



RMB | Morgan Stanley

Off Piste Investor Conference

18 September 2019



**CONSISTENTLY
DELIVERING**

Afrimat



Track record of excellence in small scale mining and materials supply



Our products



Bulk commodities



Industrial minerals



Construction materials



Diversified portfolio and footprint

which generates a balanced, consistent income stream



Construction Materials



- 25 Commercial quarries
- 6 Sand & gravel mines
- 4 Clinker sources
- Mobile crushing & screening
- Drilling & blasting
- 9 Concrete brick & block factories
- 22 Readymix batching sites

Industrial Minerals



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

Commodities



- 1 Iron ore and manganese mine



What makes Afrimat different?



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



Company positioning



- **Primarily focused on mid-tier open pit mining**

- **Unique competitive advantage**

- Geographic location
- Unique metallurgy
- Structural cost advantage

→ Critical set of criteria used when potential acquisitions are being evaluated

- **Highly entrepreneurial culture**
- **Hedged against economic volatility through wide diversification**

Company culture



- **Strong operational efficiency – executing ability**
- **The right people in the right positions**
- **Synergistic teamwork**
- **Customer focus**
- **Values based entrepreneurial culture**

**CONSISTENTLY
DELIVERING**

Strategic management

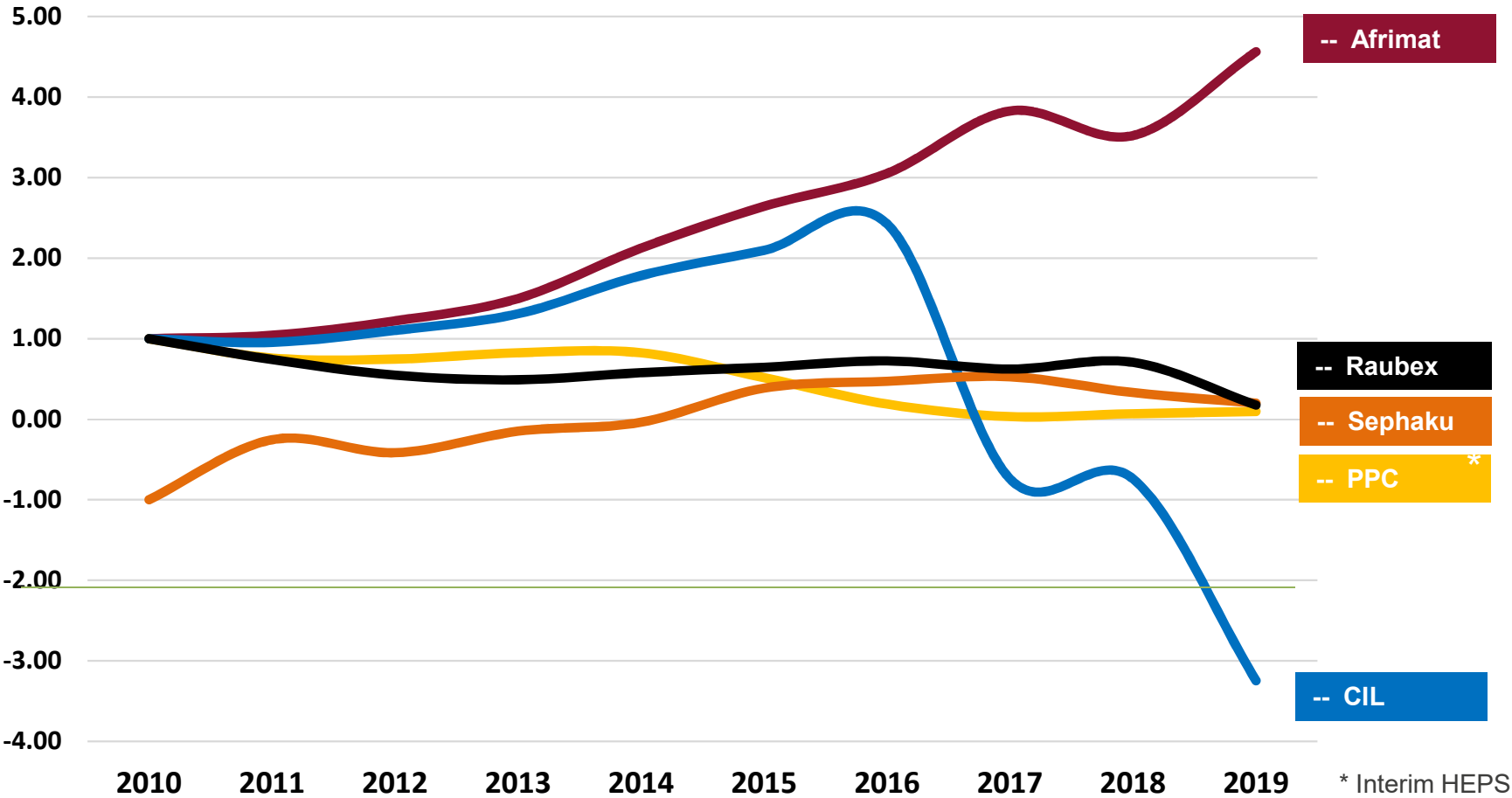


- **Company-wide understanding of desired future**
- **Fundamental understanding of market**
- **Good understanding of own abilities**
- **Continuous research of business environment**
- **Facing the brutal facts**
- **Meticulous strategy execution**
- **Financial discipline: making the returns**



