



**CONSISTENTLY
DELIVERING**



AFRIMAT[®]
LIMITED

Interim results

for the six months
ended 31 August 2018

1 – 5 November 2018

Core message



**Strategically diversified to
prosper in a tough environment**

Notes:

Summary of the period



Diversification, into bulk commodities (iron ore) started to deliver excellent results



Industrial minerals continue to show resilience due to exceptional product quality



Construction materials and aggregates businesses under pressure due to economy

US\$

Rand hedge from iron ore and Mozambique

Importance of a balanced portfolio

Notes:

Group overview



- A supplier of quality materials sourced from our open pit mines and quarries
- Strategically diversified through product range, target market and location



Notes:



Operational overview

What we do

Notes:

What we do



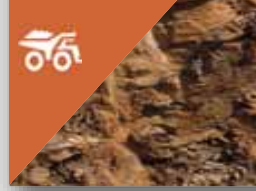
BULK COMMODITIES



CONSTRUCTION MATERIALS



INDUSTRIAL MINERALS



- **Aggregates and Concrete Based Products** - combined into a single operating segment, named **Construction Materials**
- **Industrial Minerals** - reflected as a separate segment

Notes:

Bulk commodities



- Iron ore



Notes:

Industrial minerals



- Lime
- Metallurgical dolomite
- Silica



Notes:

Construction materials: aggregates



Quarrying products

- Concrete stone
- Road stone
- Other aggregates



Notes:

Construction materials: concrete products



- Bricks
- Blocks
- Paving blocks
- Readymix concrete



Notes:

Diversified portfolio and footprint which generates a balanced, consistent income stream



Construction Materials



- 24 Commercial quarries
- 6 Sand & gravel mines
- 4 Clinker sources
 - Mobile crushing & screening
 - Drilling & blasting
- 7 Concrete brick & block factories
- 18 Readymix batching sites

Industrial Minerals

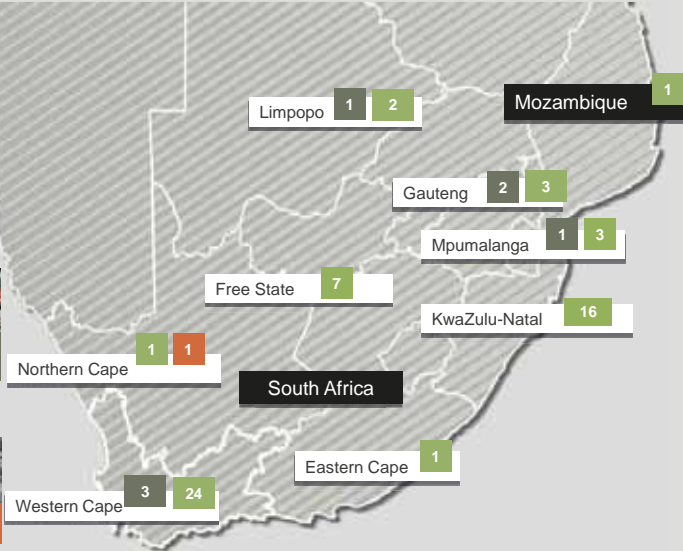


- 2 Limestone mines
- 4 Dolomite mines
- 1 Silica mine

Commodities



- 1 Iron ore and manganese mine



Notes:

What makes Afrimat different?



- **Company positioning**
- **Company culture**
- **Strategic management**



Notes:

Company positioning



- **Primarily focused on mid-tier open pit mining**
- **Unique competitive advantage**
 - Geographic location
 - Unique metallurgy
 - Structural cost advantage
- **Highly entrepreneurial culture**
- **Hedged against economic volatility through wide diversification**

Notes:

Company culture



Consistently delivering

- **Strong operational efficiency**
- **The right people in the right positions**
- **Synergistic teamwork**
- **Customer advocacy through service, reliability and quality of supply**
- **Values based entrepreneurial culture**

Notes:

Strategic management



- **Companywide understanding of desired future**
- **Fundamental understanding of market**
- **Good understanding of own abilities**
- **Continuous research of business environment**
- **Facing the brutal facts**
- **Meticulous strategy execution**
- **Financial discipline: making the returns**

Notes:

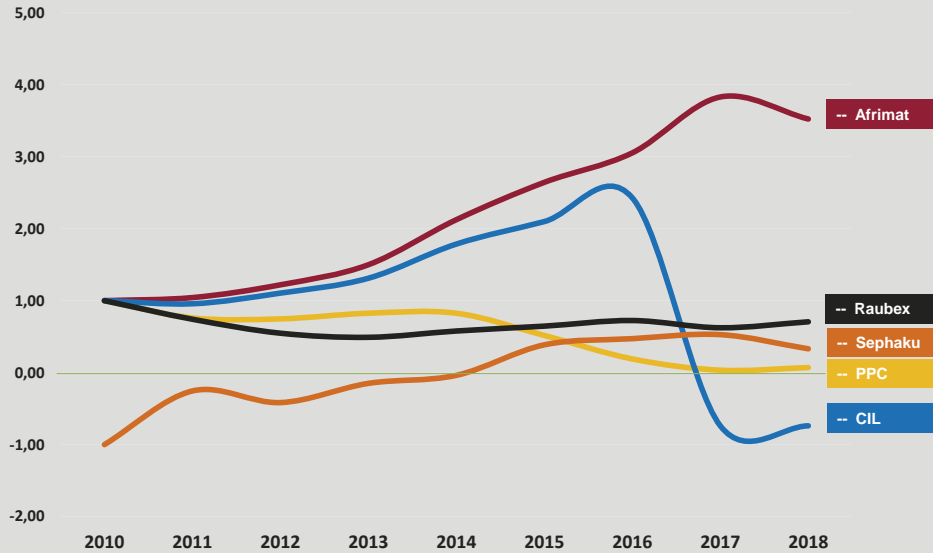


Our performance

What the diversification strategy is delivering

Notes:

Headline earnings per share (HEPS) comparison

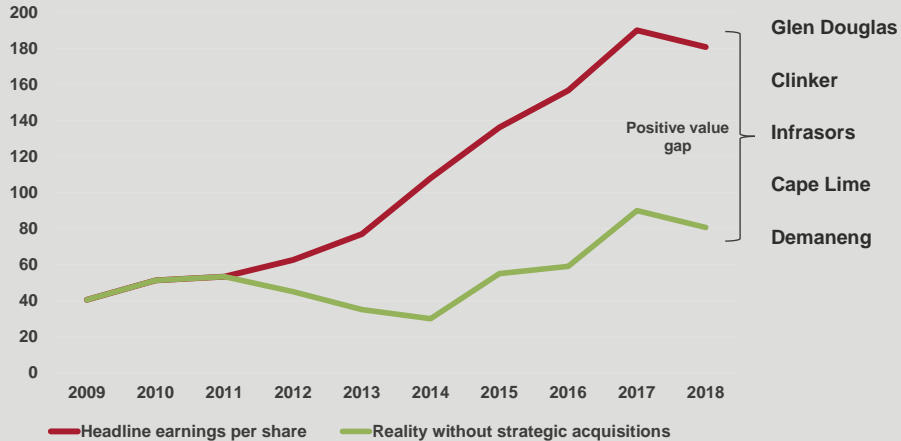


Notes:

Growth through diversification



Profit history with and without acquisitions



Notes:

Financial overview



28.6%

**Group revenue
increased to
R1.5bn**

4.3%

**Operating profit
up to R207.7m**

**93.6
cents**

**Headline earnings
per share**

**943
cents**

NAV per share

**19.0
cents**

**Interim dividend
per share held**

20.1%

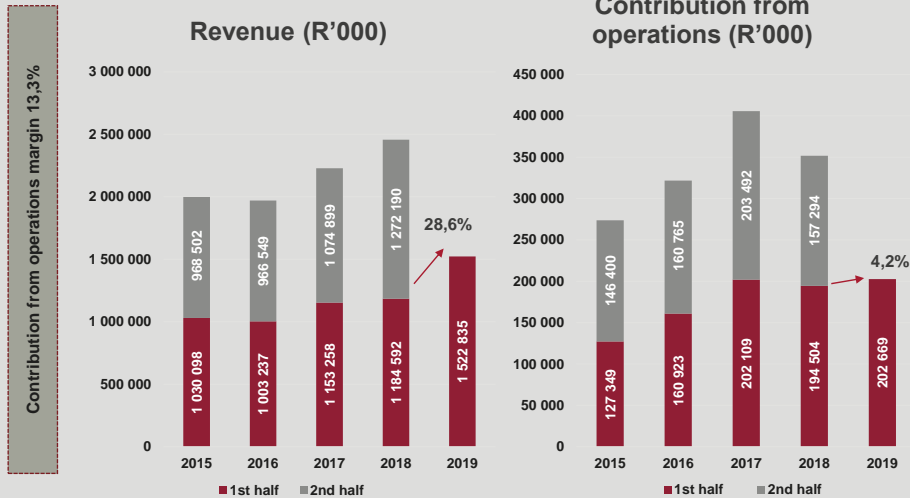
**Return on net
operating assets**

Notes:

Financial overview

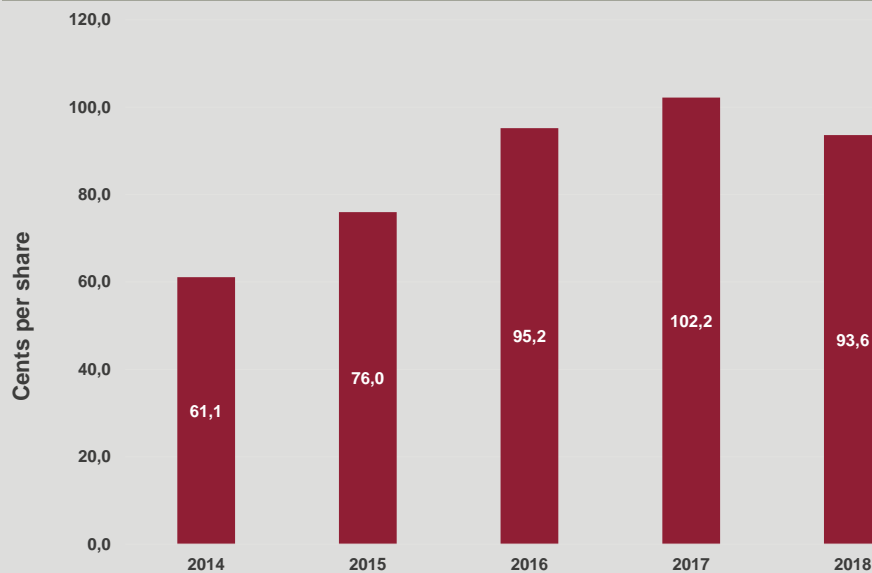


Revenue and contribution



Notes:

Headline earnings per share – interim



Notes:

Financial overview



Contribution from operations split (%)	HY2018	HY2017
Construction materials	56.6%	76.1%
Bulk commodities	24.7%	(2.8%)
Industrial minerals	20.5%	28.0%
Services	(1.8%)	(1.3%)

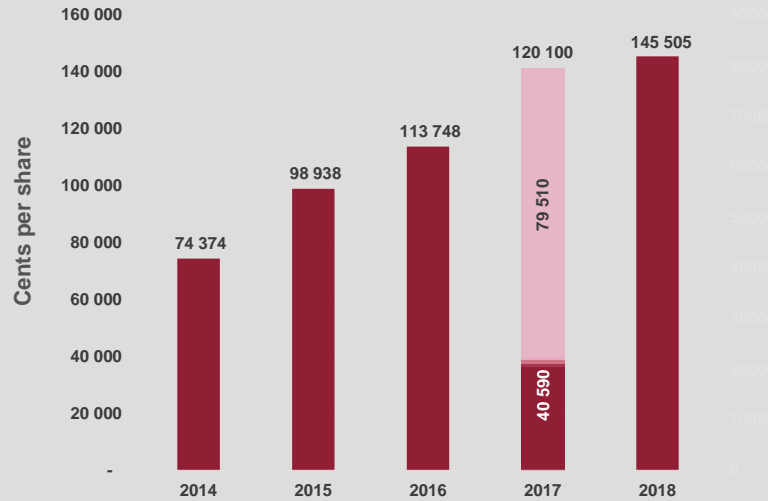
Contribution from operations margin (%)	HY2018	HY2017
Construction materials	13.2%	16.9%
Bulk commodities	13.6%	(18.9%)
Industrial minerals	14.6%	19.4%
Services	13.3%	16.4%

Notes:

Net cash from operating activities



CAGR of 18.27%
2014 - 2018



Notes:

Statement of financial position - assets



R'000	Unaudited Aug 2018	Unaudited Aug 2017	Audited Feb 2018
Property, plant and equipment	1 451 475	1 413 259	1 417 845
Mining rights and goodwill	243 173	244 745	243 970
Inventories	289 498	229 760	242 124
Trade and other receivables	444 749	405 450	391 603
Cash	164 945	135 594	112 208
Other assets / BEE funding	118 961	111 621	126 965
	2 712 801	2 540 429	2 534 715

→ Demaneng accounts for R316.8 million

Notes:

Statement of financial position - equities & liabilities



R'000	Unaudited Aug 2018	Unaudited Aug 2017	Audited Feb 2018
Total equity	1 297 368	1 158 788	1 229 320
Borrowings	463 874	486 158	436 958
Provisions	135 782	121 363	130 288
Overdraft	148 496	60 200	90 203
Trade and other payables	440 363	409 007	402 541
Other liabilities / deferred tax	226 918	304 913	245 405
	2 712 801	2 540 429	2 534 715

→ Net debt less cash:equity 35.4%

Notes:

Capital expenditure



F2018

H1: R115.8 m
H2: R 67.0 m
R182.8 m

- Demaneng ramp-up

Planned F2019

H1: R115.8 m
H2: R 88.3 m
R204.1 m

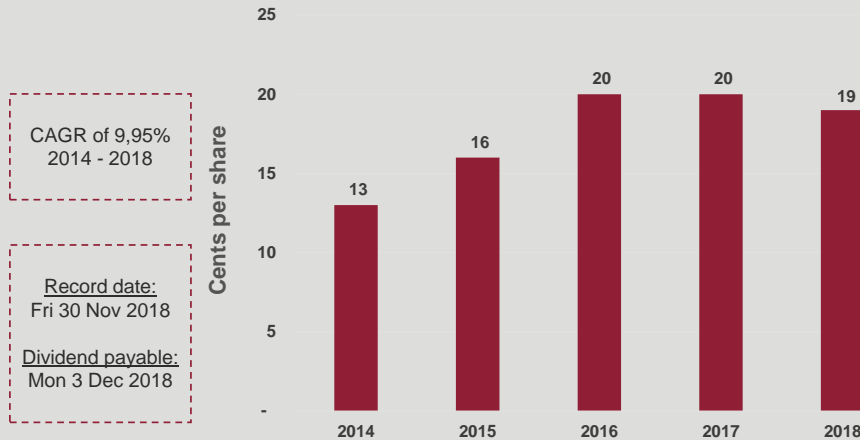
- Includes R43.5 million for rental replacement capital
- General maintenance

