



BUILDING BLOCKS FOR **GROWTH**


SEPHAKU
HOLDINGS LTD

**MACQUARIE 8TH ANNUAL CONSTRUCTION
CEO CONFERENCE**

6 DECEMBER 2016

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Agenda



1 GROUP OVERVIEW



2 OPERATIONAL PERFORMANCE: MÉTIER MIXED CONCRETE



3 OPERATIONAL PERFORMANCE: CEMENT



4 OUTLOOK

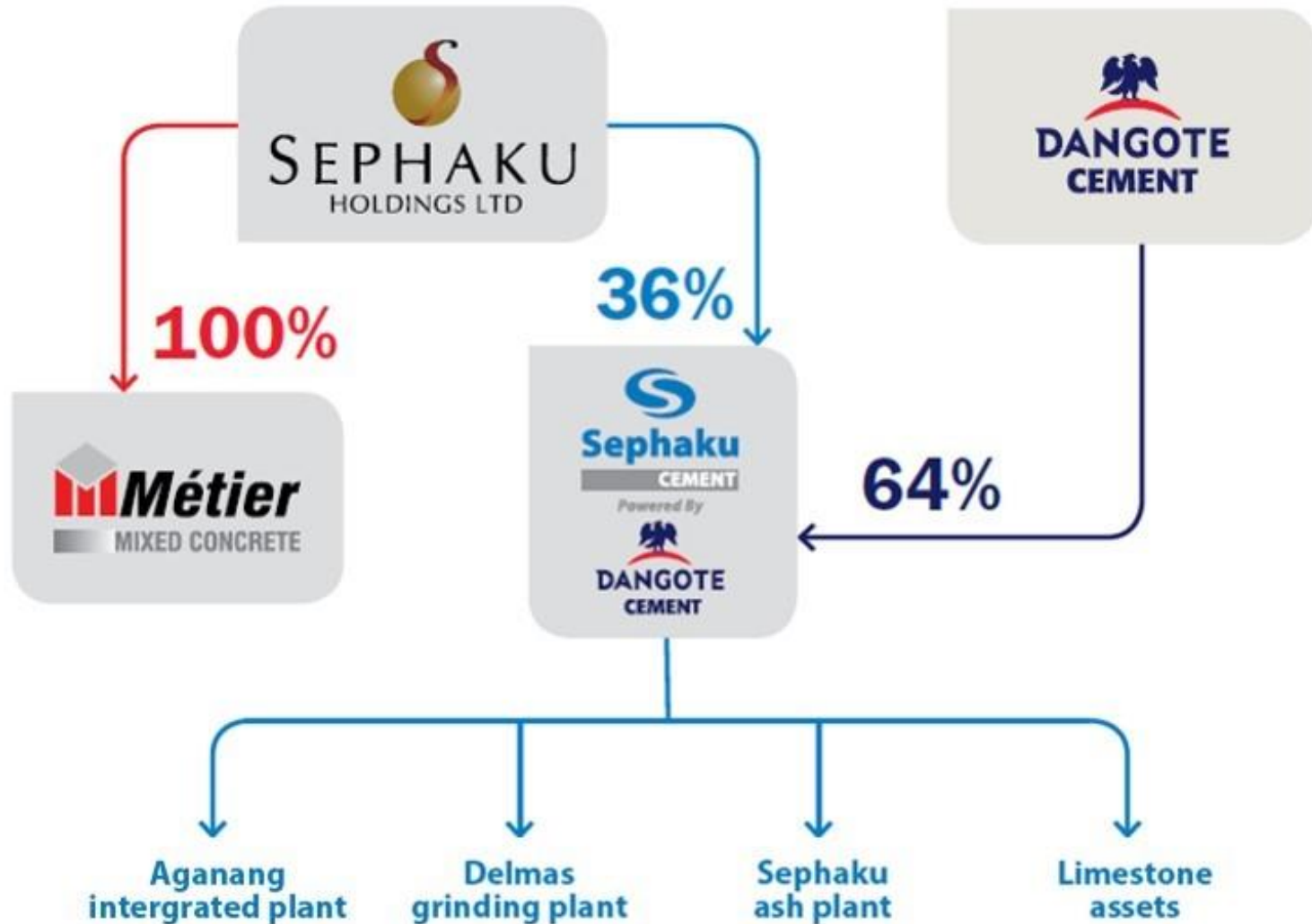


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GROUP

OVERVIEW

The Sephaku Holdings structure

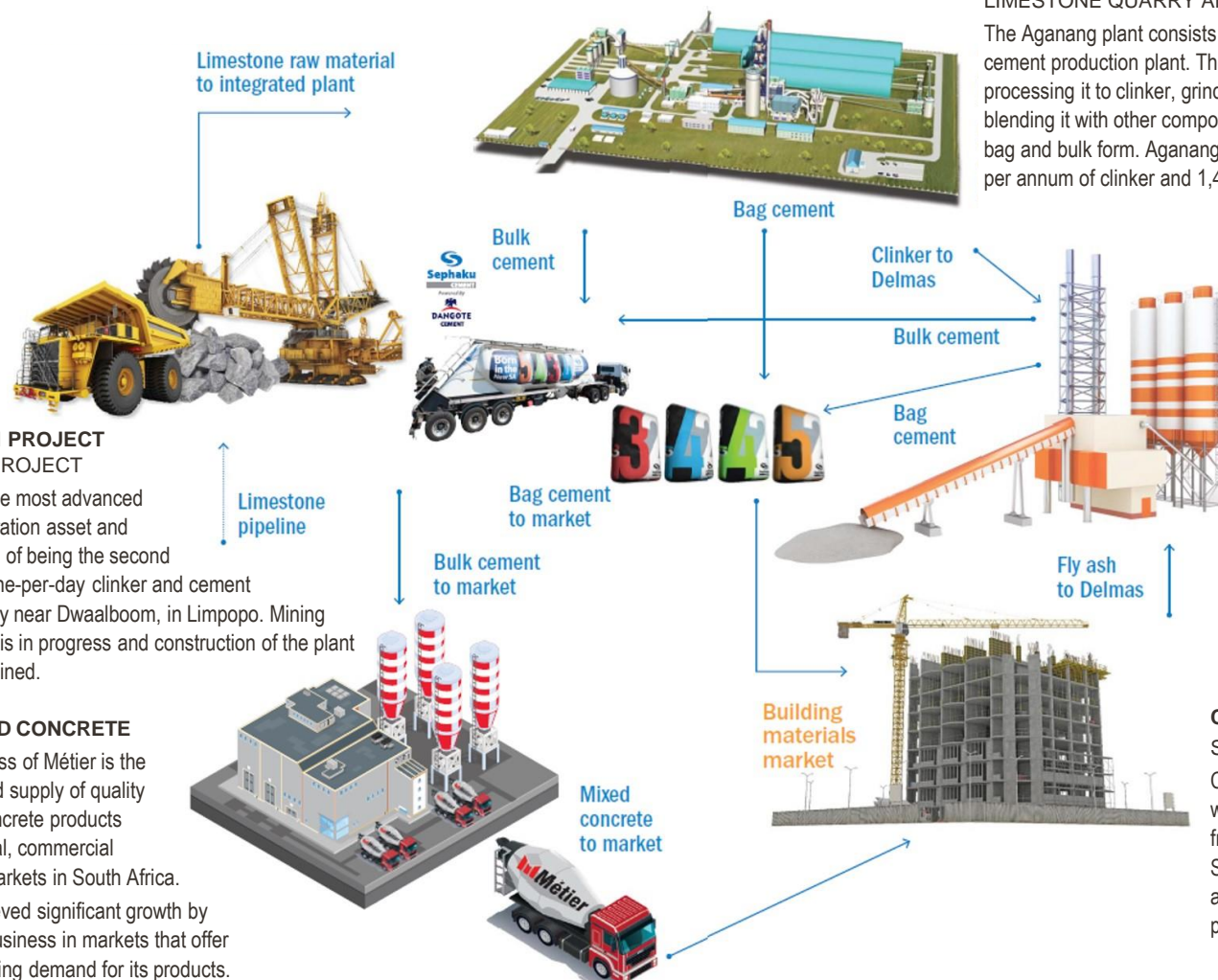


CEMENT DWAALBOOM PROJECT LIMESTONE PROJECT

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

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.

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

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.

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

