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HOLDINGS LTD

2019

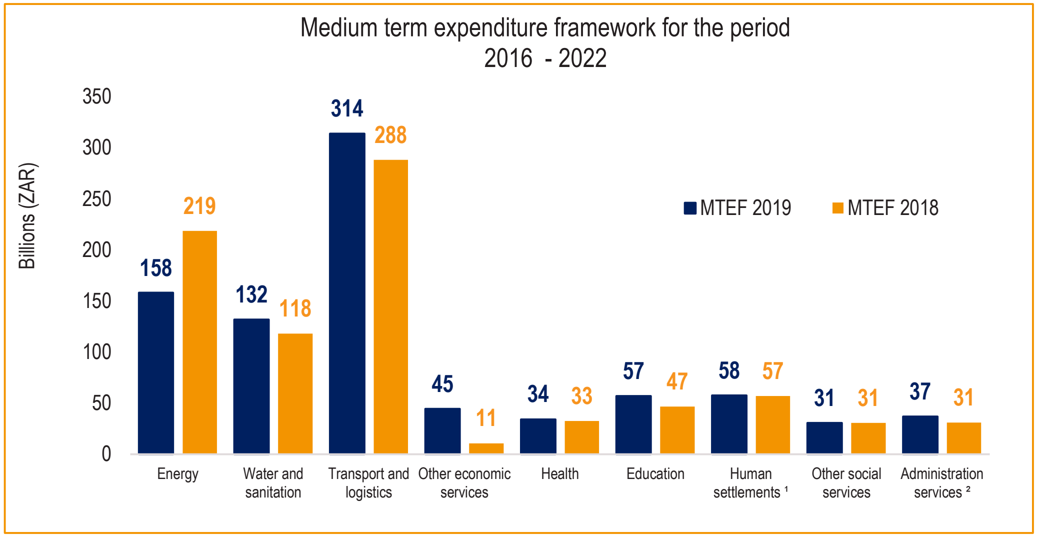
RMB OFF PISTE INVESTOR CONFERENCE

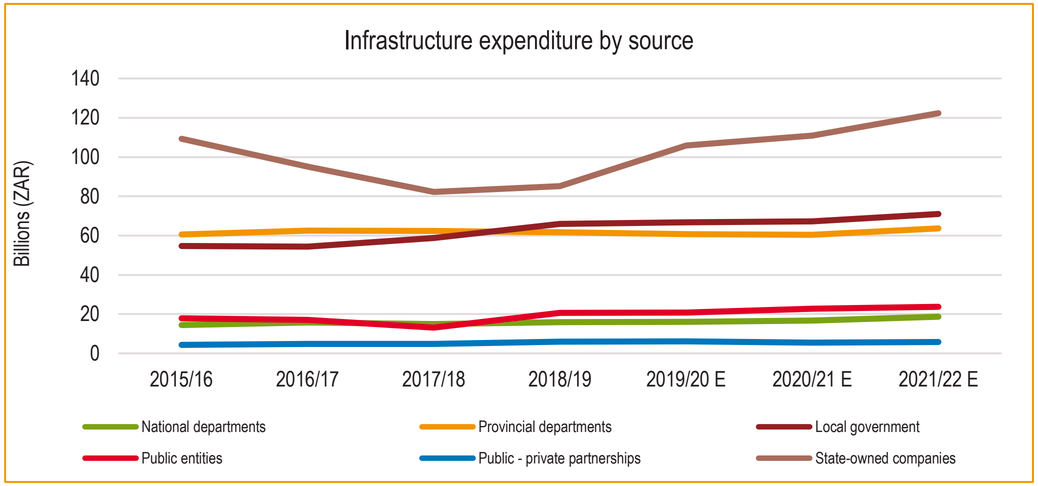
18 SEPTEMBER 2019

1 CEMENT DEMAND DRIVERS

Construction economic drivers

Public sector infrastructure spending – medium term expenditure



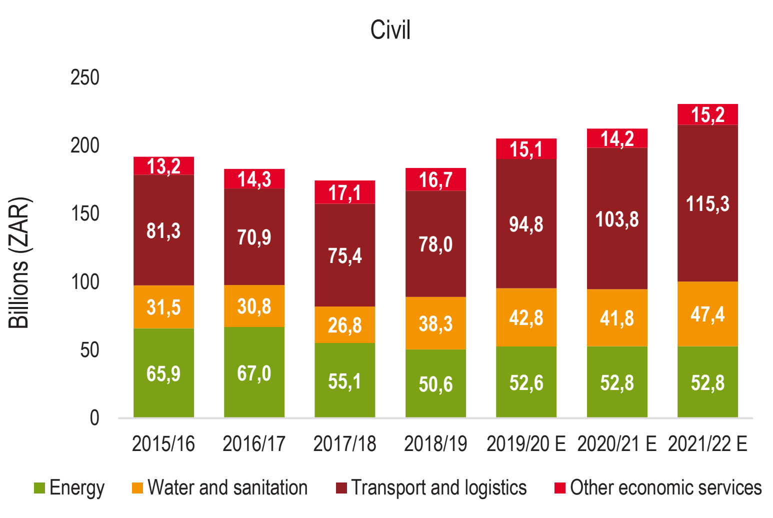


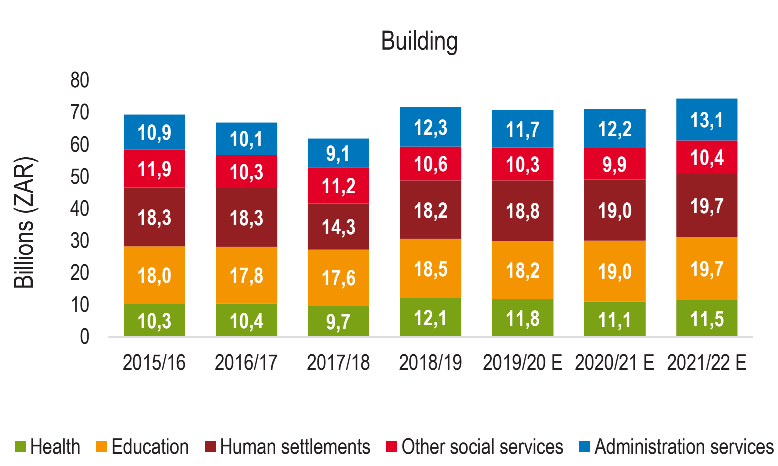
- 1999 to 2018, the public sector spent R3 trillion
  - spending grew by an annual average of 4.3% in real terms
  - state-owned companies spent R1,3 trillion
  - expenditure as a share of GDP averaged 5.9%
- State-owned companies are the single largest contributor to capital investment
  - projected to spend R339 billion over the next three years
  - energy expenditure expected to total R158,1 billion over the next three years, accounting for 18.3%
    - Eskom at R134,3 billion (85%)
- SANRAL allocated R36,5 billion to upgrade, strengthen and maintain non-tolled national roads. Additional 28 billion;
  - allocated for the upgrade of the Moloto road, to compensate for the reduced tariffs (Gauteng freeway improvement project), for the construction of two bridges on the N2 wild coast project and general road strengthening and maintenance
- Another R36,5 billion allocated to the provincial roads maintenance grant for resealing and rehabilitating of provincial roads

Source: National Treasury , 2019 mid-term review ,annexure D .
1 - Human settlement includes public housing to households and bulk infrastructure amounting to R57,5 billion over the medium term expenditure framework (MTEF) period.
2 - Administration services include infrastructure spending by the Department of International Relations, the Department of Home Affairs , the Department of Public Works , Statistics South Africa and their entities.

