3

4 INVESTMENT CASE

SEPHAKU HOLDINGS

Strategic direction

SepHold's focus 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**
- ensuring that the operations become leaders in producing high-quality products and implement effective marketing activities that **secure or maintain market share and maximise margins**
- ensuring that the operational focus areas include strategically optimising logistics between plants and market to **improve cost efficiencies**

Outlook

- Continue to evaluate growth opportunities through
  - expansion of current operations
  - complementing current operations with backward integrated acquisitions
  - exploring downstream opportunities
- Appointment of Business Development director to ensure progress in the growth strategy

SEPHAKU HOLDINGS LTD

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.**

2016

Sakhile Ndlovu
Investor relations officer
Tel: + 27 12 612 0210
Email: sakhile@sephold.co.za
Website: www.sephakuholdings.com

SEPHAKU
HOLDINGS LTD