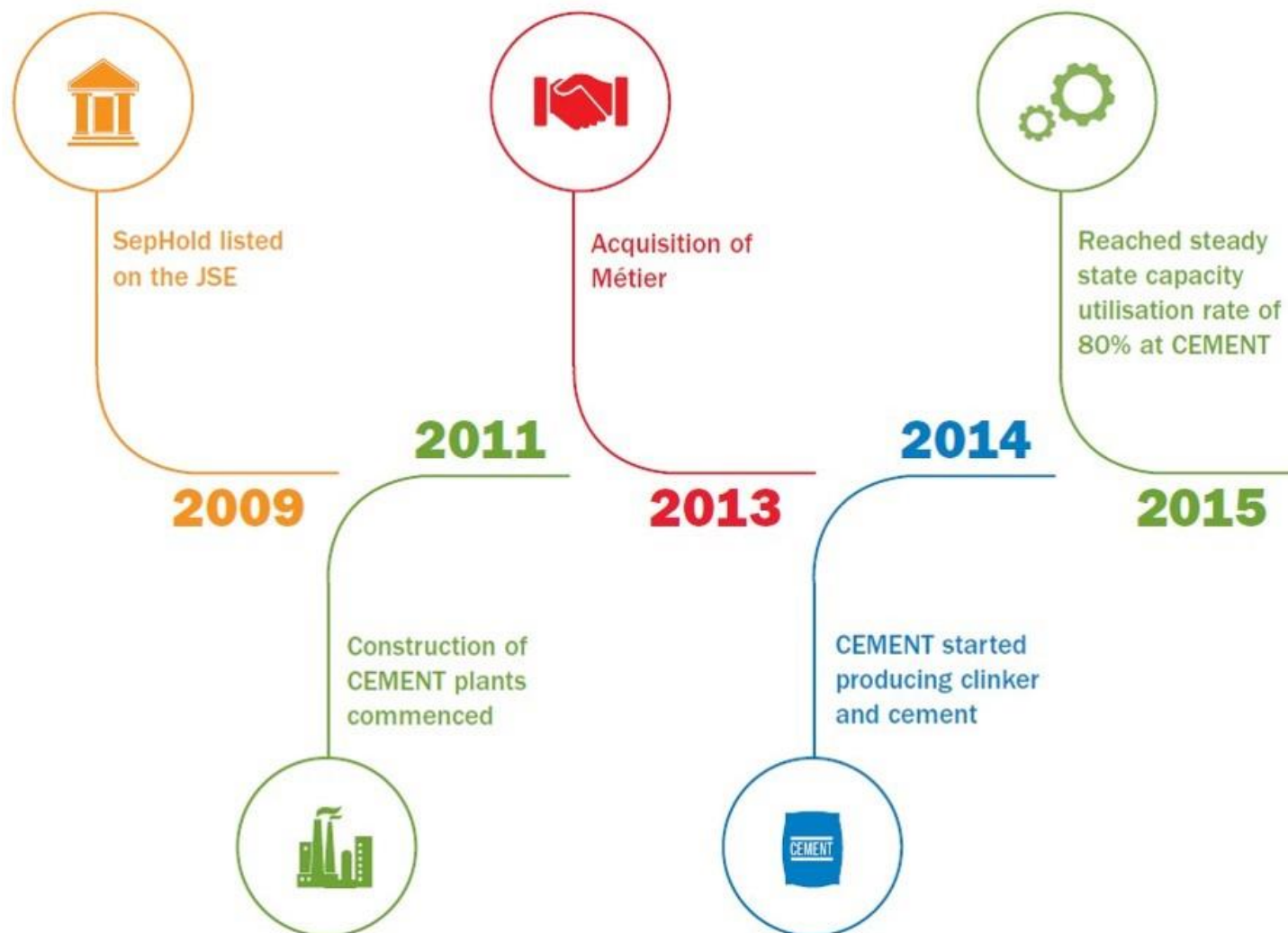
Customer focus through service excellence

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



Robust interim group performance

GROUP OVERVIEW

- CEMENT sales volumes increased by 17,8% and revenue by 13,2% (R1,15 billion) compared to 30 June 2015
- CEMENT continued to operate at steady state capacity utilisation c80% and pursued the optimisation programme
- Métier volumes decreased by 3% and resulted in a 2,9% decline in revenue to cR448 million compared to 30 September 2015
 - Métier management successfully negotiated the extension of a supply contract by three years to improve volumes
- Métier EBITDA and EBIT margins remained flat
- Construction of the 12th batch plant commenced in Gauteng with initial production targeted for March 2017