Construction economic drivers

Public sector infrastructure spending – sector and source trends





- Upward trend illustrating government's commitment to infrastructure expenditure
  - Limited by the sovereign debt burden
- 2019/20 budget prioritises social and economic infrastructure including schools, health facilities, transport , water and sanitation.
  - Water projects contributed the bulk of the value of awards in June 2019 for civil mainly in KZN, Limpopo and Western Cape
- General government infrastructure investment is projected at R526 billion over the next three years
  - Government to contribute additional R100 billion to a blended-finance infrastructure fund over the next decade in the form of new spending, reprioritisation and guarantees.
  - Fund to enable the public and private sectors to collaborate to finance sustainable social and economic infrastructure projects.
- Human settlement includes public housing to households and bulk infrastructure
- Administration services include infrastructure spending by government departments such as international relations, home affairs and Statistics South Africa
- Other economic services include agriculture, environmental, trade and industry, science and technology and telecommunications infrastructure
- Others social services include infrastructure such as labour, arts and culture, cooperative governance, rural and social development

Source: National Treasury , 2019 mid-term review ,annexure D.

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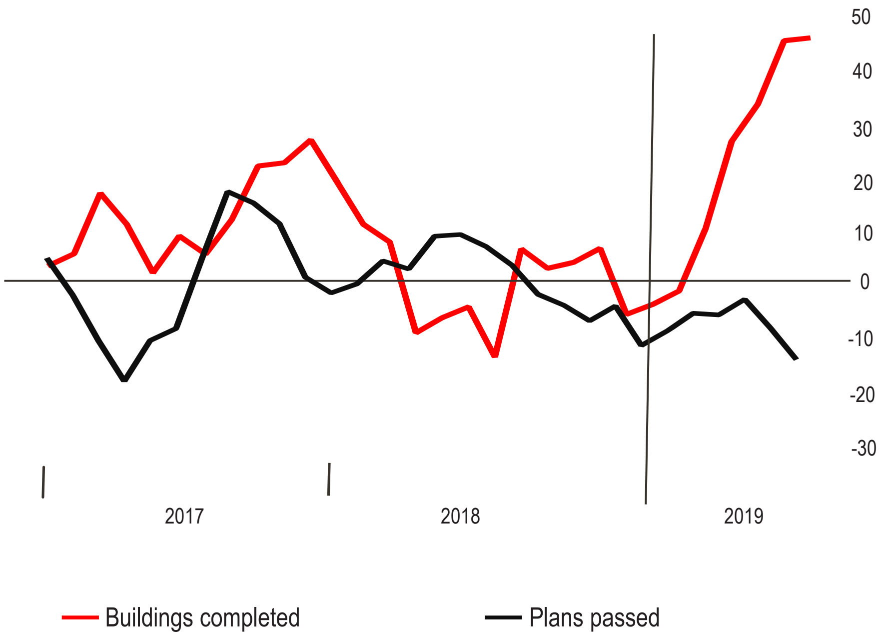
Construction economic drivers

Private sector expenditure - building plans passed and completed

Building plans passed & buildings completed : Y/Y %

Constant ZAR, smoothed 4 months



Statistics SA , Econometrix

"The postponement rate (of plans passed) is close to double digits since the 1st quarter of 2018, and is currently at the highest level since 2010. The postponement rate moderated slightly to 36.9 percent in May 2019 (including education projects), but rose to 39.7 percent in June 2019." – **Industry Insight, Construction Monitor July 2019**

- Building plans passed considered a leading indicator for building materials demand however subject to postponement
  - Constitutes 50% of SepCem's market exposure
- 10.3% YoY contraction in real value of plans passed for January – June 2019 with the highest decline in non-residential plans at 17.4%
  - Gap between plans passed and completed buildings implying downward trend in private sector infrastructure investment
  - Firmer growth in plans passed necessary to prevent future contractionary growth
- High growth rates of buildings completed in the interim mainly due to the completion of a few large projects such as Fourways Mall as well as flats and townhouses in the residential sector
  - Growth in flats and townhouses driven by concerns about safety and affordability
- Building activity expected to flatten over the remainder of the year
  - Evidence of oversupply of non-residential stock and bottoming out of residential building activity

Sources : Econometrix - EcoBulletin , 15 August 2019 ; Stats SA - *Preliminary selected building statistics of the private sector as reported by local government institutions ,June 2019*

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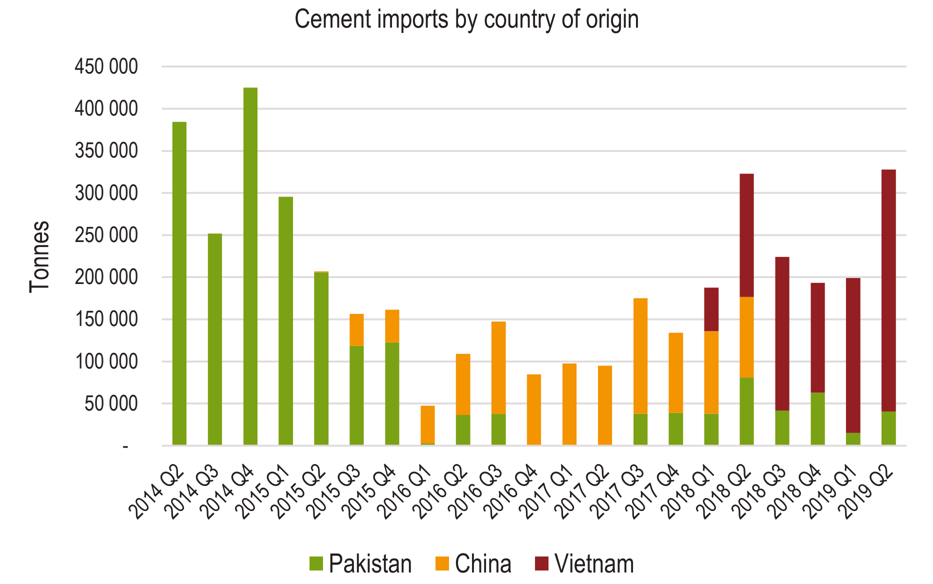
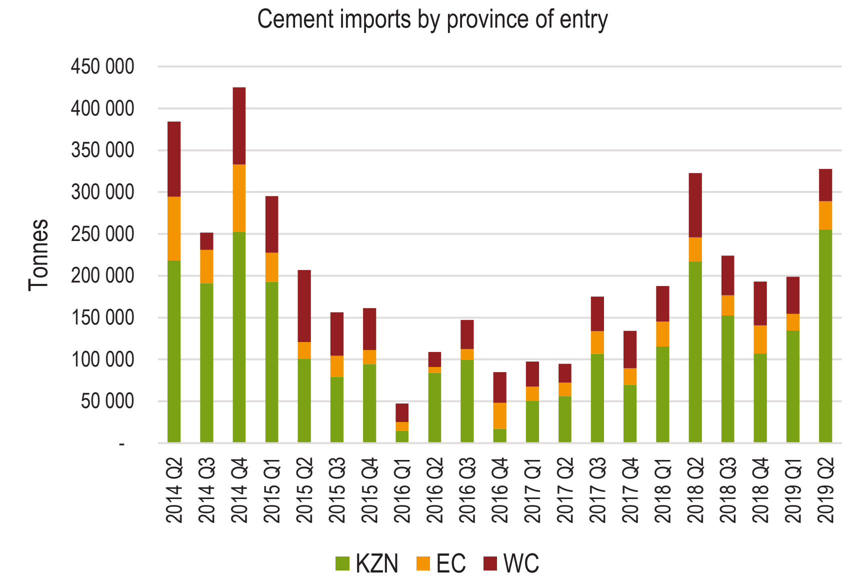
Competitive pressures

Imports - Vietnamese influx





- June YTD imports at 542Kt an increase of 6.2% YoY
  - Vietnam at 504kt an increase of 155%
- Imports indirectly impacting inland market resulting in increased aggressive sales tactics
  - Coastal producers attempt to recover lost volumes due to cheap imports
  - SepCem has introduced the *Falcon* brand in KZN to recover sales volumes
- Industry lobbying ITAC to impose safeguard tariffs on all imported cement citing;
  - Local producers have additional cost burden of doing business due to legislative requirements and high regulatory standards
  - Declining demand impacting profitability with potential job losses

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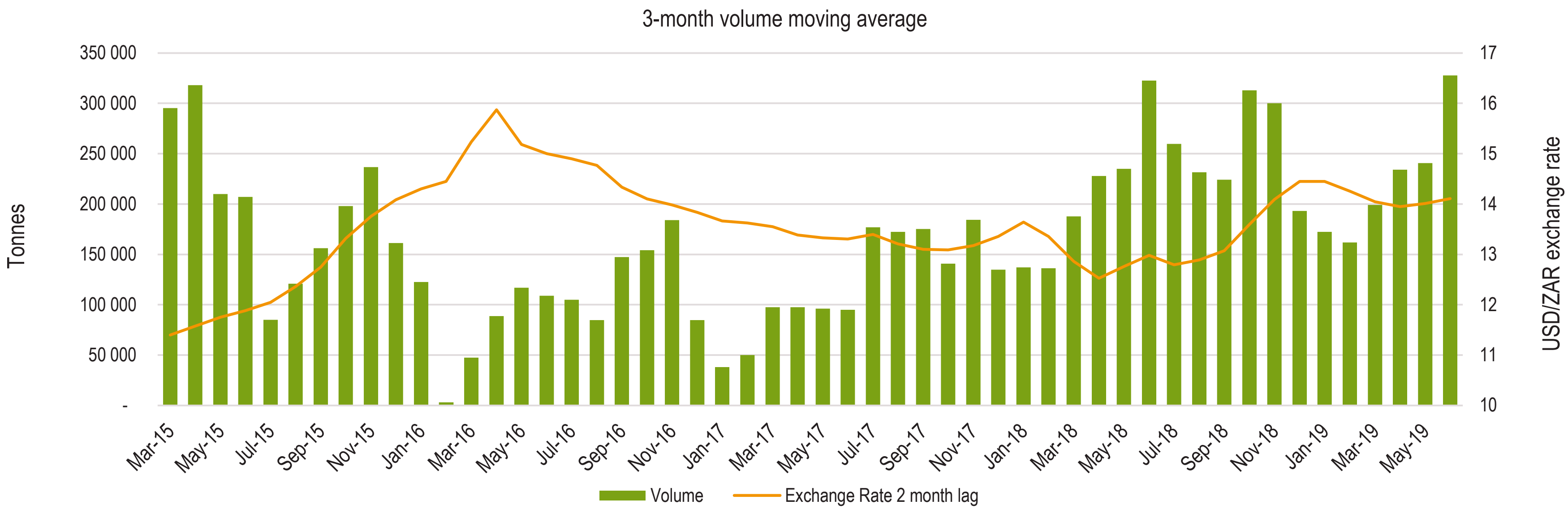
Competitive pressures

Imports **-** exchange rate impact



- 2 months lagged exchange rate aligns with the 3 – month rolling import volumes
- Recent ZAR appreciation may result in an increase in imports from Vietnam
  - Strengthening of emerging market currencies due to temporary easing of China / USA trade woes
  - Weak EU economic performance and BREXIT
  - ZAR rally is not expected to be long term
  - Vietnamese dong , largely flat to the USD over the past 12 months
- Analyst project imports at 1,0 – 1,1 million tonnes in 2019
  - May be lower if industry lobbying for higher import tariffs is achieved

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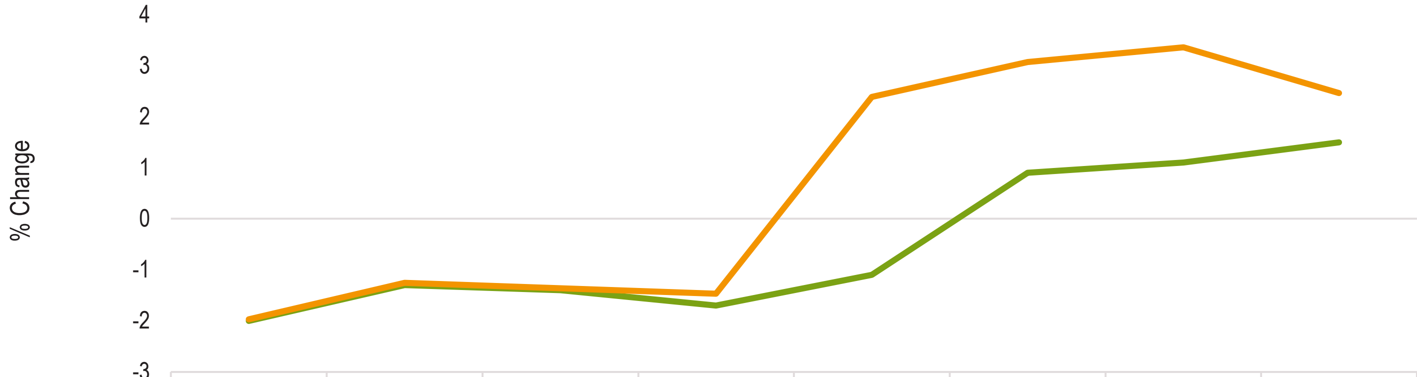
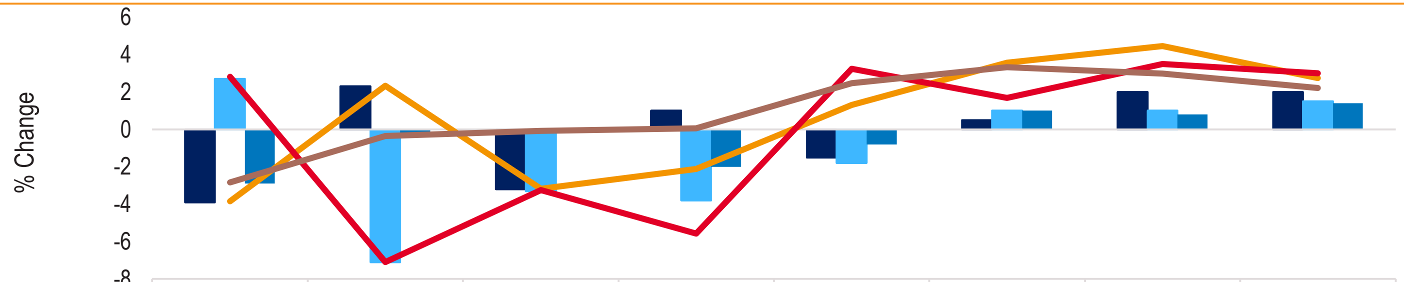
Construction economic drivers