What the diversification strategy is delivering

Headline earnings per share (HEPS) comparison

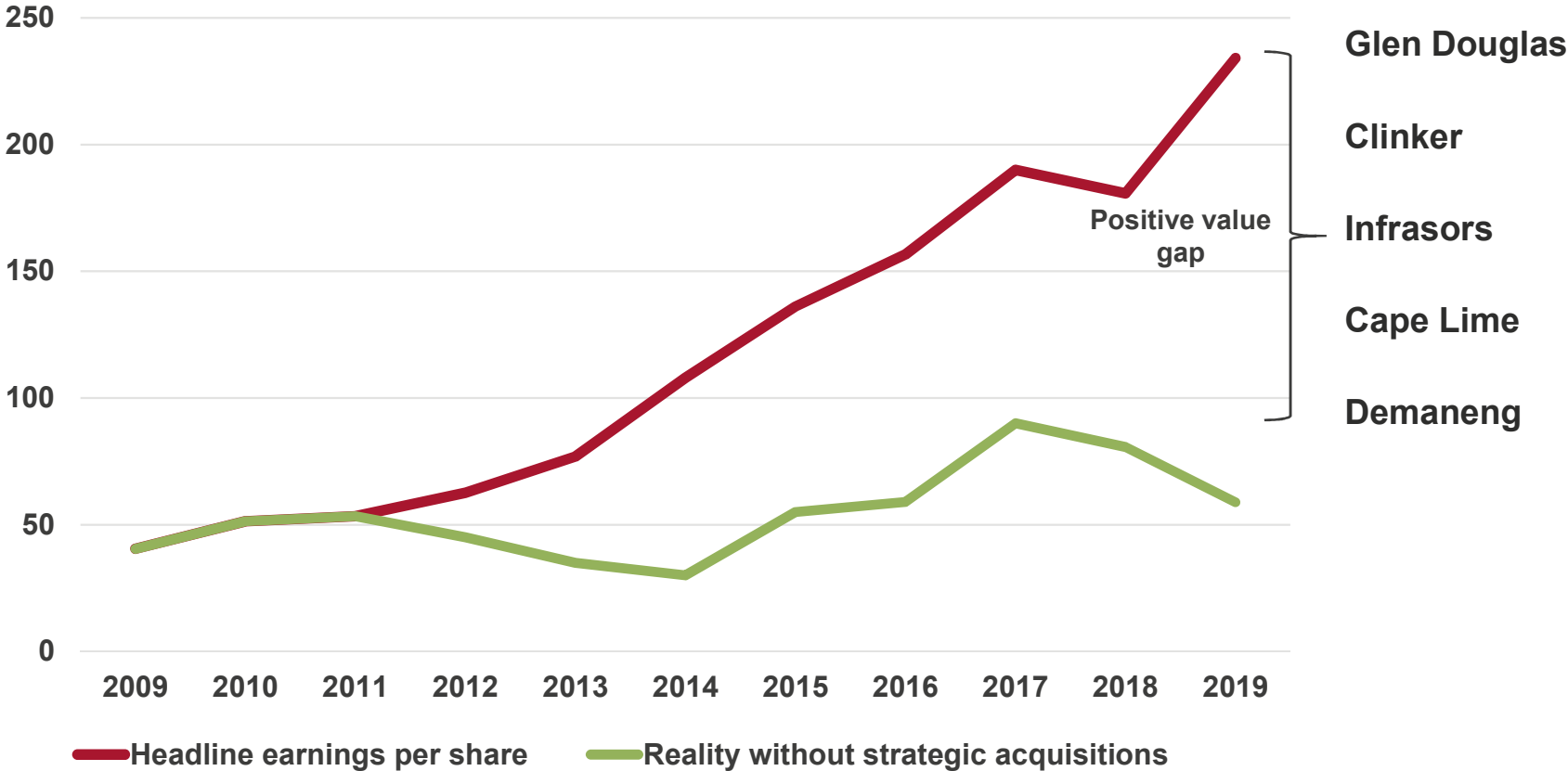


Growth through diversification



Profit history with and without acquisitions

Best acquisition targets: Good assets managed badly