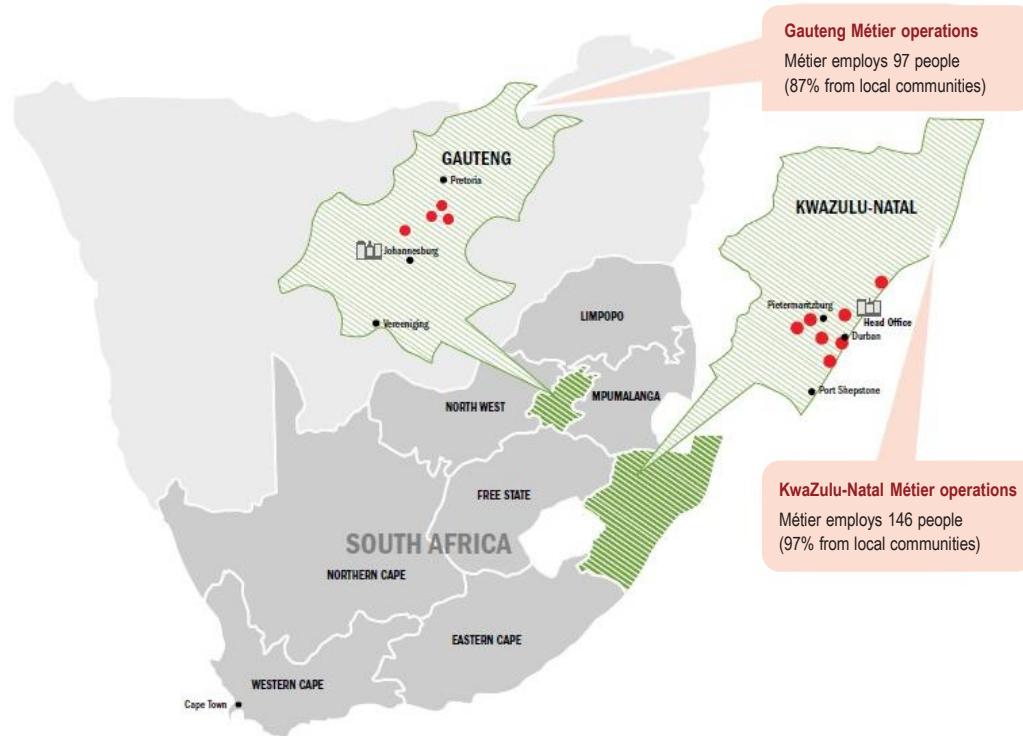


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OPERATIONAL
PERFORMANCE

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
- 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

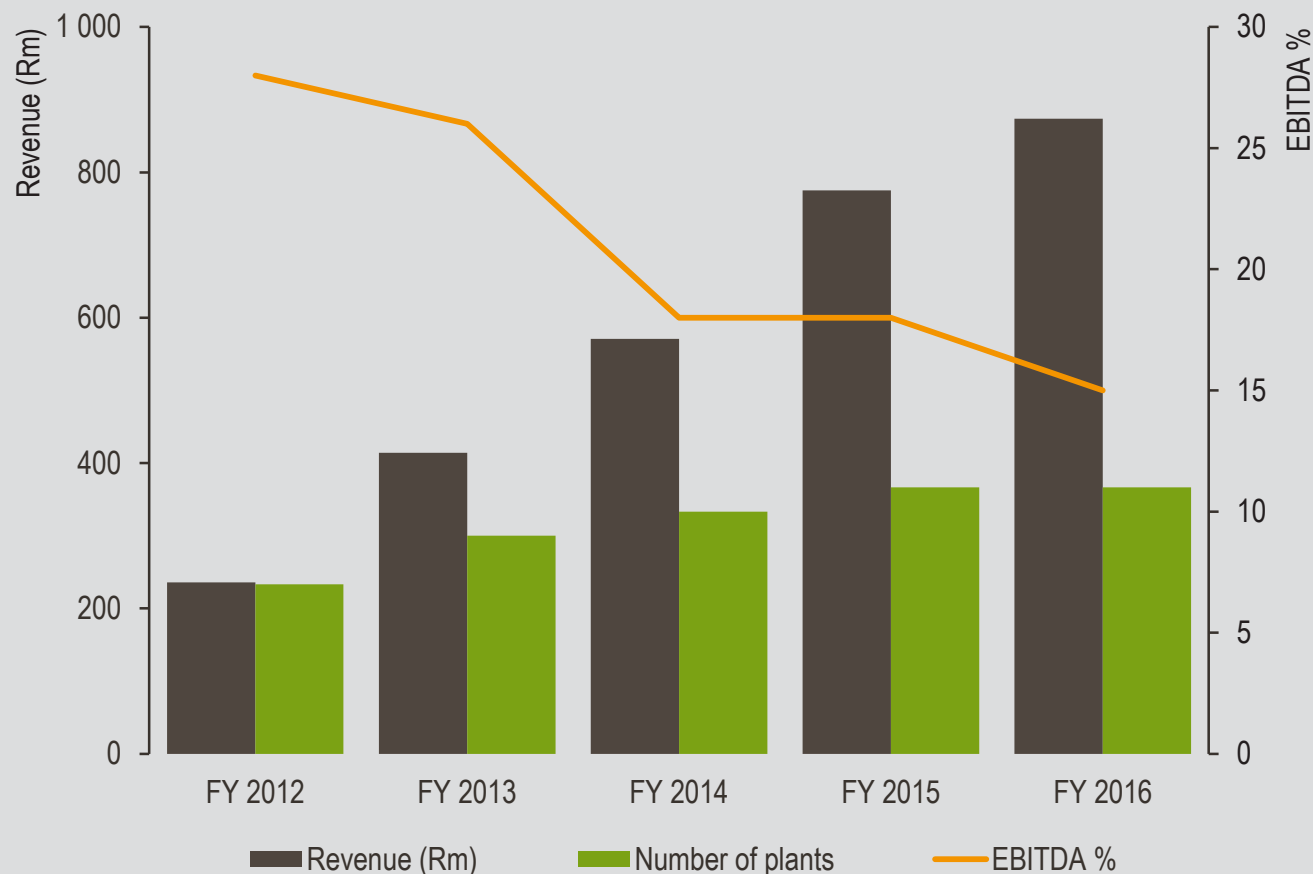
Note: Location of assets not actual but indicative for illustrative purposes

Métier's operating environment

- Numerous suppliers in both markets
 - KwaZulu-Natal: c11 producers (three linked to a cement producer and three own an aggregates business)
 - Gauteng: c26 producers (five linked to a cement producer and four own an aggregates business)
- Increased number of entrants with three new producers in the interim period
- Margins under pressure
 - Review of all raw material supply contracts pursued to improve gross profit
 - Management placing high priority on controlling expenses
 - Product differentiation underpins market share and margins
 - Continue strong position on specialised products
- 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



