



Building a Nation

November 2012

By

Dr Lelau Mohuba,
Neil Crafford-Lazarus
and Pieter Fourie

Chapter 1:

The start of a cement and
cement-related products
company

Listed on the JSE in August 2009

Diverse range of mining and exploration projects

Limestone, fluorspar, coal, tin, gold, and nickel.

Market not initially supportive of the holding company structure

Streamlining the Seshaku Group and to focus on its core projects

The Incubex distribution was implemented in October 2010

In March 2012 Seshaku Holdings shareholders approved the unbundling of Seshaku Fluoride to be able to focus on the Cement Project

Fully funded

Sephaku Holdings 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) – Extensive experience in South African corporate and commercial law, including mergers and acquisitions and corporate finance; appointed Chief Executive Officer of Cliffe Dekker Hofmeyr



Dr Lelau Mohuba

CEO – executive director - MB ChB (University of Natal, now Nelson Mandela School of Medicine) – Retired medical practitioner; co-founder, former Chairman of Sephaku Holdings (SepHold); currently serves as Chairperson of Inubex Minerals, Taung Gold Limited, Sephaku Fluoride Limited (SepFluor), Miranda Mineral Holdings



Neil Robus Crafford-Lazarus

FD – executive director - Chartered Accountant (South Africa), BCompt (Hons) (UNISA) – 25 years' mining finance experience. Currently also CFO of SepFluo; previously CFO of Platmin, FD of Xstrata SA; senior managerial posts in finance, corporate finance, tax at Gencor (BHP Billiton), Anglo American



Dieter Frederick Fourie

Non-executive director and CEO: Sephaku Cement - BCom (Accounting), Executive Development Program (PRISM) for Global Leaders (Switzerland) - Extensive experience in the cement industry; previously Marketing Director, Blue Circle (subsequently acquired by Lafarge SA), Managing Director of the Lafarge SA cement business unit, Strategic Development Director for Africa



Rose 'Shibe' Matjiu

ISD executive director - Certification in Mining and Minerals (Wits), MA (Medical Social Work) (University of Pretoria), BA (Hon) (Social Work) (University of the North) – Professional social worker; extensive knowledge of, experience in community-related work, corporate social investment, public and private sectors Member of SA Women in Mining, NAFCCO, Business Women's Association



Modilati Gustav Mahlare

Independent non-executive director and Chairman of the audit committee - BCom (Accounting), BCompt (Hons) – Extensive experience in internal audit, corporate governance, risk management; management consulting; joined SEMA Integrated Risk Solutions May 2007 as director; previous positions with PWC, National Sorghum Breweries

Sephaku Holdings Board of Directors (Continued)



Christiaan Rudolph de Wet de Bruin

Non-executive director - BCom (University of the Free State), LLB (Rand Afrikaans University) - Practised as an advocate at the Pretoria Bar from 1977 to 1989; subsequently focused on finding, acquiring, developing mineral exploration, mining projects in Africa. Founder member of the Platinum Group and co-founded the Sephaku Group



Moszes Modidima Ngoasheng

Non-executive director - MPhil (University of Sussex), BSoSci (Hons) (University of Natal), BA (Economics and International Politics) (UNISA) - Former ANC activist. Co-founder and executive chairman, Safika Holdings; Chairman, Cogza Development Corporation; board member, South African Breweries, Dimension Data plc; former economic adviser to then SA President Thabo Mbeki



Dr David Twist

Non-executive director - BSc (Hons) (Geology), PhD (Geology) - Founder member of Platmin Limited, CEO until 2006; subsequently focused on new exploration opportunities with SepHold; previously with Impala Platinum Limited; involved in Bushveld Complex research at University of Pretoria



Johannes Wilhelm Wessels

Alternate director - BJuris (North West University), LLB (University of South Africa) - Responsible for legal advice, contractual arrangements of the Sephaku Group; completed articles with Adams & Adams; in private practice since 1979; founding partner of Truter & Wessels; head of commercial department