Financial overview



24,6%

**Group revenue
increased to
R3,0bn**

29,6%

**HEPS increased to
234,1 cps**

15,9%

**Operating profit
margin**

47,6%

**Final dividend per
share of 62,0 cps**

25,4%

**Return on net
operating assets**

23,8%

**Net debt:equity
ratio improvement
from 35,5%**

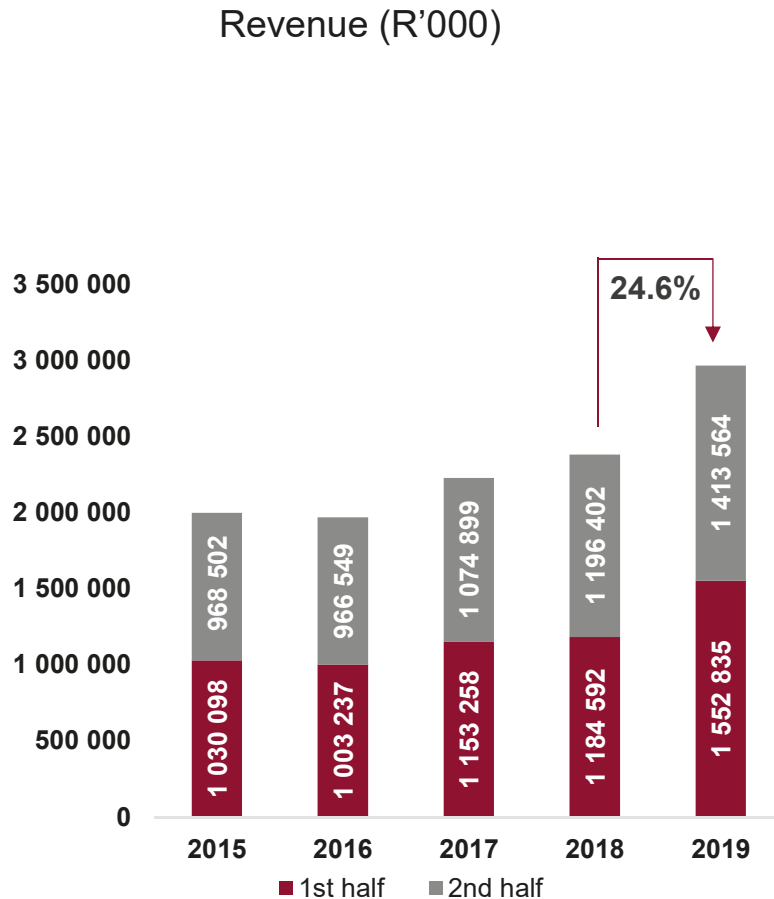
Financial overview



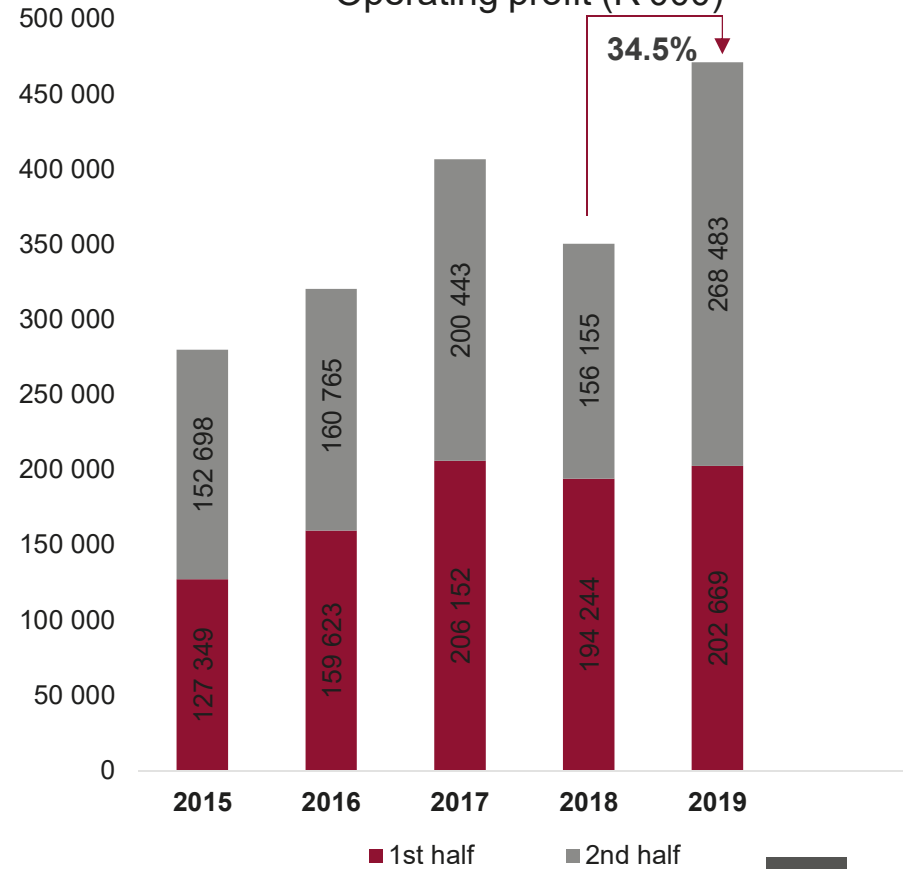
Revenue and operating profit

Contribution from operations margin 15,9% (2018: 14,7%)

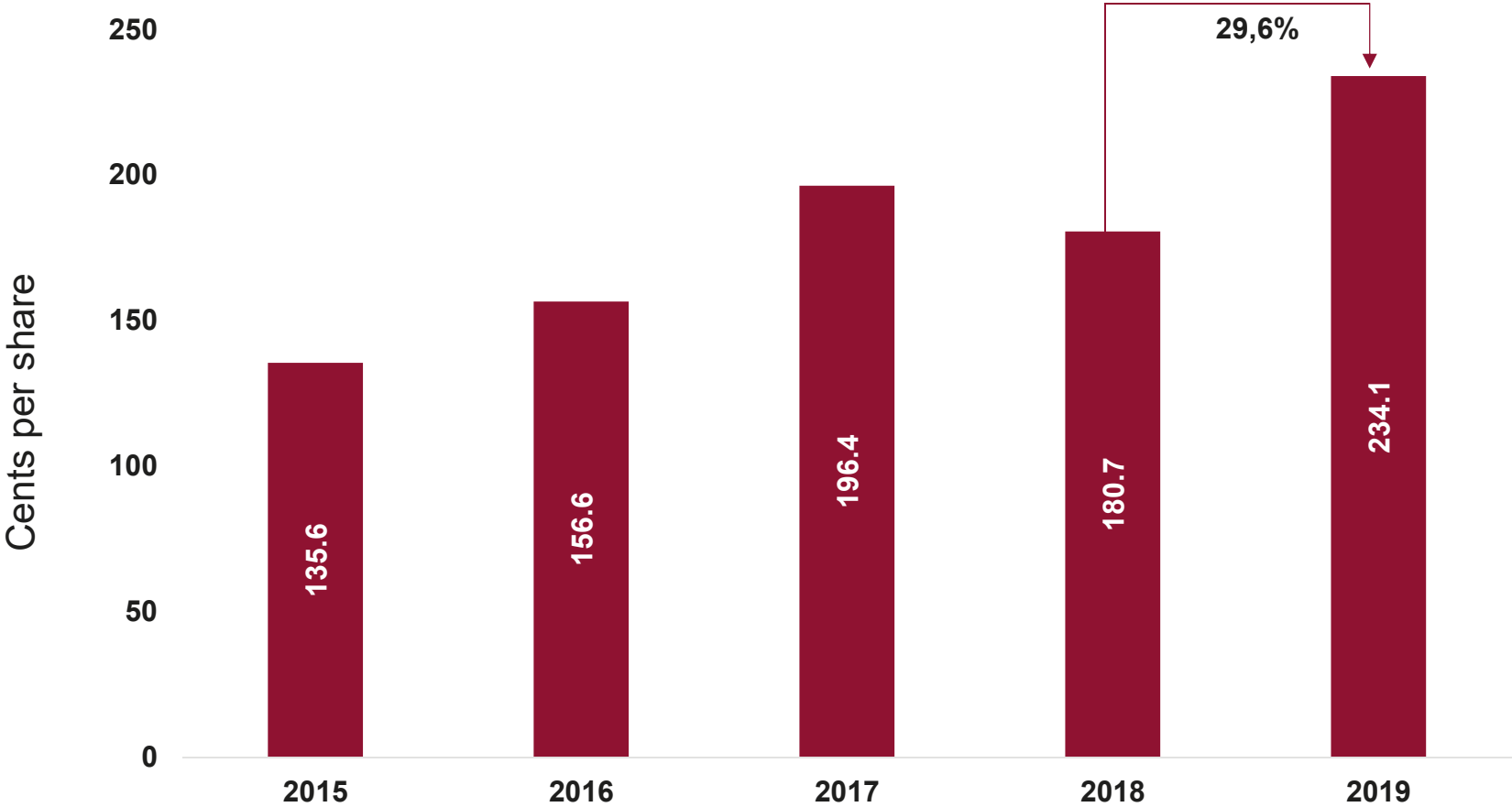
Revenue (R'000)