Revenue growth in relation to EBITDA



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

Opportunities in the challenges

Medium-term challenges present opportunities for Métier:

- Low building activity levels limiting growth
 - New geographic markets in SA are a potential platform for growth on the back of the Métier model
 - 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
 - Continue to review all raw material supply contracts
- Inconsistent performance from raw materials suppliers
 - Enter the aggregate market to ensure consistent supply and quality

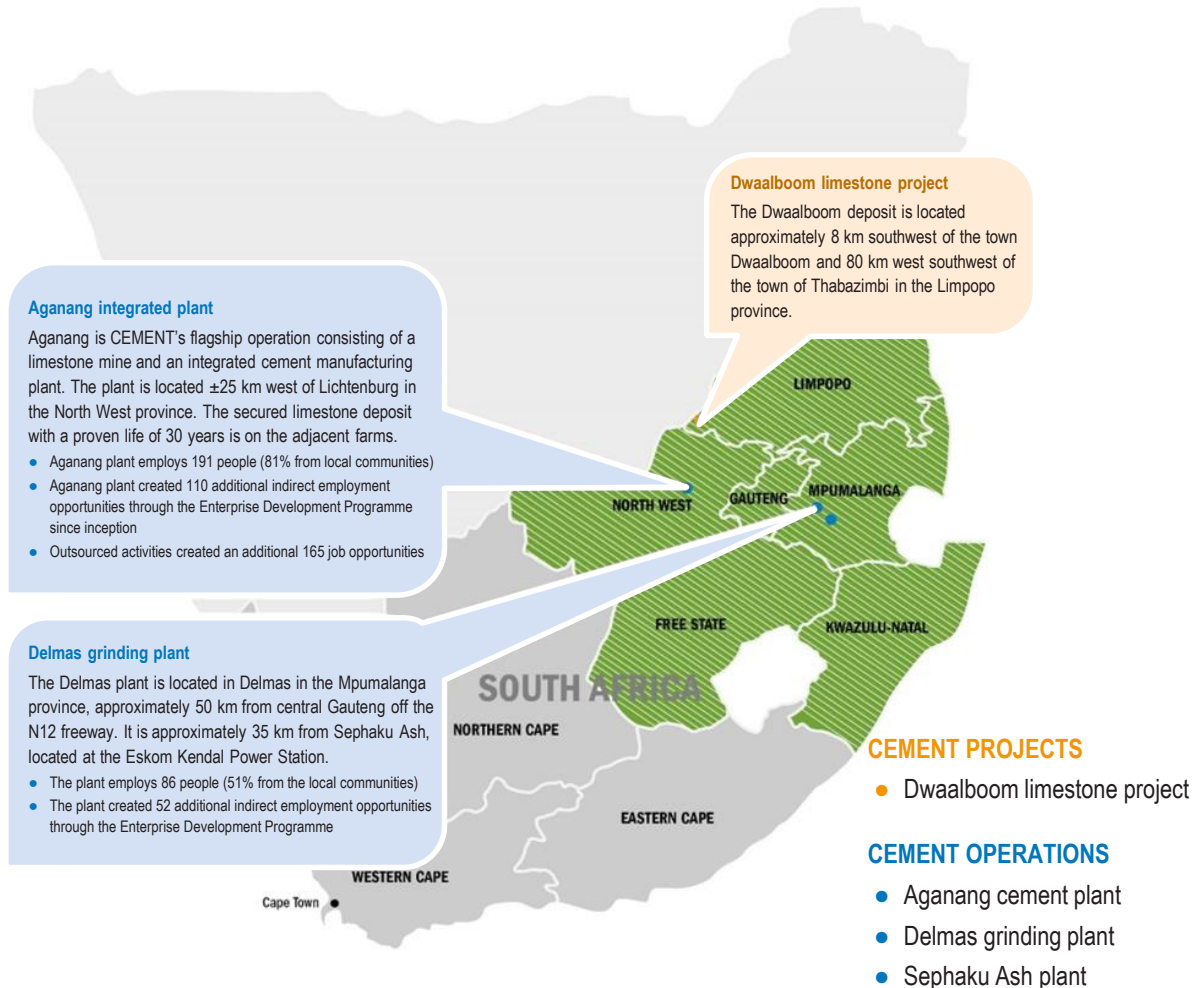


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3 OPERATIONAL PERFORMANCE

CEMENT

Location of assets



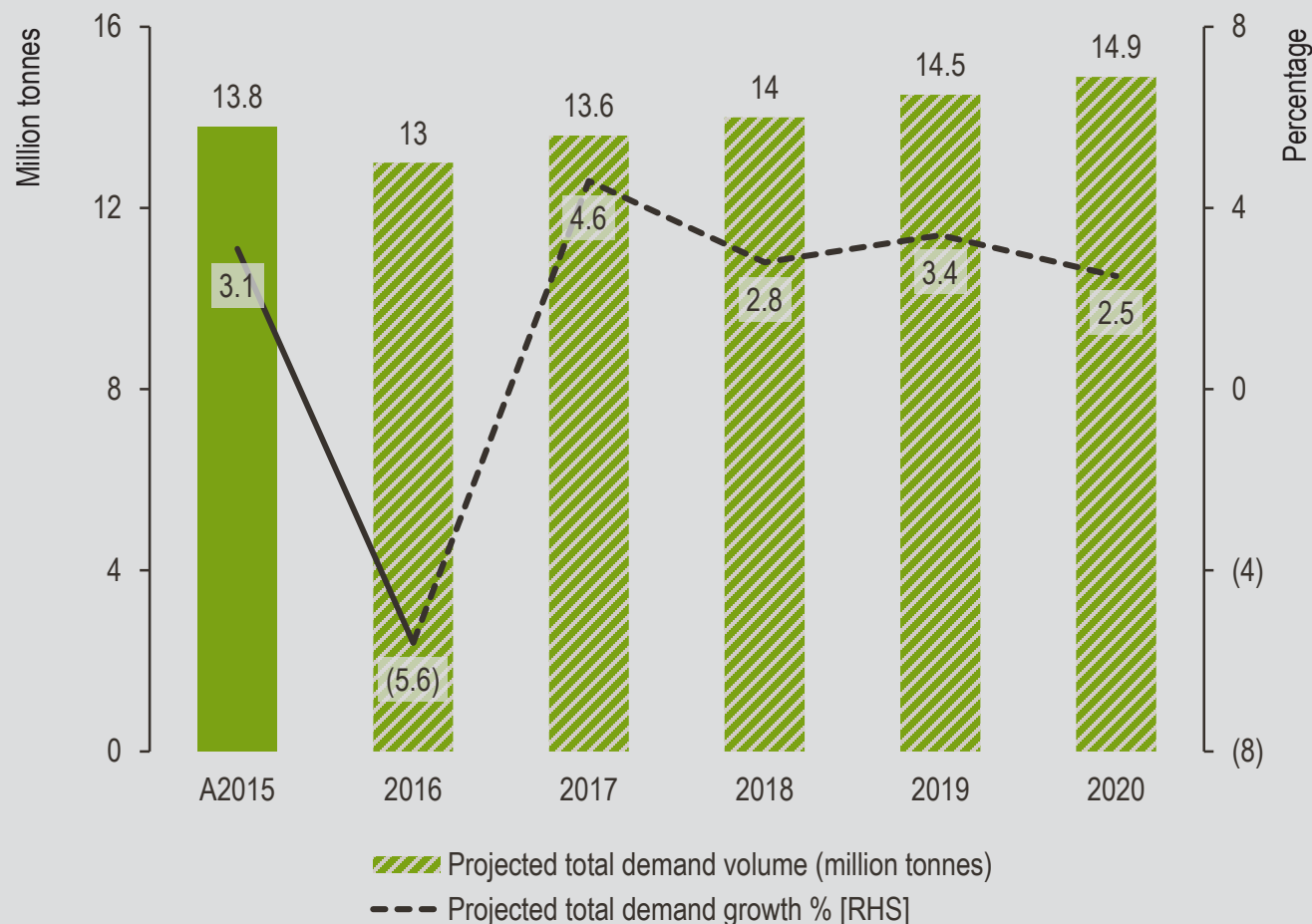
Our operations are located in the Mpumalanga and North West provinces in South Africa