Jennifer Bennett

Company secretary and Alternate director. Attends to all company secretarial work, mineral rights searches, farm sub-divisions, servitudes, Group administrative work; director of Bubesi Investments 38 (Pty) Ltd; previously employed by several firms of attorneys as a paralegal

Sephaku Cement Management



Pieter Frédéric Fourie

CEO: Sephaku Cement – as above



Duncan Leith

Commercial manager: Sephaku Cement - BCom (UNISA), Young Managers Program (INSEAD, France), MBA (GIBS) - Lafarge (formerly Blue Circle) for 10 years, Duncan spent three years with the Imperial Group managing their Renault Trucks franchise. He is currently responsible for marketing, sales and distribution.



Duan Claassen

Cement Operations Manager - BEng (Metallurgical Engineering) (University of Pretoria - cum laude), MDP (Duke University, USA) Worked for Lafarge and PPC as Operations Manager of Lichtenburg Works and Dwaalboom respectively. His principal duties included plant performance and reliability, people management, production planning, product quality, safety and cost control.



E Heinrich de Beer

Engineering Project Manager - BEng Mechanical (PU for CHE), MDP (PU for CHE), LDP (GIBS) - Mittal (Iscor), Lafarge SA as Depot Manager, Depot Operations Manager responsible for distribution facilities as well as its Richards Bay Grinding Development Manager at the Lichtenburg Plant where he was responsible for major projects, automation and IT, quality and environment.

Chapter 2:

The Cement Project

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Environmentally Friendly

6,000 tonnes per day or 2.5mt

Cheapest cost producer

First production towards the end of 2013

Plants are being built and supplied by Sinoma on a full turnkey basis

Capital bill unchanged at R3.2bn

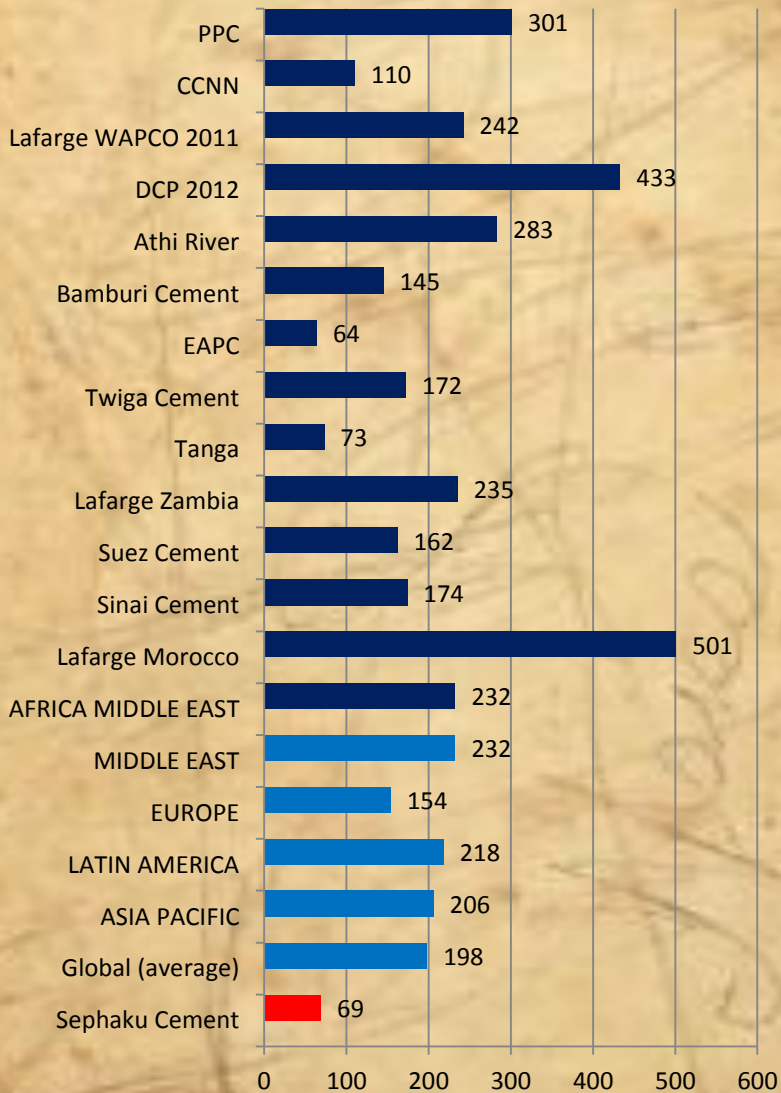
fully funded

Newest and most reliable equipment

Experienced and enthusiastic management team

Backed by Dangote

EV / Ton of Plant Capacity (US\$)



Source: Company data, Bloomberg and Sasfin Analysis

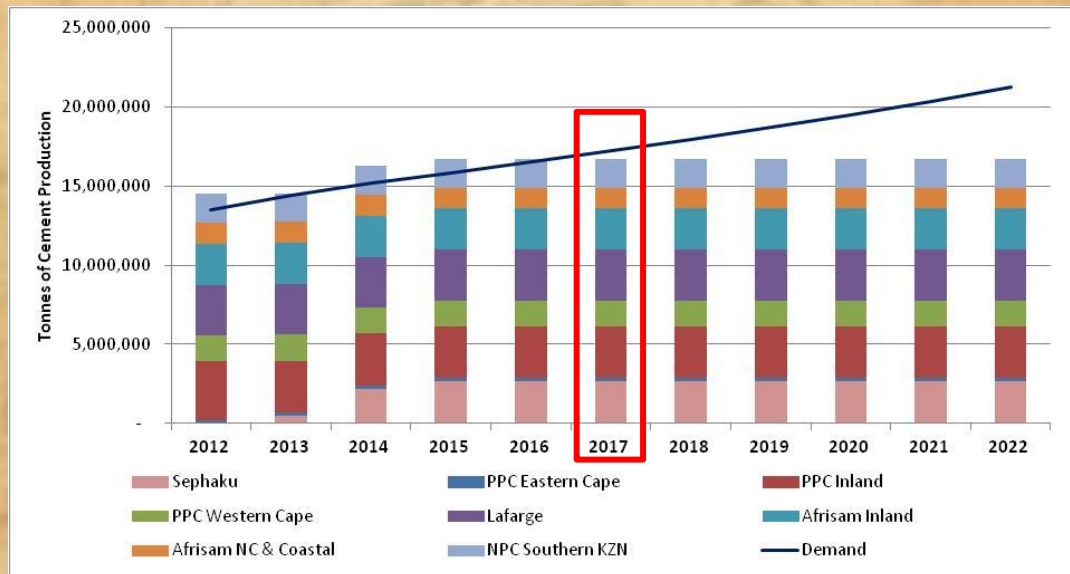
Project Quantities

		Concrete	Structural Steel
Soccer City		80 000m ³	8 000 tons
Eifel Tower		Used in base	9 441 tons
Sydney Opera House		32 910 tons in roof	
Sephaku Factories		150 000m ³	17 600 tons

Projected Cement Supply/Demand Balance

	Existing Plants	Sephaku Cement	Total Demand	Surplus (+) / Deficit (-)	Percentage Capacity
2012	14.5	0.0	13.5	1.0	93%
2013	14.1	0.5	14.4	0.1	99%
2014	14.1	2.2	15.2	1.1	93%
2015	14.1	2.5	15.8	0.8	95%
2016	14.1	2.5	16.5	0.1	99%
2017	14.1	2.5	17.2	-0.6	104%
2018	14.1	2.5	18.0	-1.4	108%
2019	14.1	2.5	18.7	-2.1	111%
2020	14.1	2.5	19.5	-2.9	115%
2021	14.1	2.5	20.4	-3.8	119%
2022	14.1	2.5	21.2	-4.7	122%

Cement Supply/Demand Balance



- The cement market is expected to reach capacity in 2016
- Anticipated retirement of existing kilns
- Anticipated shortfall in cement capacity in 5 years due to lack of investment and shortage high quality limestone deposits

Chapter 3:

The Closure of the
Sephaku Cement Debt

Salient Terms:

R1.95bn drawdown with a total facility amount of R2.4bn

Repayment term of 10 years / 3 year holiday

Jointly funded by Standard Bank and Nedbank and arranged by Sasfin Capital

Fully hedged

Repayment expected to take ~ 5.5 year

In addition standby debt facility of R265m provided by Dangote

Chapter 4:

Focusing on becoming a
cement and cement-
related products
business

Signed definitive sale agreement to purchase Métier
Mixed Concrete (Pty) Limited in November 2012

Intend moving to the FTSE/JSE Africa Construction
& Building Materials Index ("ICBDM") from the
mining index soon

Will continue to look for value and earnings
accrative transactions that minimise dilution and
add value to shareholders

Chapter 5:

The Métier Transaction

The Métier Business

Significant operations around the Durban, Pietermaritzburg and Gauteng areas.

Experienced management with 4 concrete technologists

Fleet of over 100 trucks

Large fixed plant footprint supplemented by Mobile plant operations



The Métier Business (continued)

Métier clients include the following:

- Group Five Construction/Coastal
- WBHO
- Stofstocks
- Concrete Laser Flooring
- Neil Muller Construction/Laser Level Floors
- Twintec Flooring
- JTRoss Construction
- Basil Road
- Tiber construction
- Esorfranki/Esor Pipelines
- Transgt
- Bantry Construction
- Grinikar Construction



Transaction Rationale

Rationale for Sephaku:

- Immediately cash flow positive
- Earnings and value accretive
- Benefits from the inclusion of a mixed concrete producer
- Vertical integration

Rationale for Métier Mixed Concrete:

- Secures input material
- Liquidity event
- Become part of larger, JSE listed group
- Upside in exposure to the Sephaku shares
- BEE
- Access to capital

Transaction Structure

- Cash: R110 m
- 5 m Primary Shares: R30 @ R6 per share
- 11.1m Secondary Shares: R100m @ R9 per share

Closing (Long stop date: 28 Feb 2013)

1 Dec 2014

- Cash: R125m
- **Agterskot**: an additional amount of shares at current 60 day VWAP which would make total consideration in Secondary Shares at current 60-day VWAP equal to R100m, subject to a share price cap of R9 and floor of R4

Salient Terms

Sephaku Holdings to acquire all of the shares of **Métier Mixed Concrete**

LBO should achieve share **dilution of only 6% initially** with only a possibility of diluting by another ~10% in two years time

Closing to occur no later than **1 March 2013**

Transaction to be concluded on a **debt free, cash free** basis as at 31 August 2012, other than **R10 million in working capital**

Employment agreements and restraints of trade

Intermediate **competition commission** approval and **acquisition finance** necessary

Chapter 6:

The Investment Value Proposition

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SEP Shares

SEP value analysis: 15 November 2012

JSE

Market cap (million)	R 511
Closing price	R 2.98
Ordinary shareholders interest (million)	R 672.62
Net profit (million)	R 6.59
Price to earnings	n/a
Price to book	0.76
Dividend yield	0
Earnings yield	-5.01%