Operating profit (R'000)



Headline earnings per share – full year



2019 – Impairment of goodwill of R20,5m in Afrimat Concrete Products Proprietary Limited

Total dividend

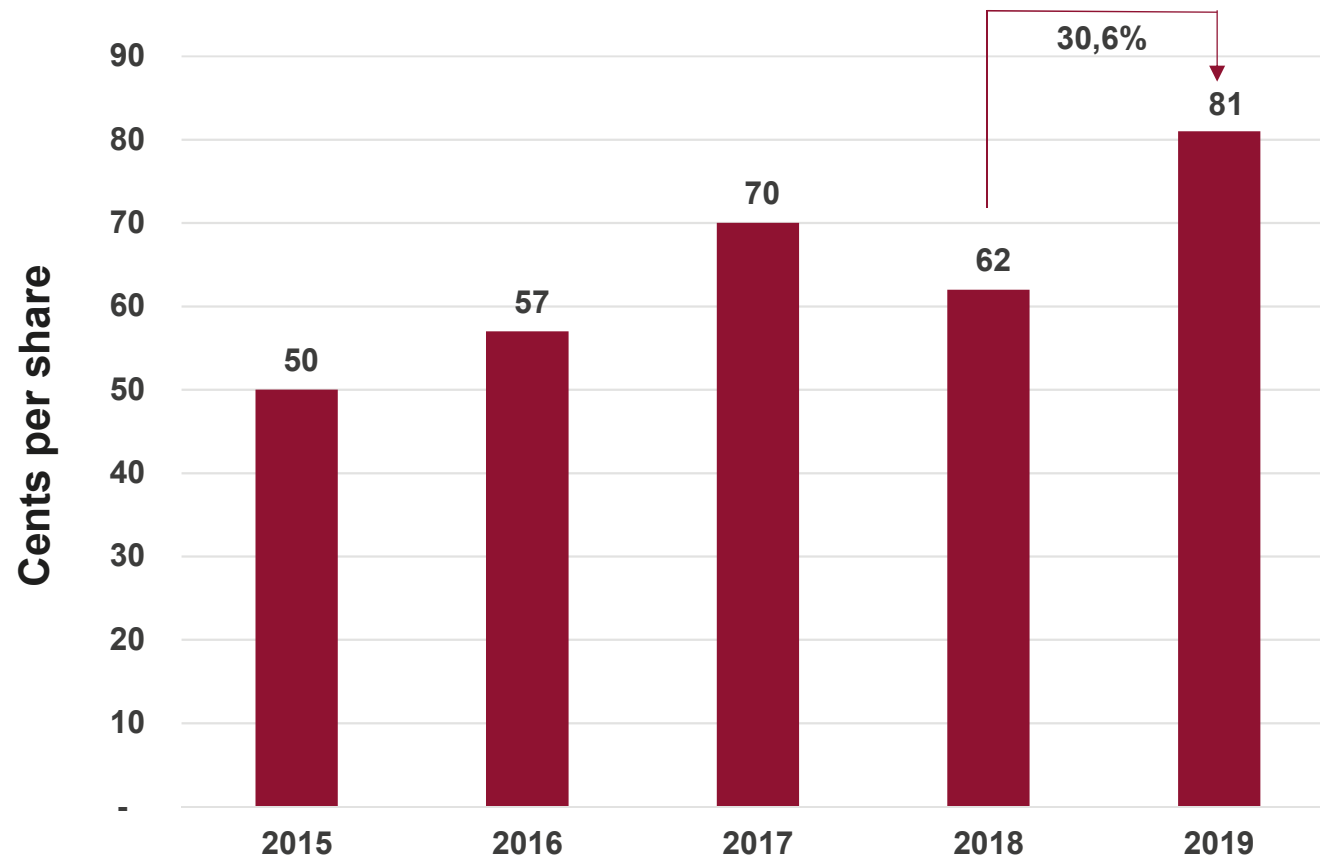


Dividend – 2.7x cover

CAGR of 12,82%
2015 - 2019

Record date:
Fri 14 June 2019