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

South African cement demand analysis

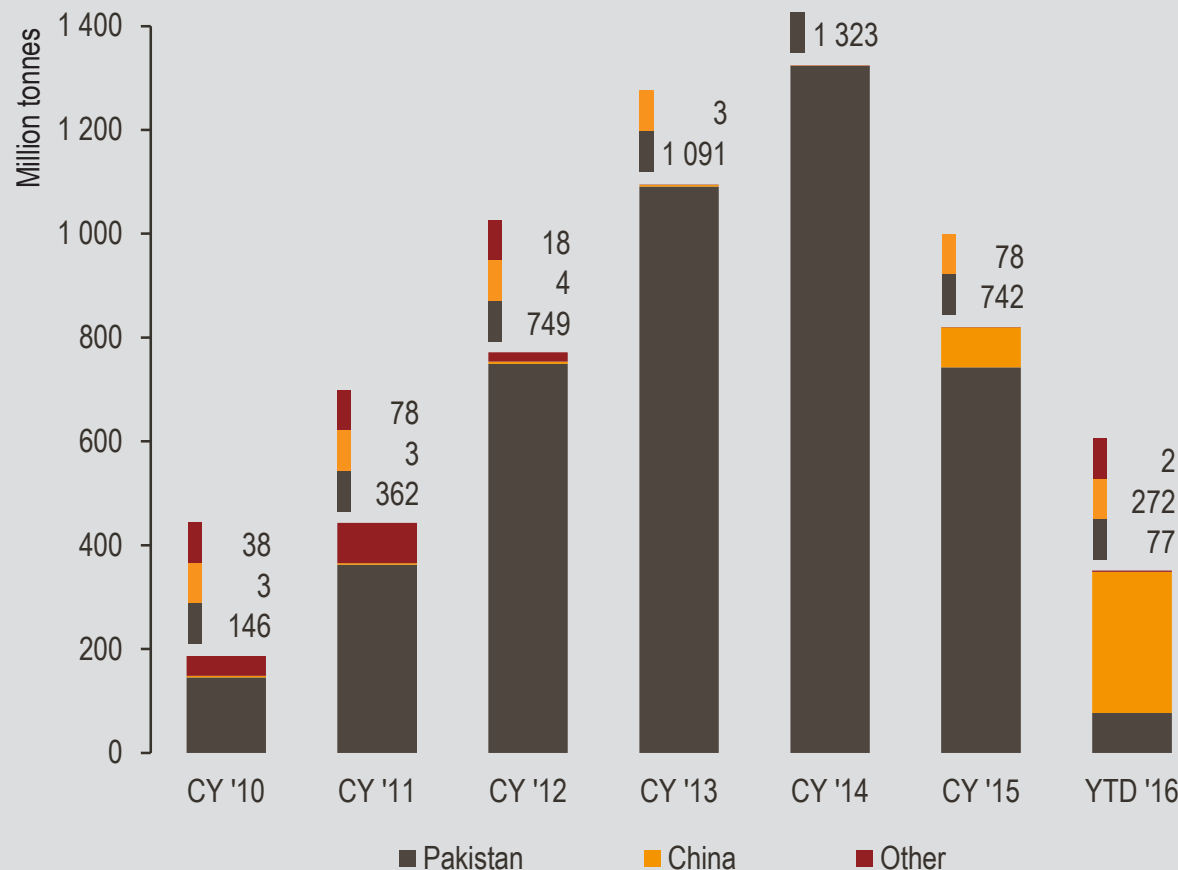


RSA total cement demand market at 13,8 million tonnes per annum in CY2015

- 3,1% year-on-year cement demand growth including imports in calendar year 2015
- A 5,6% decline in total demand estimated for 2016
 - Sharp decline in 2016 mainly due to sluggish economic performance
- Positive demand growth rate anticipated from 2017