Industry expert forecasts



	2016	2017	2018	2019f	2020f	2021f	2022f	2023f
Total construction (GFCF) % Δ - Industry Insight	-2,0	-1,3	-1,4	-1,7	-1,1	0,9	1,1	1,5
Total construction (GFCF) % Δ - Econometrix	-2,0	-1,3	-1,4	-1,5	2,4	3,1	3,4	2,5



	2016	2017	2018	2019f	2020f	2021f	2022f	2023f
Residential % Δ -Industry Insight	-3,9	2,3	-3,2	1,0	-1,5	0,5	2,0	2,0
Non-residential % Δ -Industry Insight	2,7	-7,1	-3,3	-3,8	-1,8	1,0	1,0	1,5
Construction works (GFCF) % Δ -Industry Insight	-2,9	-0,4	-0,1	-2,0	-0,8	1,0	0,8	1,4
Residential % Δ - Econometrix	-3,8	2,3	-3,2	-2,1	1,3	3,6	4,5	2,7
Non-residential % Δ - Econometrix	2,8	-7,1	-3,2	-5,6	3,2	1,7	3,5	3,0
Construction works (GFCF) % Δ -Econometrix	-2,8	-0,4	-0,1	0,1	2,5	3,3	3,0	2,2

***Source**: Econometrix 2019 Q2 . Industry Insight Forecast Report July 2019*

2 SEPHAKU CEMENT

Industry demand

- Industry estimates;
  - Clinker capacity at 17 – 19 million tonnes per annum (mtpa)
    - Clinker rather than cement capacity considered as real constraint
  - Demand (including imports) at 12 mtpa – 13 mtpa
- Demand impacted by macro-economic downturn
  - Gross fixed capital formation (total building) statistics illustrate a downward trend
- Estimates of decline in industry demand of 5% - 10% in CY 2018
  - DCSA sales volumes declined by 6.4% in CY 2018 and by 19% in Q1 2019 YoY
- Further sales volume demand decline estimated for CY 2019

Calendar year	2016	2017	2018
DCSA:	↑ 4%	→ flat	↓ 6.4%
GFCF:	↓ 2%	↓ 1.3%	↓ 1.4%

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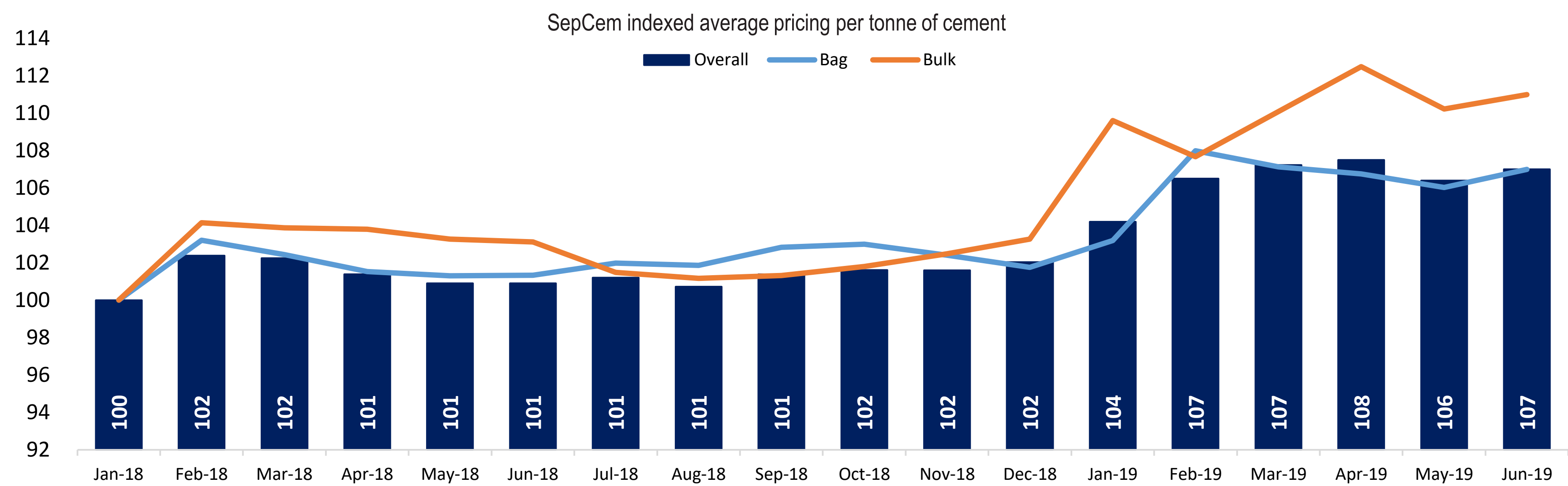
Market dynamics



- Protracted low bulk cement pricing has increased blender activity in selected inland markets
  - Bulk pricing markedly increased in H1 2019
- DCSA increased pricing in February and July 2019
  - July increase incorporated carbon tax impact
  - All producers have passed on the carbon tax impact in July price increases
- Increased imported volumes in coastal markets intensifying price competition
- Discretionary consumer incomes impacted by increase in cost of living – reduced demand for cement

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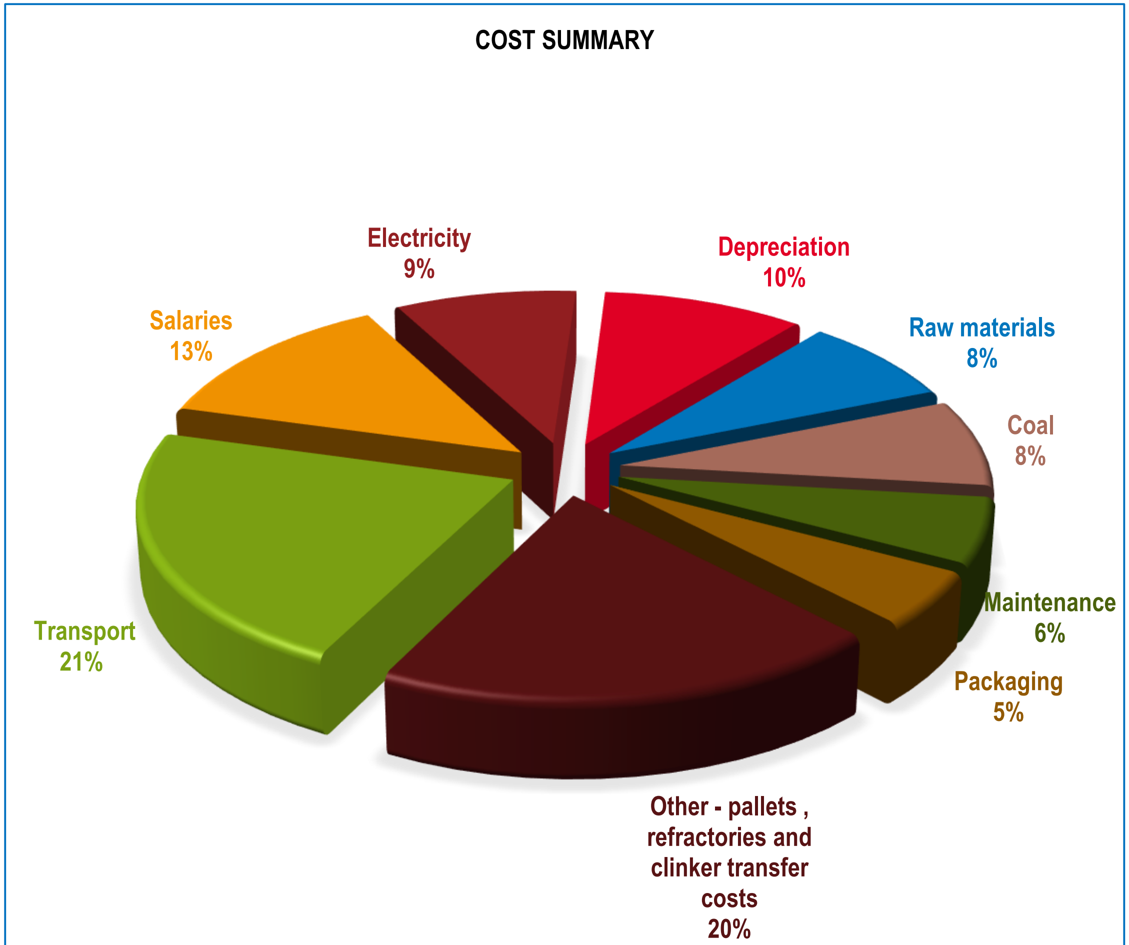
Impact of input cost inflation

- Coal, electricity and fuel price increases
  - Fuel prices have been increasing since 2017
  - In 2018, sharp price increases surpassed the record highs of 2014
  - Constrained availability of coal as a result of increased global demand resulted in significant increase in the coal prices.
- Poor coal quality resulted in higher maintenance and operational costs against budget due to;
  - Lower extension capability due to poor ash quality
  - Downtime
  - Reduced plant efficiencies



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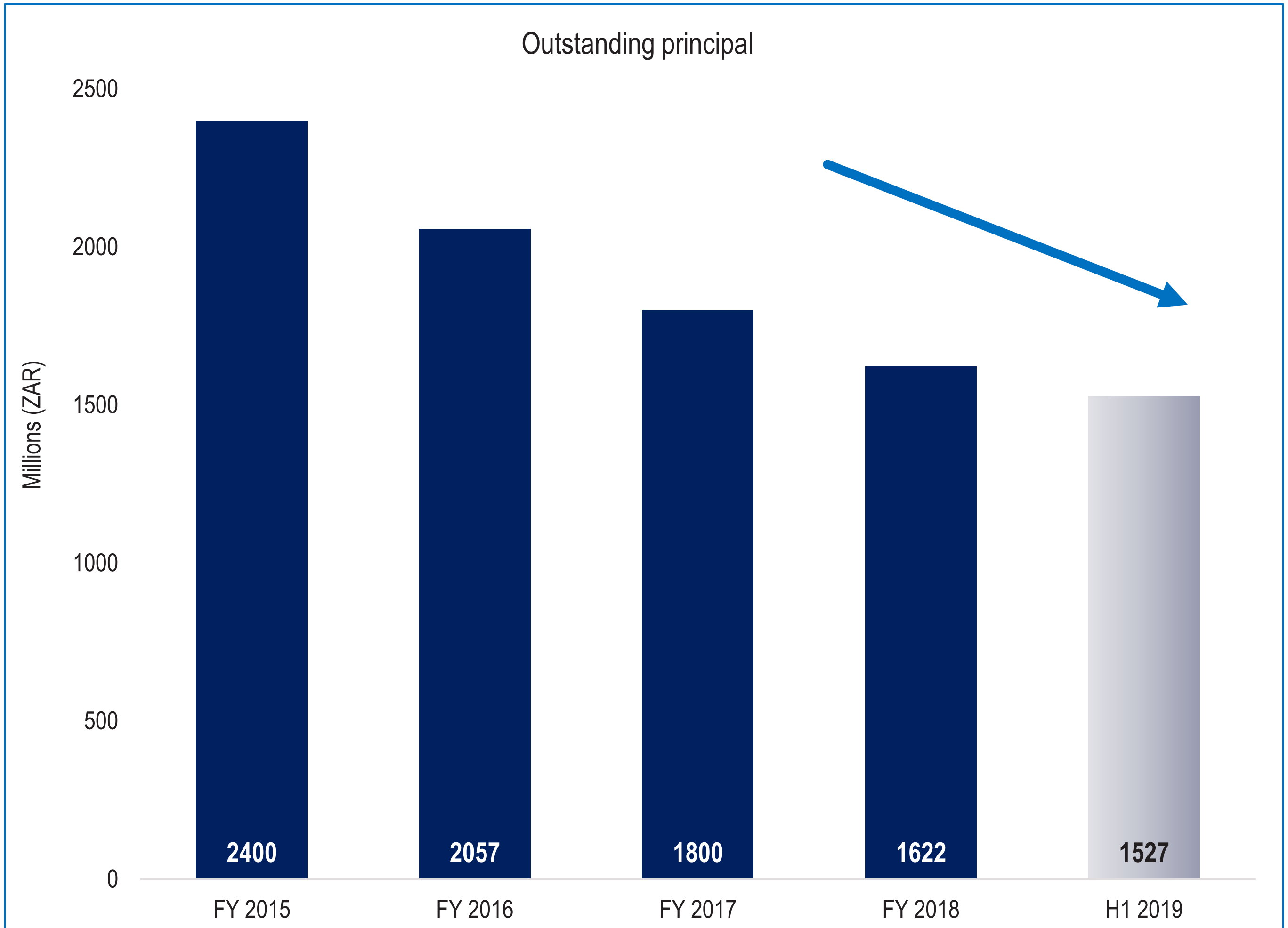
SepCem targeting debt to EBITDA ratio of x2.5

Strengthening the balance sheet



- SepCem had reduced debt capital by R873 million by 30 June 2019
- Total debt payments R187 million in H1 2019
  - R94 million capital
  - R93 million interest
- On-going discussions with lenders
- Dangote Cement PLC quasi
  - loan balance at R501 million
  - Interest rate at JIBAR plus 4%

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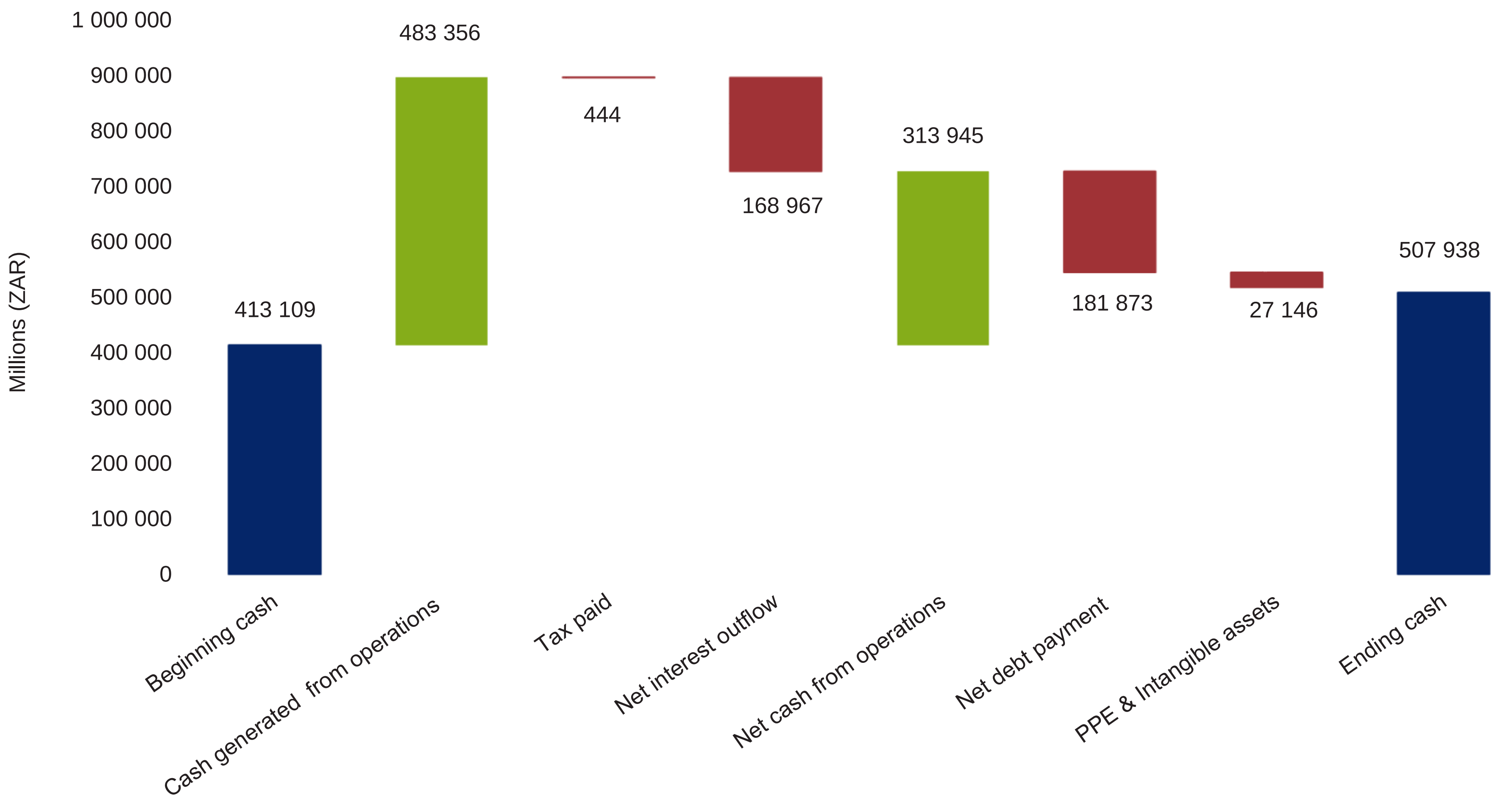
Cash generation ability

FY 2018 CASH FLOW ANALYSIS



3 MĒTIER MIXED CONCRETE

FY 2019 performance
for the period ended 31 March 2019

Financial

- Sales revenue of R835,8 million
  - FY2018 : R830,7 million
  - 1% increase in concrete sales volumes and flat pricing YoY
- Cost of sales increased by 5.4% mainly due to the sales mix
- Inflationary increase of 7.1% in expenses due to the 13th plant
  - EBITDA of R52,2 million
  - EBIT of R38,9 million
  - Net profit after tax of R21,5 million
- Métier wrote off R8,95 million in debtors
  - Strict debtor management continually implemented to minimise customer credit default risk

Operational

- Strategic increase in plant footprint within Gauteng through the thirteenth plant supported sales volumes YoY
  - Total annual sales volumes increased by 1%
    - Gauteng volumes increased by 15%
    - KZN volumes decreased by 11%
  - Like for like sales volume decrease of 5%
- The mobile plant provides ability to swiftly access new or expanding supply nodes
  - Métier can supply short–term construction projects
  - Métier can pro-actively supply whilst determining viability for a fixed plant , long term

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Métier's ongoing response to the tough trading environment from FY 2019

Challenge : Low pricing and inflationary cost increases

- Continuous cost management initiatives focused on:
  - Competitively priced inputs – to negotiate for below inflationary increases for 72% of input costs
  - Reduction of expenses – targeting zero increase YoY in administration and management expenses by 31 March 2020
  - Distribution fleet rationalisation – reduced outsourced fleet by 16% in FY2019. Ongoing focus on optimal routing and enhanced efficiency per truck

Challenge : Declining volumes

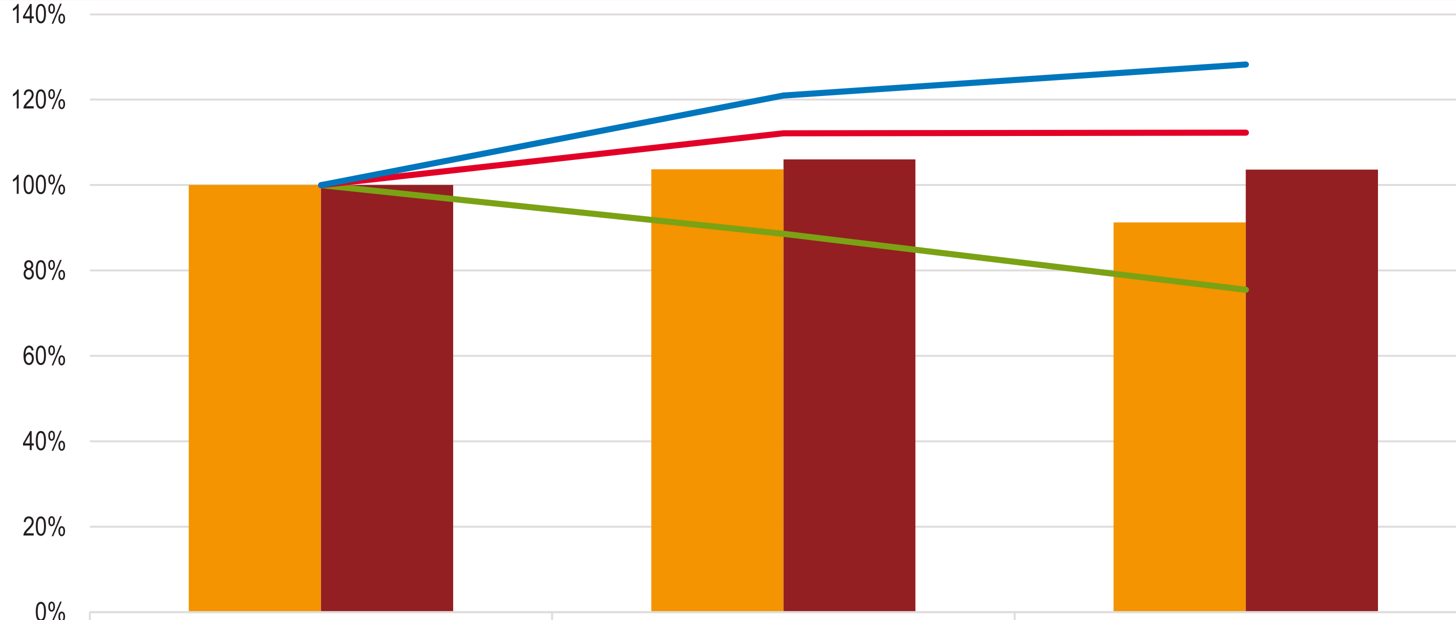
- Retention of existing customers to defend current geographical positioning and identification of new customers across all market segments.
  - Métier to improve sales strategy implementation to increase repeat and new supply orders from current and new customers respectively
- Métier to actively seek value added concrete supply contracts that are not easily replicable by competitors

Challenge : Customer credit default risk

- Review credit limits for all customers and apply guidance from credit vetting institutions
- Subsidiary to increase the proportion of cash sales to minimise the incidence of default

Impact of low pricing and inflationary input costs

Indexed average pricing and cost comparison for Q1 2020 to Q1 2016



	Q1 2015/16	Q1 2018/19 VS Q1 2015/16	Q1 2019/20 VS Q1 2015/16
Total volumes (m³)	100%	104%	91%
Average selling price ZAR/m³	100%	106%	104%
Margin over material and delivery	100%	89%	75%
Raw material cost ZAR/m³	100%	112%	112%
Transport cost ZAR/m³	100%	121%	128%

- Margin continues to be negatively impacted by low prices and above inflation costs for raw materials and transport
- Implementation of strategic sourcing of key inputs to minimise cost increases

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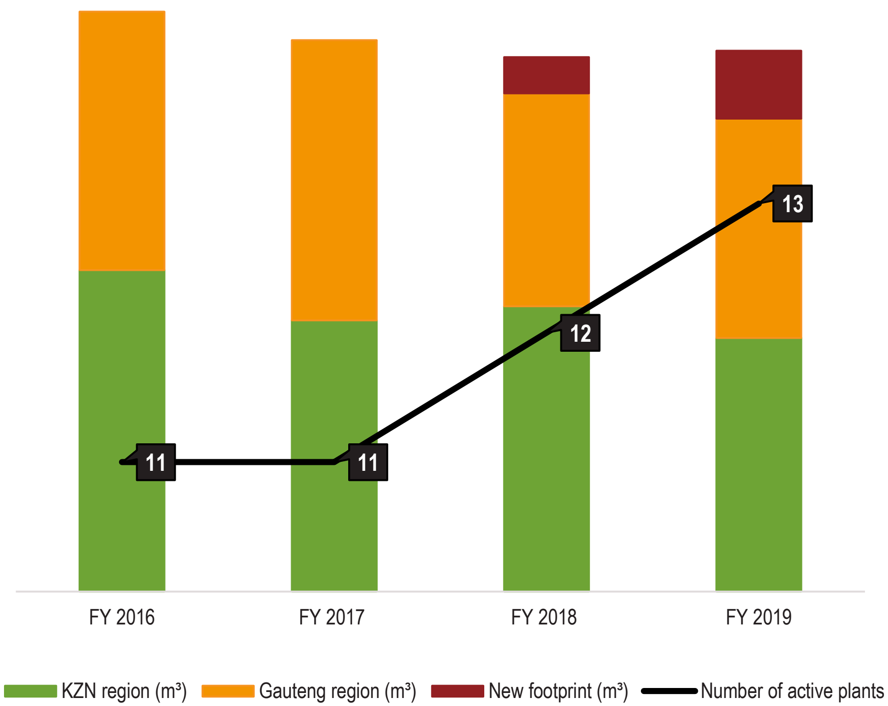
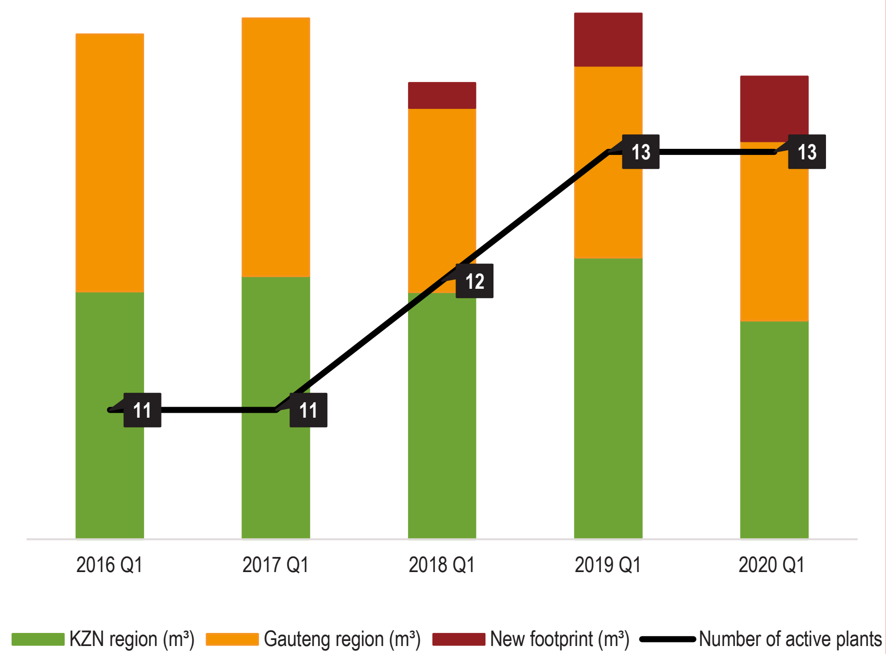
Positive volume impact from strategic plant expansion

Impact of additional plants on annual volumes



Impact of additional plants on quarterly volumes



- The additional plant capacity in Gauteng improved total sales volumes by 3% in FY2019
- 2020 Q1 volumes for the period ended 30 June 2019 supported by 14% from plant 12 and 13

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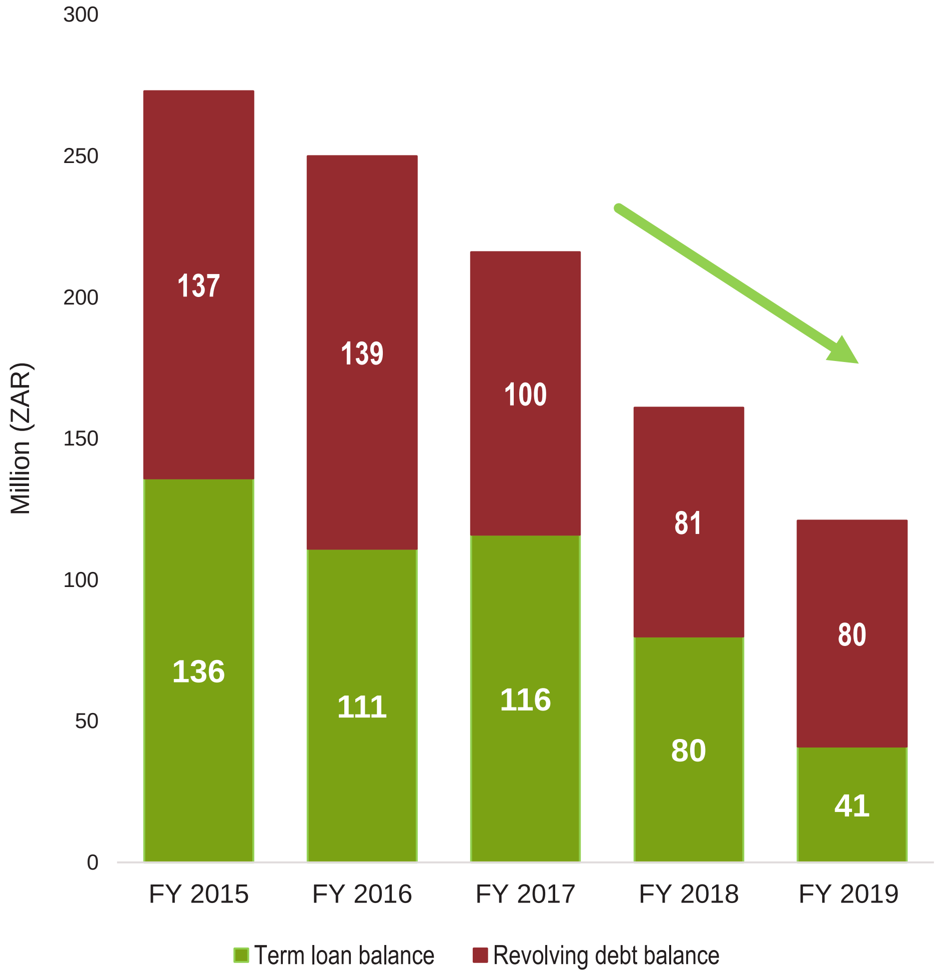
Debt profile

Strengthening the balance sheet



- Term loan debt at a quarterly interest rate of JIBAR plus 3.49% has been decreasing by 11% annually since FY2015
  - Outstanding balance was R40,7 million at YE and R 31,8 million at 30 June 2019
  - Final instalment to be paid in April 2020
- R100 million revolving facility at a quarterly interest rate of JIBAR plus 4%
  - Repaid R39,7 million capital by 31 March 2019
  - Outstanding capital of R90 million at 30 June 2019
  - Métier in negotiations with the lenders on the repayment terns of the facility due to reduced level of EBITDA .

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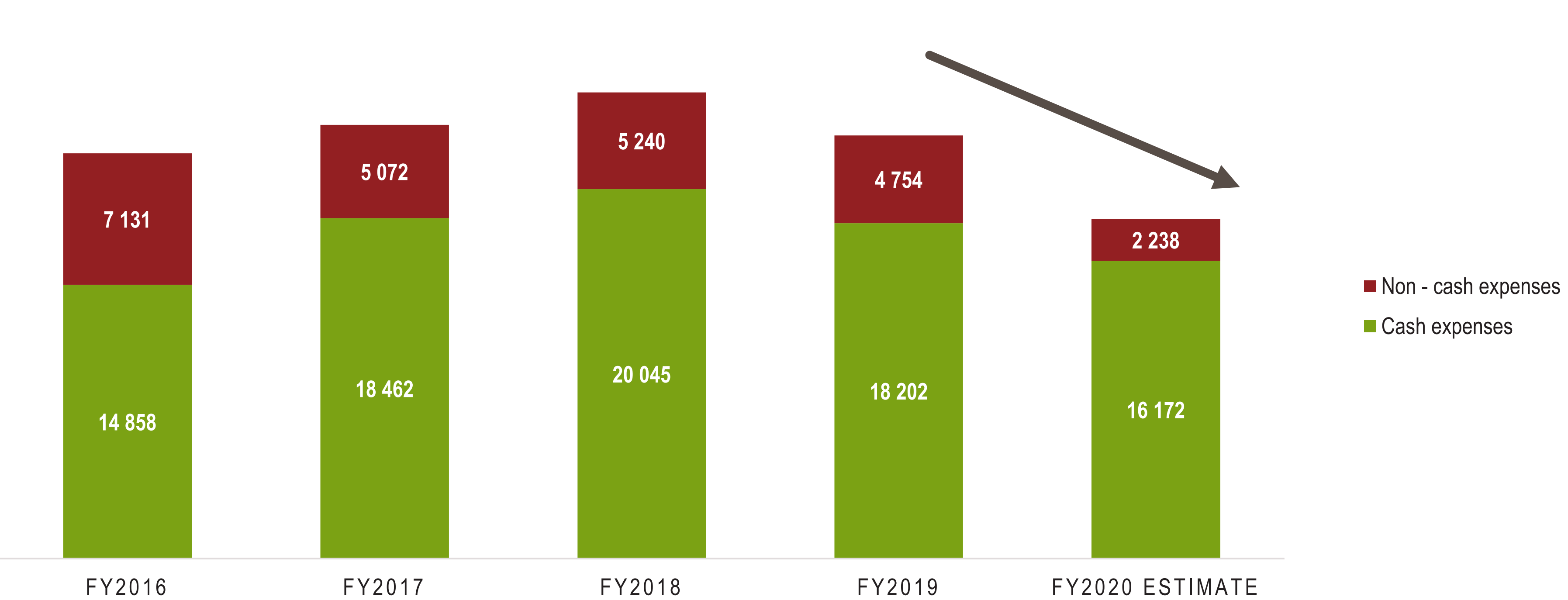
4 CONCLUSION

SepHold cost reduction initiative update

- SepHold expenses reduction initiative to align with tough trading environment commenced in October 2018
- Reduction in expenses for the interim ending September estimated at R2,4 million below the comparative period mainly due to :
  - savings from the reduction of the CEO remuneration and non – cash expenses
- Total expenses target of R18,4 million by 31 March 2020



Competitive advantages position the group well

- Operating entities have distinctive advantages which enhance competitiveness ;
  - State of the art plants with proven cost efficiencies
    - Cement plants awarded tax credit for energy efficiency
    - Low emissions of NO_x compared to industry average at SepCem
  - Operational management with deep industry skills
- Focus for the next 6 to 12 months is to :
  - continue reducing debt at both Métier and SepCem
  - continue closely managing head office (SepHold) expenses
  - optimising sales reach from the 12th and 13th plants
  - evaluating potential opportunities to enhance shareholder value

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