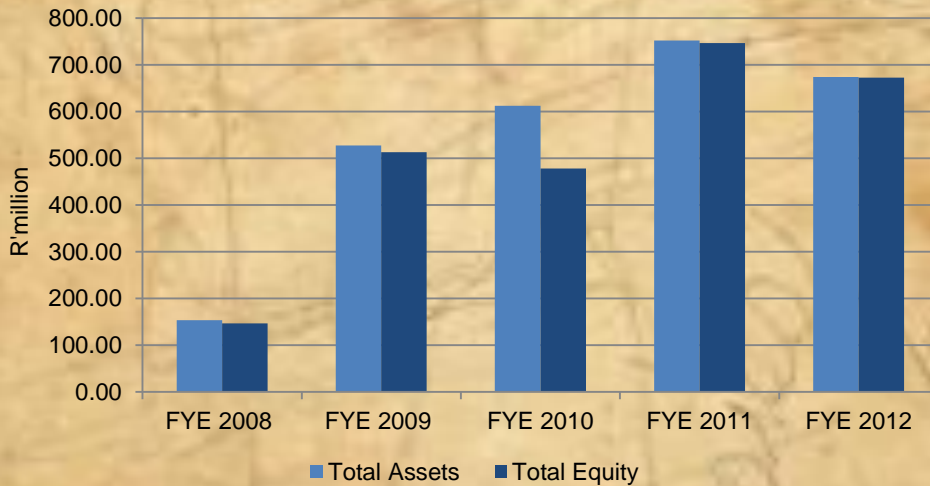
Commentary

- The FTSE/JSE Africa Construction & Building Materials Index (“JCBDM”) is a market capitalisation weighted index. This index includes Aveng Ltd, Basil Read Holdings Ltd, Group Five Ltd, Murray & Roberts Holdings Ltd and PPC Ltd
- The FTSE/JSE Fledgling Index is a market capitalisation weighted index. Companies included in this index make up 1% of the total pre-free float market capitalisation of all listed companies on the JSE not included in the ALSI
- Trading in SEP shares is very limited as can be seen from its low liquidity (volume traded as a percentage of listed shares), explaining the high variation in the SEP share price

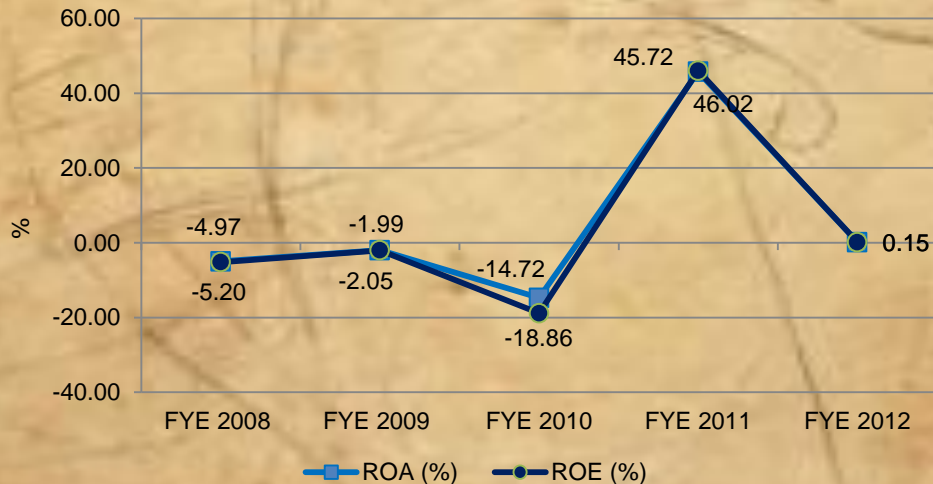
Sephaku Financial Snapshot

Sephaku financial analysis: (ZAR million)	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Profit after tax	-7.65	-10.50	-90.17	343.70	0.99
Total Assets	153.98	527.18	612.59	751.71	673.61
Total Equity	147.03	512.94	478.09	746.78	672.62
Total cash movement from Operations	-16.70	14.11	-112.87	-51.78	-19.78
ROE (%)	-5.20	-2.05	-18.86	46.02	0.15
ROA (%)	-4.97	-1.99	-14.72	45.72	0.15

Sephaku Holdings Balance Sheet development



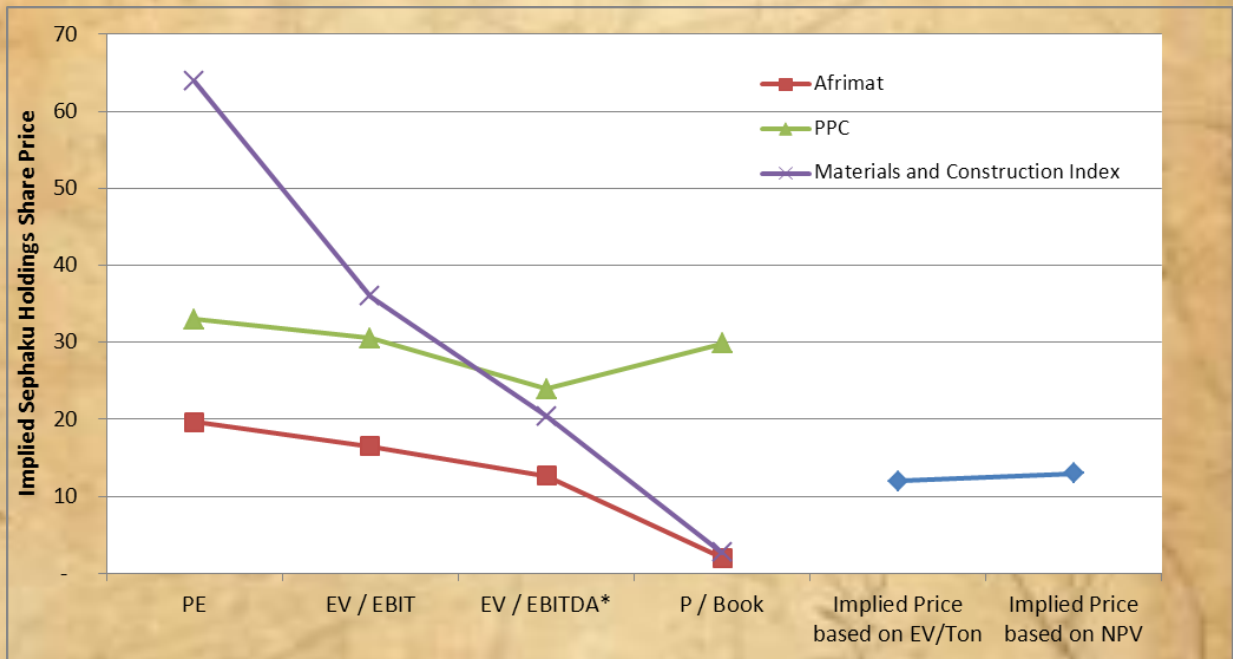
Sephaku Holdings Income & Expense ratios



Market Comparables

Earnings & Asset Multiple Valuations	Afrimat	PPC	Materials & Construction Index
PE	10.1	17.0	32.8
EV / EBIT	6.5	12.1	14.2
EV / EBITDA	4.5*	8.5*	7.2
P / Book	1.4	20.1	1.8

*Calculated using FYE 2011 results



- PPC trading at high multiples
- Large and unreliable spread across P/NPV valuations
- Market multiples imply a share price well in excess of where it is currently trading
- Discounted cash flow valuations imply prices in the region of R13 per share depending on the assumed cement price
- The cement EV/production multiple implies a price of R12 per share

Key Takeaways:

Focused cement and cement-related products play

Métier provides immediate cashflow and earnings

Will be a significant force in the South African cement sector

Most environmentally efficient cement plant in South Africa

Capacity expected to come on line around the end of 2013

Management with approximately 250 years of experience
In partnership with Dangote – the largest cement producer on the African continent

Potential for significant share price re-rating

The End

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