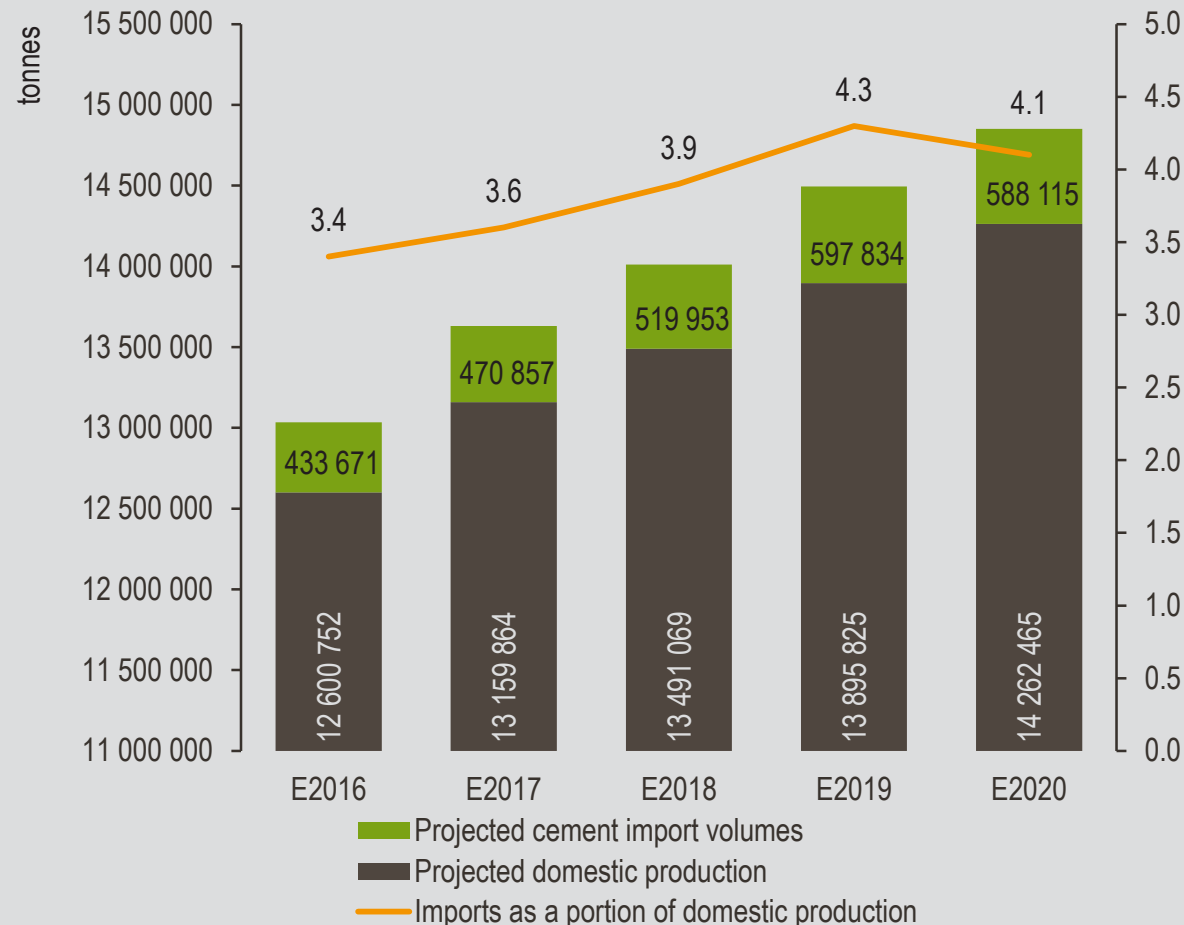
Source: Econometrix (Pty) Ltd Quarterly Cement Outlook Q4 2016 report – The cement model

Cement import analysis to end of October 2016



- Year-on-year volume decline of 50% for the ten-month period ended 31 October 2016 at 351 kt
 - Imported cement from China at 77% (272 kt) of total imports
- A 48% (147 kt) increase in imports in the third quarter, ended September 2016
 - Imports from China at 110 kt
- Approximately 77 kt from Pakistan for the ten months, a decline of 88% year-on-year
 - There were no imports from Pakistan in October 2016
- Imports from China increased by 250% year-on-year for the ten months

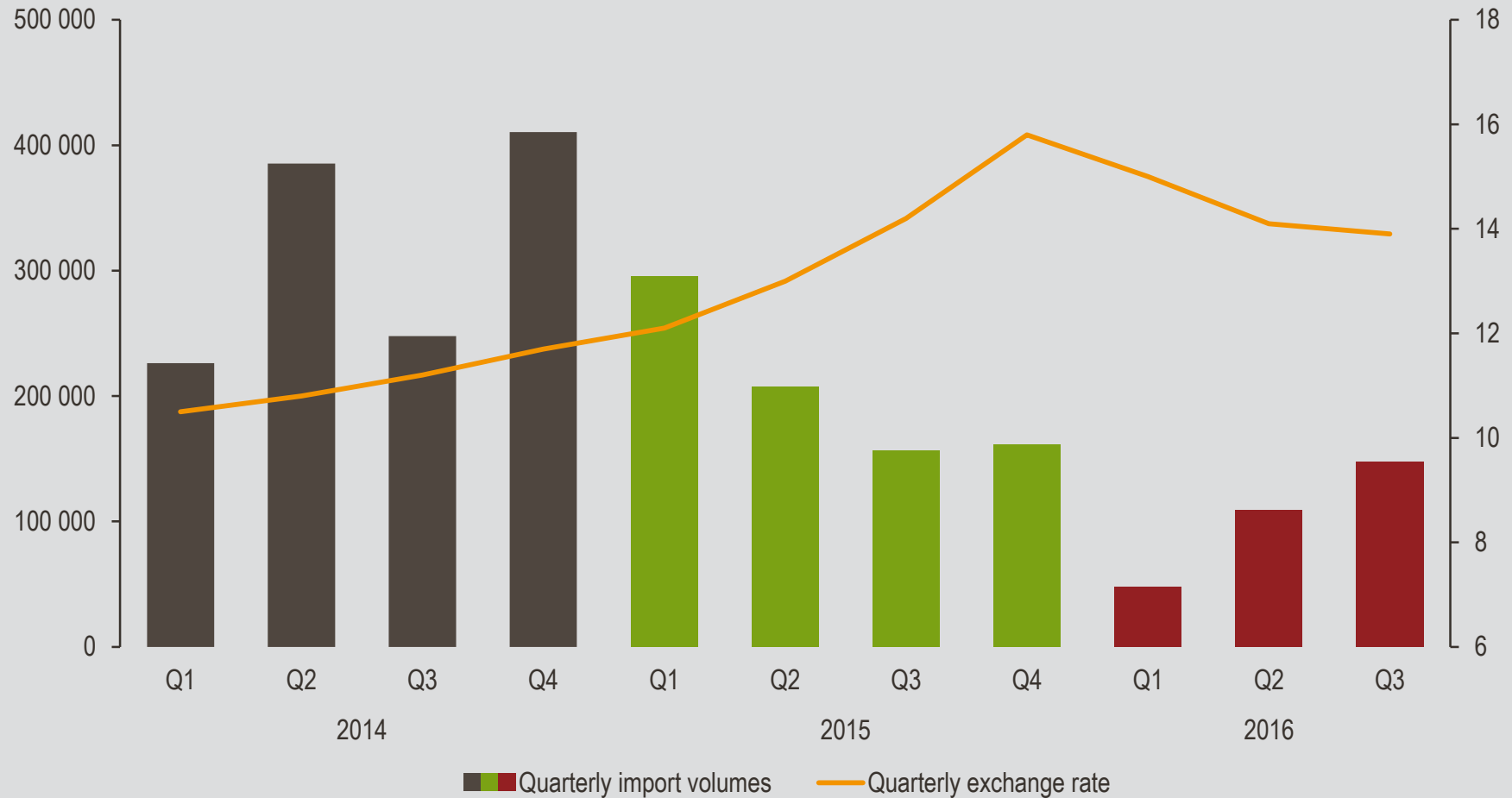
Cement import volumes projection



- Imports anticipated to steadily increase to approximately 600 ktpa by 2020 in line with increasing demand
 - CAGR for imports estimated at 6,3% over the same five-year period
- Share of imports to local production estimated to increase from 3,4% to 4,1% from 2016 to 2020
- Demand estimates exclude exports
 - Approximately 802 kt exported by end of October 2016
 - Major export countries are:
 - Botswana (403 kt)
 - Lesotho (196 kt)
 - Swaziland (134 kt)

Source: Econometrix Q4 Quarterly Report and cement model November 2016

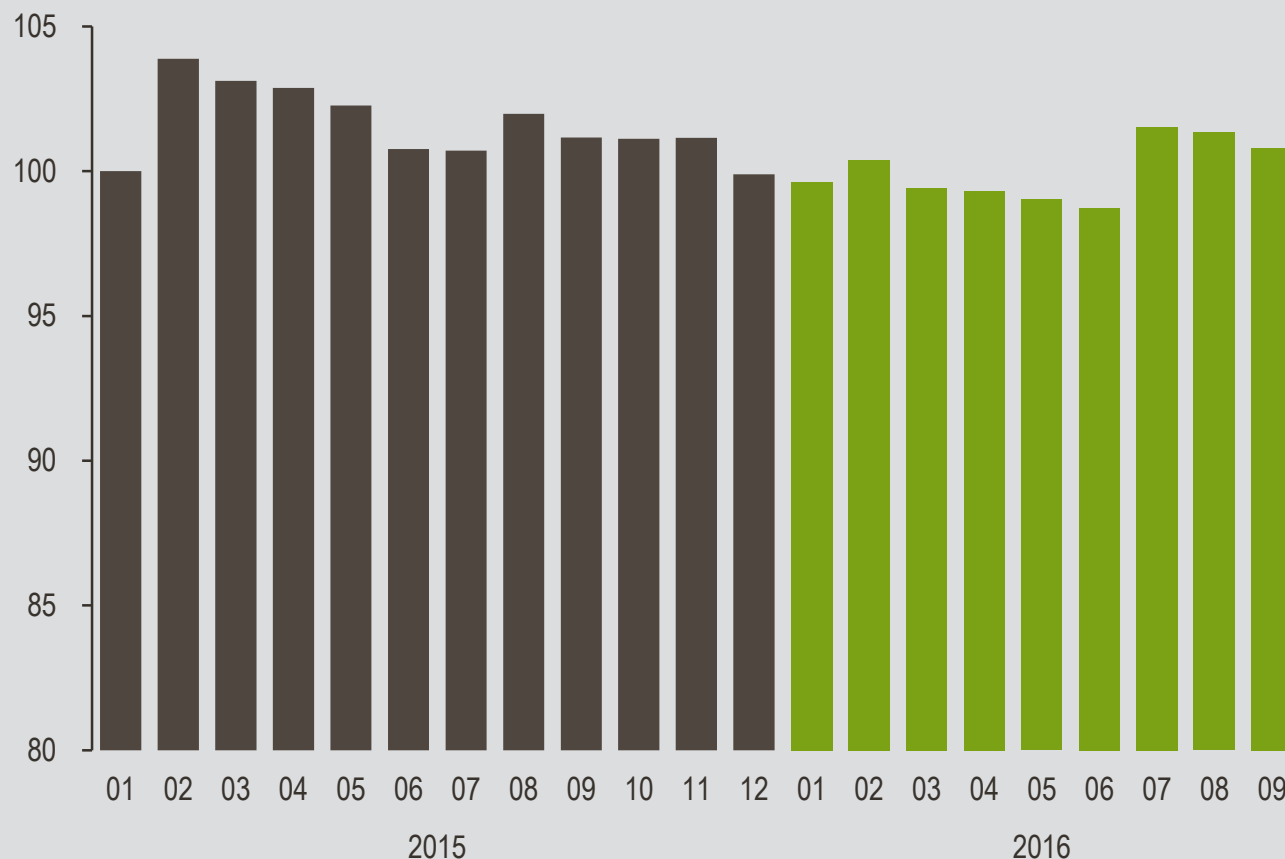
Exchange rate effect on quarterly import volumes



Source: SARS, SARB

CEMENT's pricing profile based to 100 from January 2015

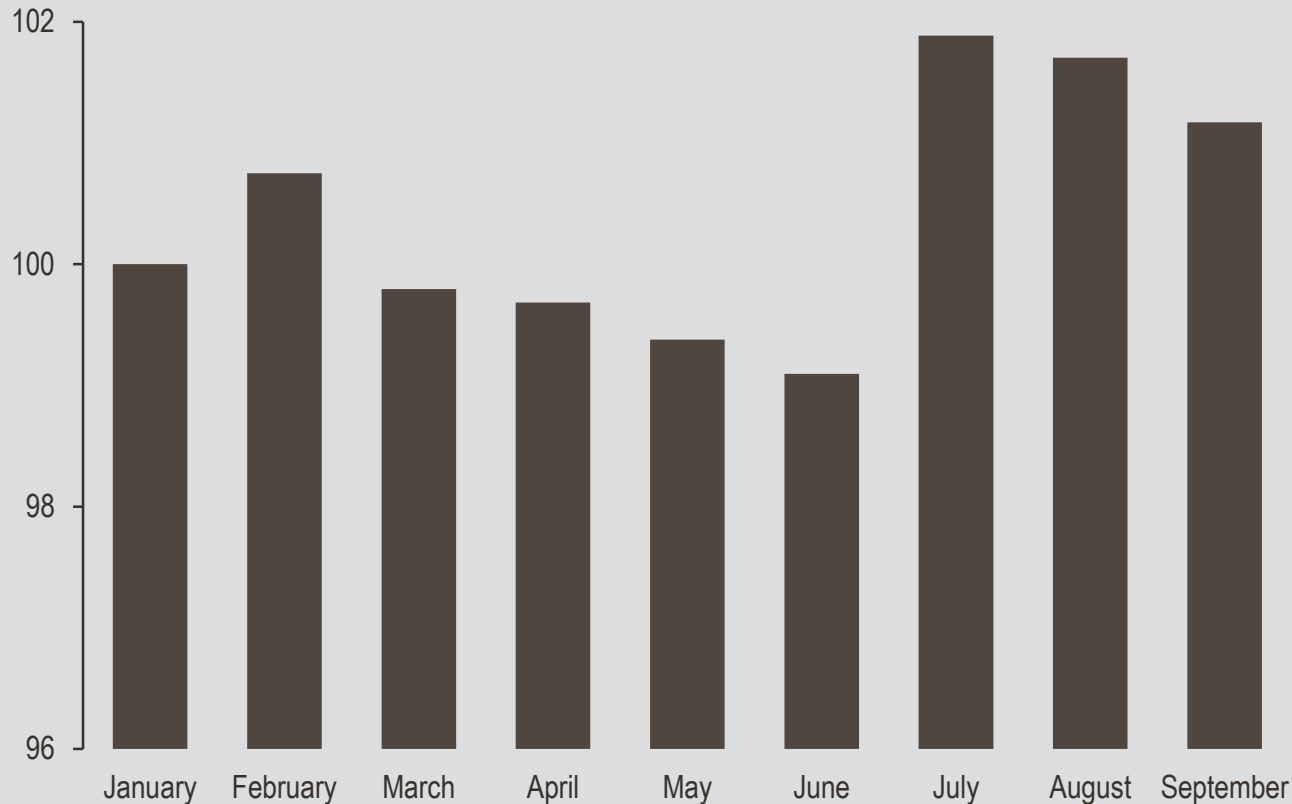
Average weighted bagged cement indexed price



- 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

CEMENT's pricing profile based to 100 from January 2016

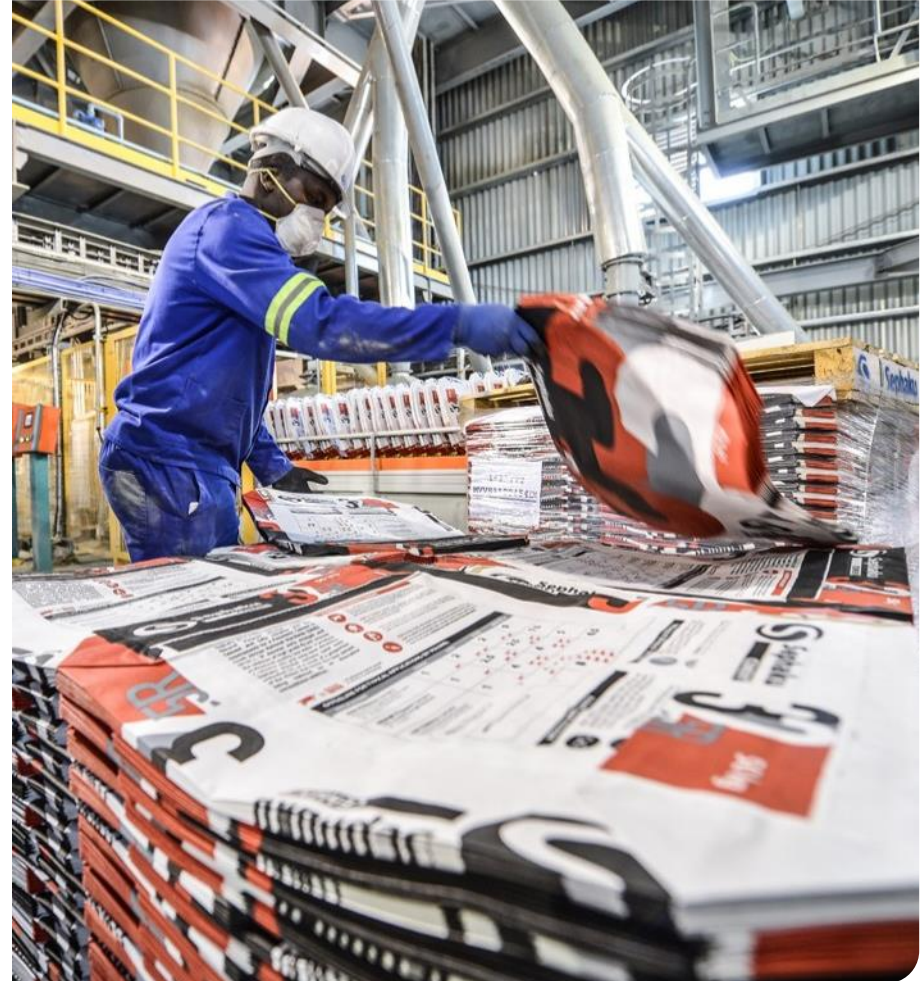
Average weighted bagged cement indexed price



- Average price increase of 5% implemented in mid-July 2016 in all markets
 - July 2016 increases have mostly held in all markets except Gauteng
- Improvement in pricing for third quarter, as compared to the six months to the end of June 2016
- Provincial pricing dynamics still volatile
 - Early indicators of pricing stability
- EBITDA lower at 19% (2015: 21%)

CEMENT's market positioning

- Market progressively skewed toward 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
- Competition remained fierce but signs that pricing is starting to stabilise



CEMENT optimisation programme progressing steadily

- To date, the improvement has been an increase in production capacity to 2,8 million tonnes per annum as a result of optimising raw materials composition
- The programme is expected to improve the EBITDA margins by 5% – 7% in the foreseeable future as a result of enhanced efficiencies
- Optimisation programme is targeting the following operational functions:
 - Logistics – Rationalisation of volumes and re-negotiation of rates
 - Action plan to rationalise logistics function well advanced with benefit expected Q1 CY2017
 - Sales – Refining customer segmentation and providing cost-effective customised service
 - Strategy and action plans for the various market segments finalised with benefit expected by June 2017
 - Raw materials – Improvement in the sourcing and use of raw material additives
 - Challenges in the initial production trials with replacement materials being rectified. Benefit anticipated by Q3 CY2017
 - Production – Mastering of the production process and improving plant output and reliability
 - Lower than expected efficiency performance of specific plant components have limited reliability. Management assessing the plant issues and confident to resolve them in the medium term



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OUTLOOK

CEMENT

- To achieve higher prices in all markets
- Pursue the optimisation programme in all focus areas*

Métier

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

SepHold

- Explore opportunities in the aggregates sector
- Pursuing downstream growth opportunities



* Refer to slide 21 for timeline



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THANK YOU

2016

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