Notes:

Dividend payment



Interim dividend – 2.7x cover



Notes:

Segmental makeup

Better reflects overall business



- Industrial minerals



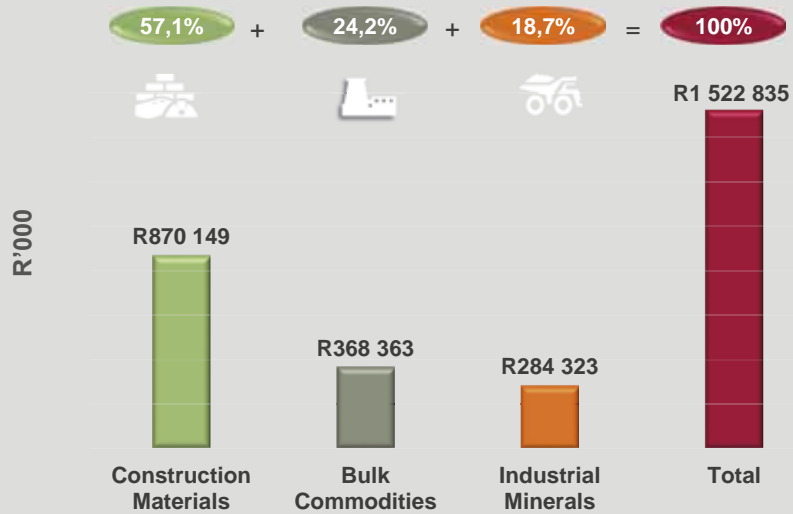
- Aggregates
- Bricks and blocks
- Readymix concrete



- Iron Ore (Demaneng)

Notes:

Segmental revenue



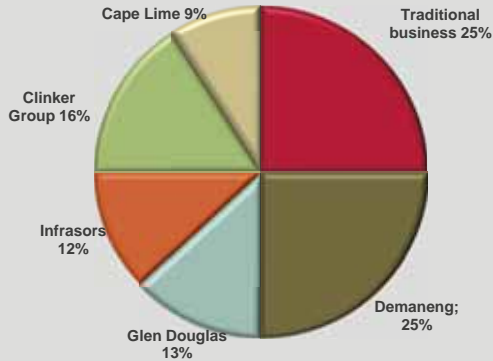
Notes:

Operational overview

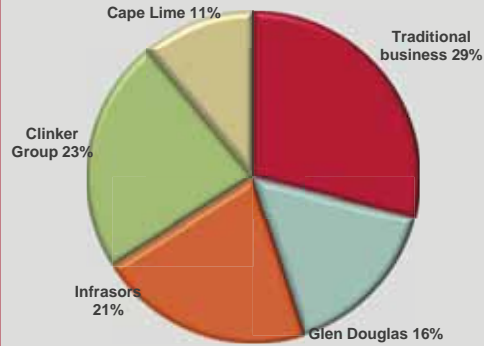


Well diversified contribution from operations

August 2018



August 2017*



* Excluding Demaneng loss of R5.5 million

Notes:

Our market



Purposeful exposure to sectors with economic fundamentals that suit the Afrimat business model



Notes:



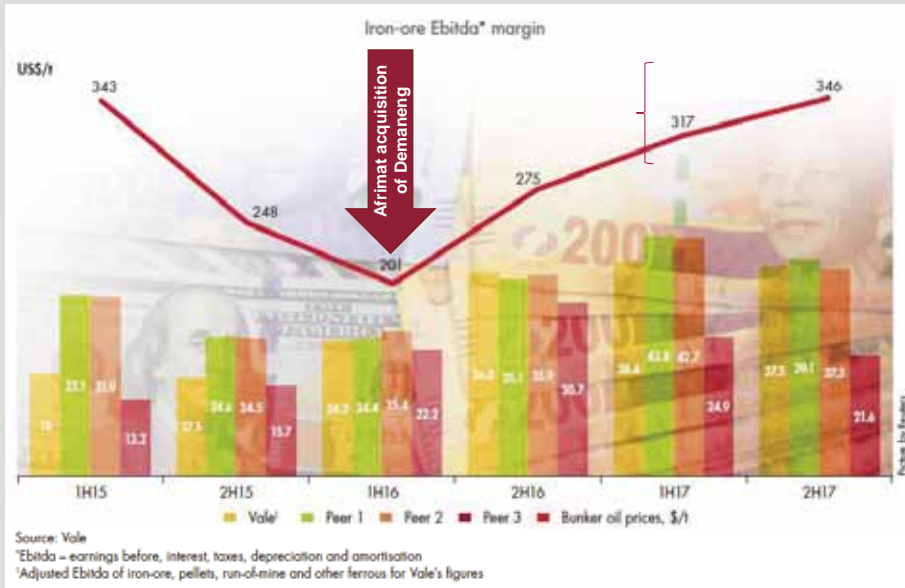
Contribution
to revenue
24,2%

Iron ore

Why we are excited

Notes:

Iron ore market

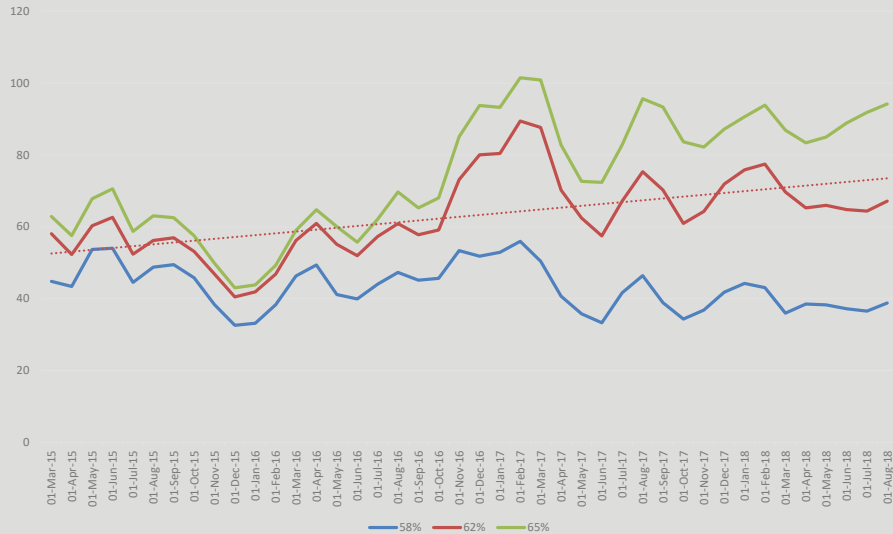


Notes:

Pricing trends

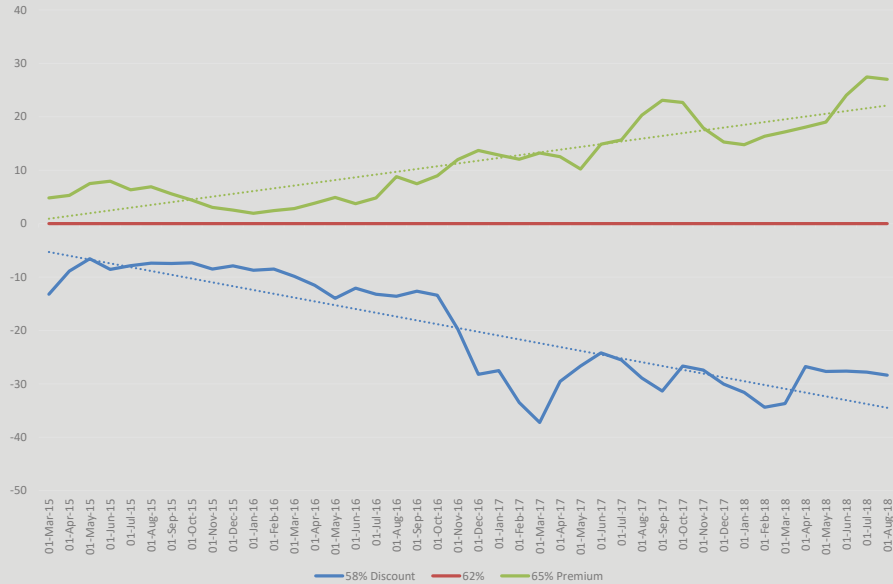


Historical Index Pricing



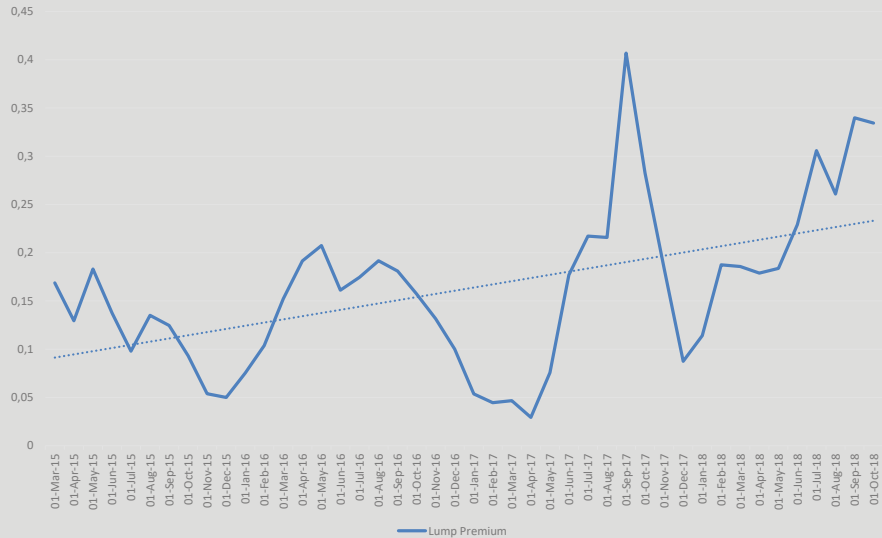
Notes:

Preference for quality



Notes:

Lump premium



Notes:

Iron Ore



- **Average Production Cost FOR (Free on Rail): R 399.28/ton**

Transnet rail quota on line	t/pa
Original total	1 000 000
Transnet cut back to	570 000
Negotiated (export line)	300 000
Current total through Saldanha	870 000

Notes:

Iron ore story line



1. Rationale

- **\$ exposure**
- **Much higher margins through the cycle**
- **Excellent operational fit**
- **Accessible opportunities**

Notes:

Iron ore story line (continued)

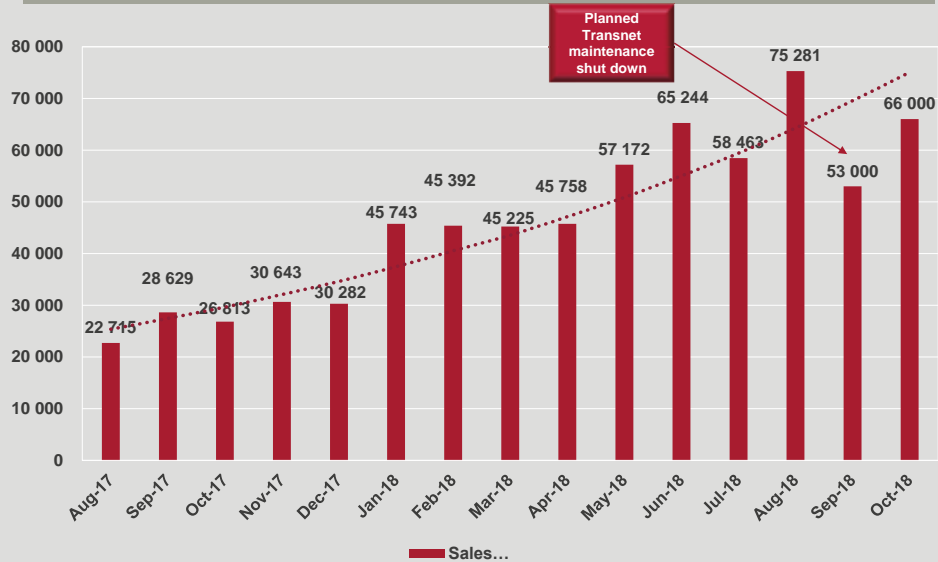


2. Competitive advantage

- **Quality**
 - Fe content
 - Low silica content
 - Low alumina
 - High lump ratio 70/30
- **Cost**
 - Low strip ratio 1:1
 - Own load-out station
 - Close to load-out station 3.3 km
 - Operate mine as a quarry (cost conscious and scalability)
- **Logistics**
 - Export rail capacity (870 ktpa)
 - Own load-out station
 - Good relationships with Transnet
 - Access to domestic rail lines
- **Management expertise**

Notes:

Iron ore sales by rail



Notes:



Contribution
to revenue
18,7%

Industrial minerals

Stable market

Notes:

Industrial minerals: rationale



- **Good margins**
- **Constant off-take: long term agreements**
- **High entry barriers**
- **Alternatives are scarce**
- **Good market: high volumes**
- **Reputable customers**

Notes:

Industrial minerals: the market



▪ Glass

- Bottles
- Windscreens
- Plate glass

▪ Metallurgical

- Alloys
- Chrome
- Steel
- Foundries

▪ Industrial powders and fillers

- Fire retardants
- Paints
- Tiles and tile adhesives
- Grout fillers

▪ Chemical

▪ Water treatment

- Drinking water
- Acid mine drainage

▪ Agriculture

- Soil pH stabilisation
- Animal hygiene

Notes:

Industrial minerals: our positioning



- **Portfolio of products**
 - Customised offering

- **Geographic spread**

- **Innovative product development**

- **Partnering with customers**

- **Solving the customer's pain points**

Notes:



Contribution
to revenue
57,1%

Construction materials

A good cash cow

Notes:

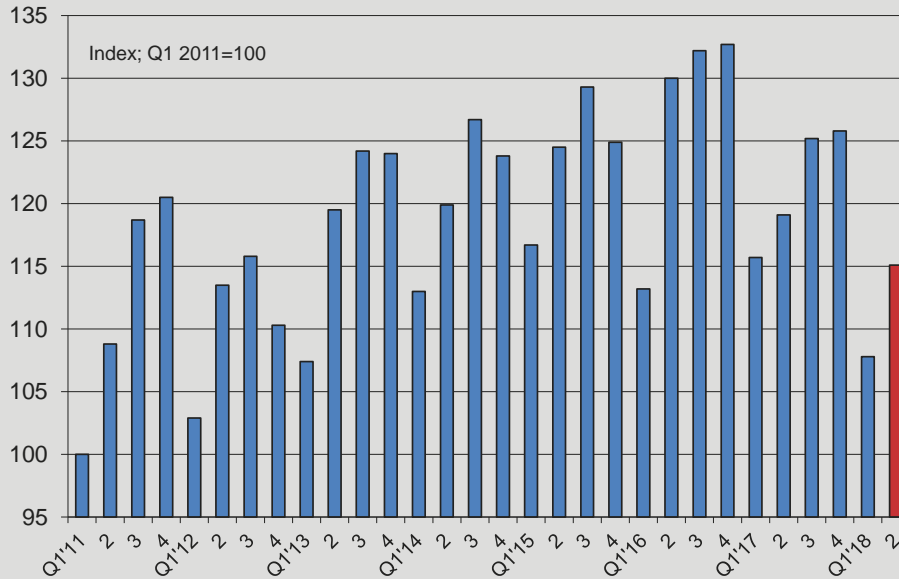
Construction materials: period under review



- **Felt brunt of economic slow-down**
- **KwaZulu-Natal and Gauteng businesses impacted the most**
- **Solid performance from Western Cape aggregates business**
- **Mozambique business ramped up through supply contract for re-settlement village**
- **Emfuleni Clinker dump acquisition adds 3 – 4 years LOM**

Notes:

Afrimat Construction Index – 2nd quarter 2108

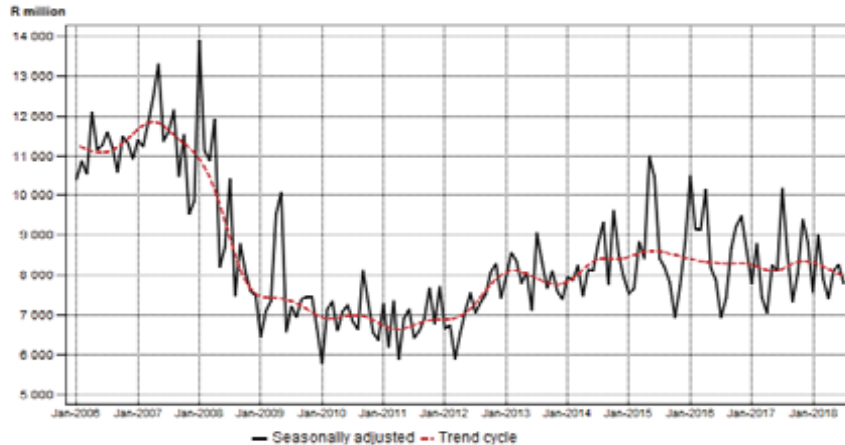


Notes:

Building plans passed



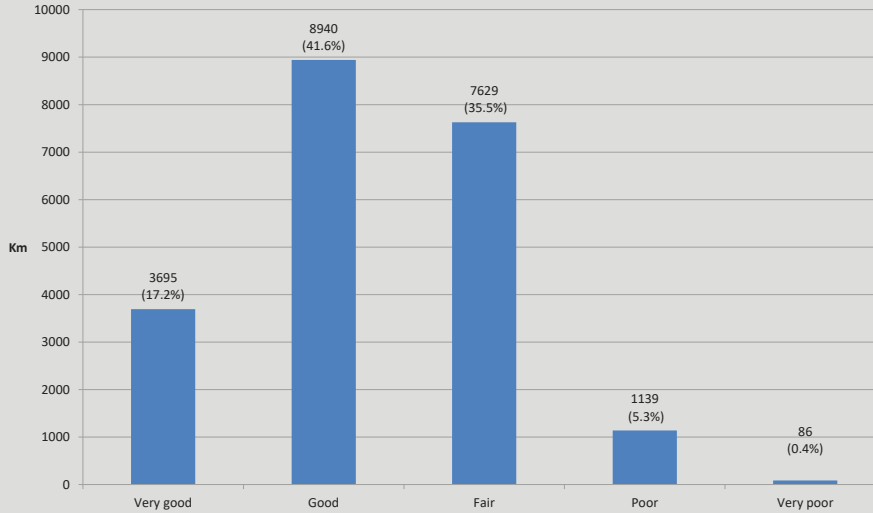
Real value of recorded building plans passed by larger municipalities Constant 2015 prices



(Source: Stas SA, July 2018, P504.1)

Notes:

SANRAL: Road condition (21 489 km)



(Data from BIFSA, 20 September 2018, p.19)

Notes:

Provincial: Road condition (48 942 km)



(Data from BIFSA, 20 September 2018, p.19)