Dividend payable:
Tue 18 June 2019

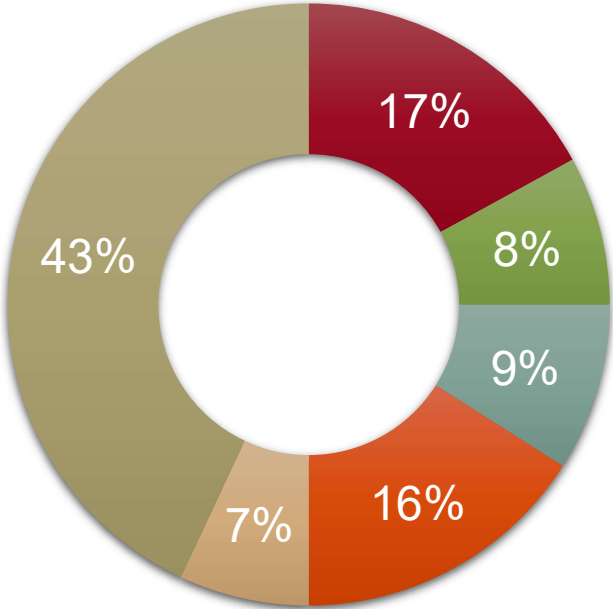


Operational overview



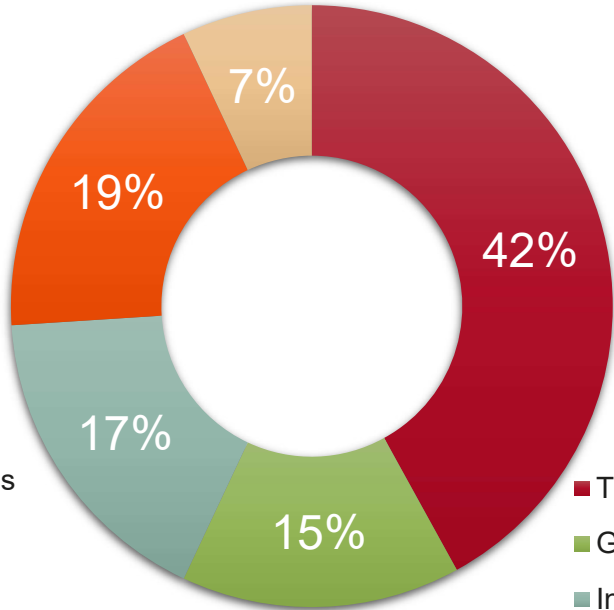
Well diversified contribution from operations

February 2019



- Traditional business
- Glen Douglas
- Infradors
- Clinker Group
- Cape Lime
- Demaneng

February 2018



- Traditional business
- Glen Douglas
- Infradors
- Clinker Group
- Cape Lime

* Excluding Demaneng loss of R33 million

Our market



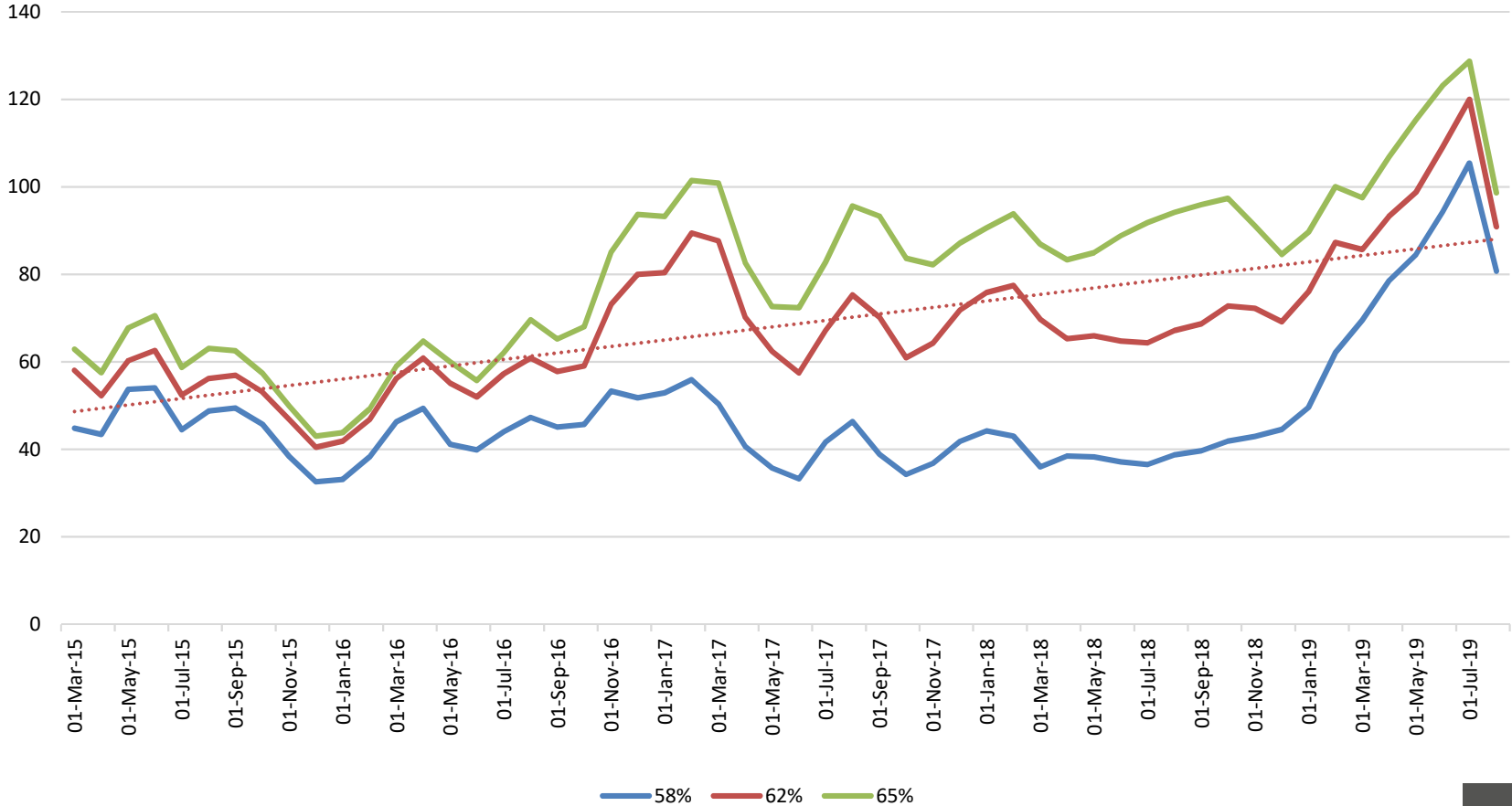
Purposeful exposure to sectors with economic fundamentals that suit the Afrimat business model, to prosper



Iron ore



Historical Index Pricing



Iron ore



- Resource LOM program Demaneng
- Strategic location to export

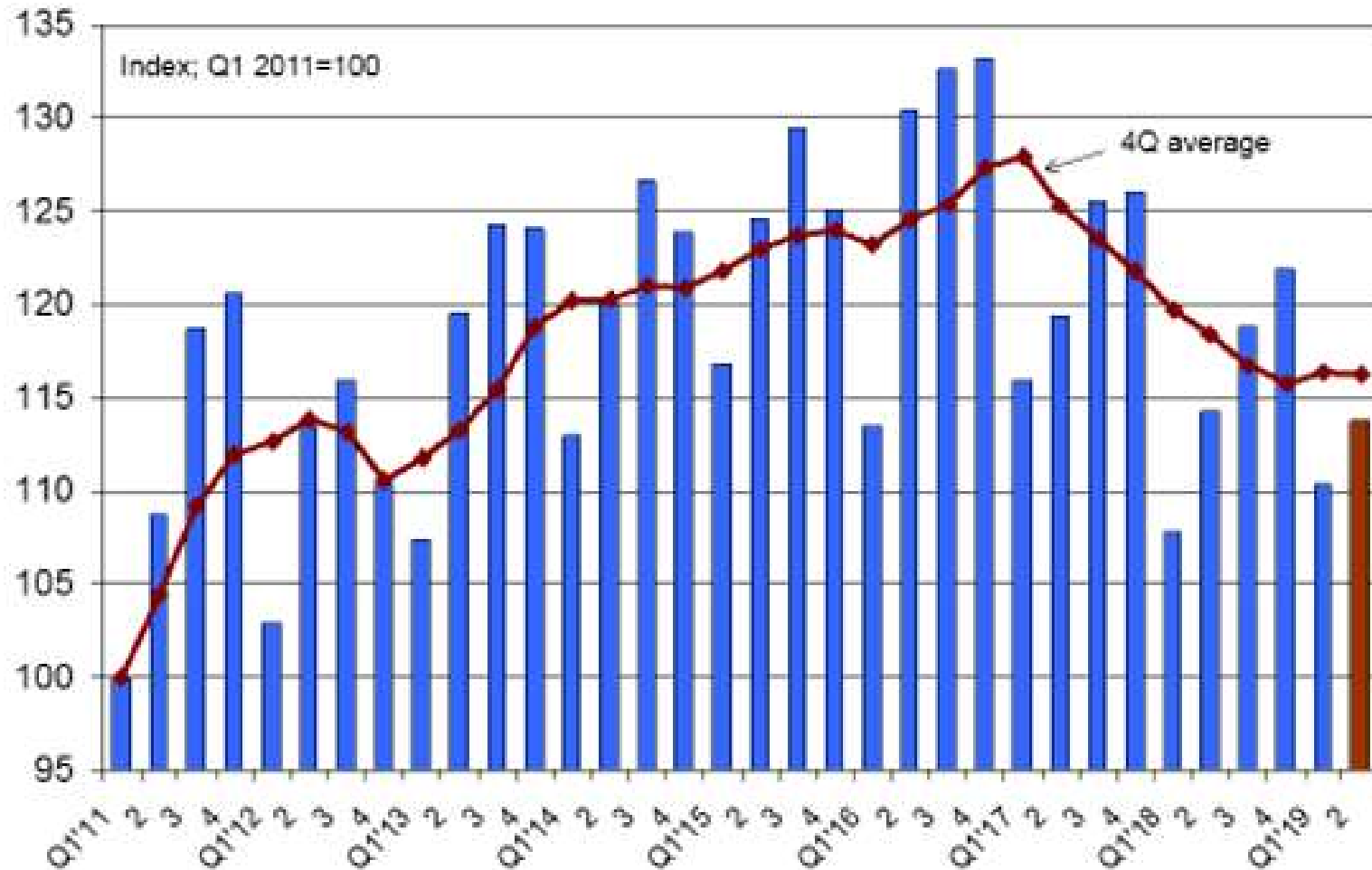
Construction materials



- **Market stabilised : green shoots**
- **Internal efficiency drive baring fruit**
- **Mozambique**



Afrimat Construction Index – 2nd quarter 2019



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

Our strategy



- **Continuous improvement**
- **Commodities**
- **Industrial minerals**
- **Mozambique and other**

How to assess Afrimat



Efficient hedge
(against volatile local business conditions)

Strength of management



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

Rand hedge
(Iron ore & Mozambique)

Dividend payer
(2,7 x cover)



Cash generative | free cash flow focus

Operational diversification

Scalability reduces cyclicality
(protects against commodity price fluctuations)

Lessons learned



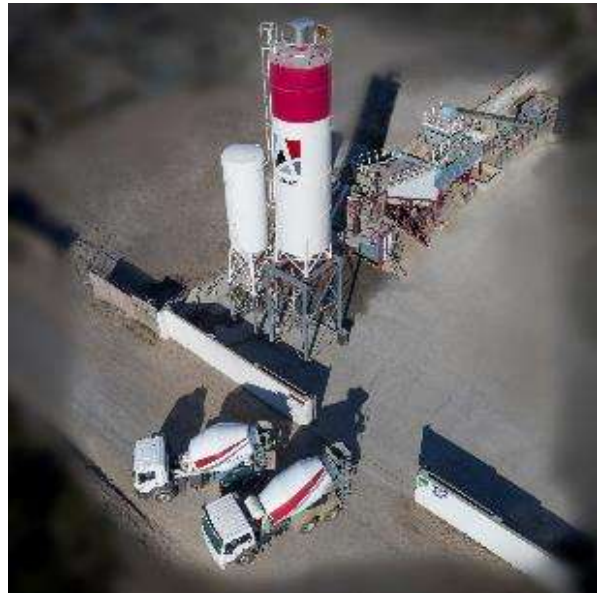
- **Value = weakest link in value chain**
- **Expect the unexpected**
- **Only the best people are good enough**
- **Don't trust the spreadsheet**
- **Don't sail too close to the wind**
- **Cash is king – make it back soon**
- **DO NOT OVERPAY**



Afrimat



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Thank you for your attendance and participation

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