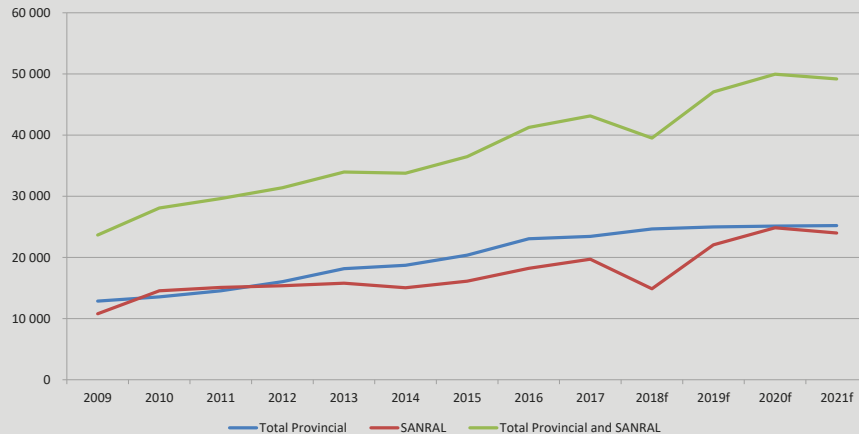
Notes:

Provincial and national road expenditure and estimates



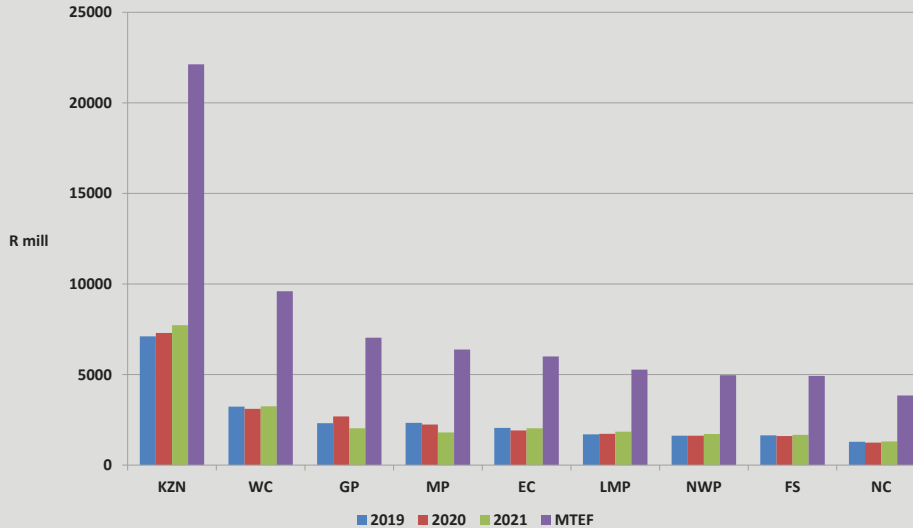
Road Expenditures (R million)

(Source: Data from: BIFSA, Roads Review 2018, p.26).



Notes:

Estimated provincial expenditure on construction and maintenance of roads



(Source: Data from BIFSA, 20 September 2018, p.33).

Medium Term Expenditure Framework ("MTEF")

Notes:



Looking ahead

Why are we excited on how we approach the environment

Notes:

Human Resources Development



1. Learnerships (Based on figures from 2014)

- 75 learners in total
- Of the 19 that has passed, 12 were employed)



54

Notes:

Human Resources Development



2. Afrimat Graduate Development Program

- Consists of interns, Graduates in Training, Practical training 1/2



Notes:

Human Resources Development



2. Strategic Development

- Study Assistance
 - Includes Certificates, Diplomas, Degrees, Honours and MBA's



56

Notes:

Snapshot of Local Economic Development projects through the years



Youth skills development/

Job creation

- Trackless Mobile Machines (TMM) training for over **80 unemployed youth**
- Funding for retail/chain store training for over **100 unemployed youth** - in partnership with 68 retail/chain stores
- Over **200 unemployed youth** trained - Code 10/14 drivers license
- Over **40 jobs created** through Local SMMEs in local communities

Education

- Funding for a **Maths teacher** (10 years)
- **Top student awards** programme (10years)
- **Maths & Science programmes** in 6 schools across the country (5 years)
- **School/Toy Libraries** (1)

Infrastructure

- **Early Childhood Development Centres** (3)
- **Multi Purpose Centres** (1)
- **Centre for Disabled children** (1)
- Over **40 Classrooms** built
- **10 Market Stalls** for local SMMEs
- **1 Economic Hub** for local SMMEs
- **Supplying water** to several communities

Notes:

Looking ahead



- **Iron ore business to perform well**
- **Industrial Minerals to grow**
- **Construction materials to remain at present levels**
- **Good cash flow**



Notes:

How to assess Afrimat



Efficient hedge
(against volatile local business conditions)

**Cash generative / free
cash flow focus**

Strength of management

**Scalability reduces
cyclicality**
(protects against commodity price
fluctuations)

Moat
(geographic locations,
unique metallurgy &
structural cost
advantage)

Rand hedge
(Iron ore & Mozambique)

Dividend payer
(2,7x cover)

Operational diversification

Notes:

Risk mitigation



SA country risk



Volatile commodity markets



Construction industry pressure



Macro economic threats

Notes:

Core message



**Strategically diversified to
prosper in a tough environment**

Notes:

Q & A



Thank you for your attendance and participation

For any further Investor Relations questions please contact:

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Notes:
