

CONSISTENTLY DELIVERING



Interim results for the six months ended 31 August 2020

Virtual presentation: 29 October 2020



Core message

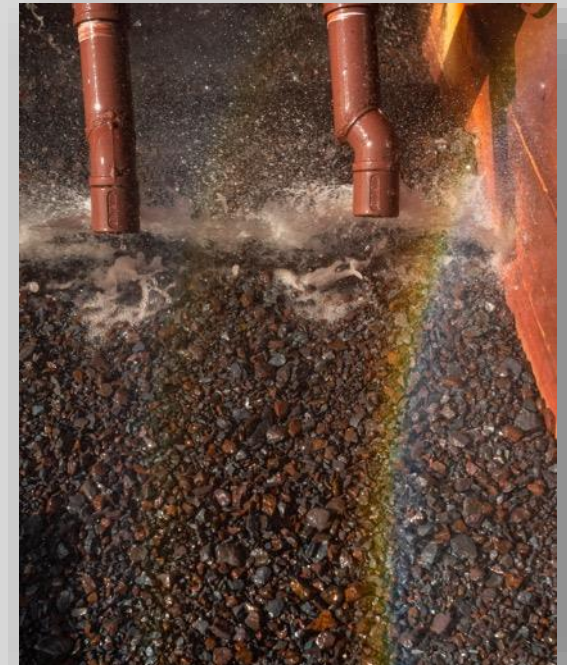
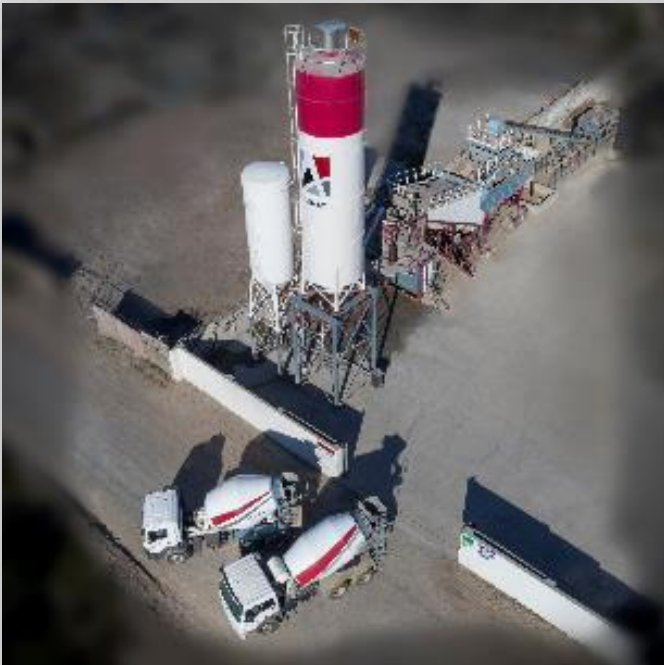
**Diversification
strategy proved
its worth**
(especially in light of
Covid-19 pandemic)

**Very strong
balance sheet
enabled
growth**

**Values-based
entrepreneurial
culture paying
off**

Afrimat: who we are

- Track record of excellence in small scale mining and materials supply
- Well diversified over different industries to ensure consistent delivery



Segmental makeup



Construction Materials



Aggregates
Contract crushing, drilling and blasting
Concrete products
Readymix



Industrial Minerals



Limestone
Dolomite
Silica



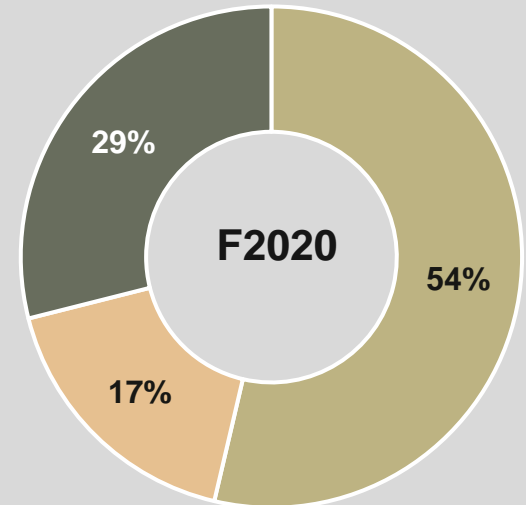
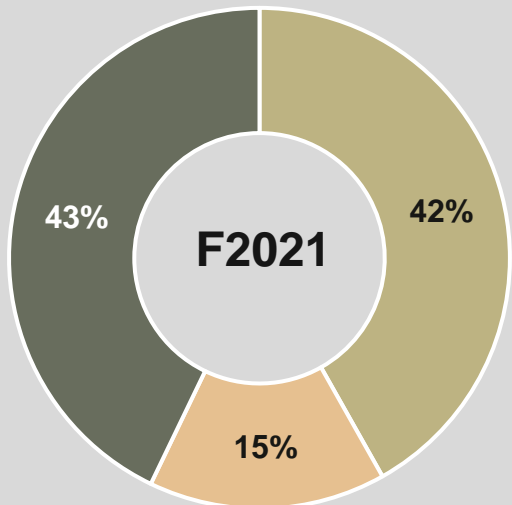
Bulk Commodities



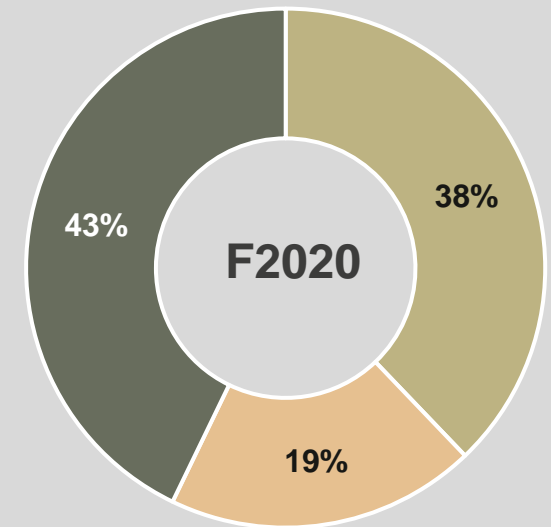
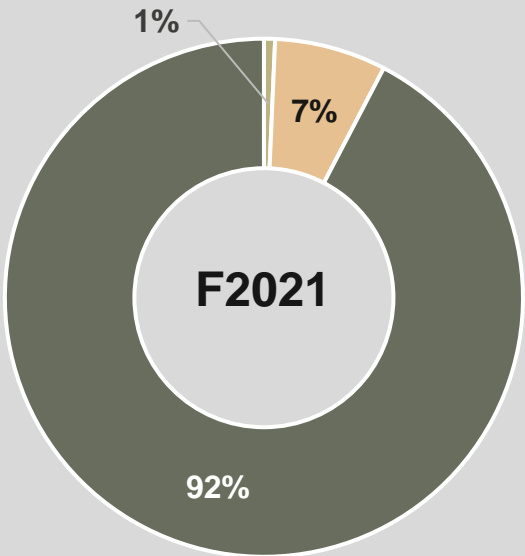
Iron ore

Balanced portfolio at work

Revenue



Operating profit



Construction Materials
Industrial Minerals
Bulk Commodities

Rationale for diversified structure

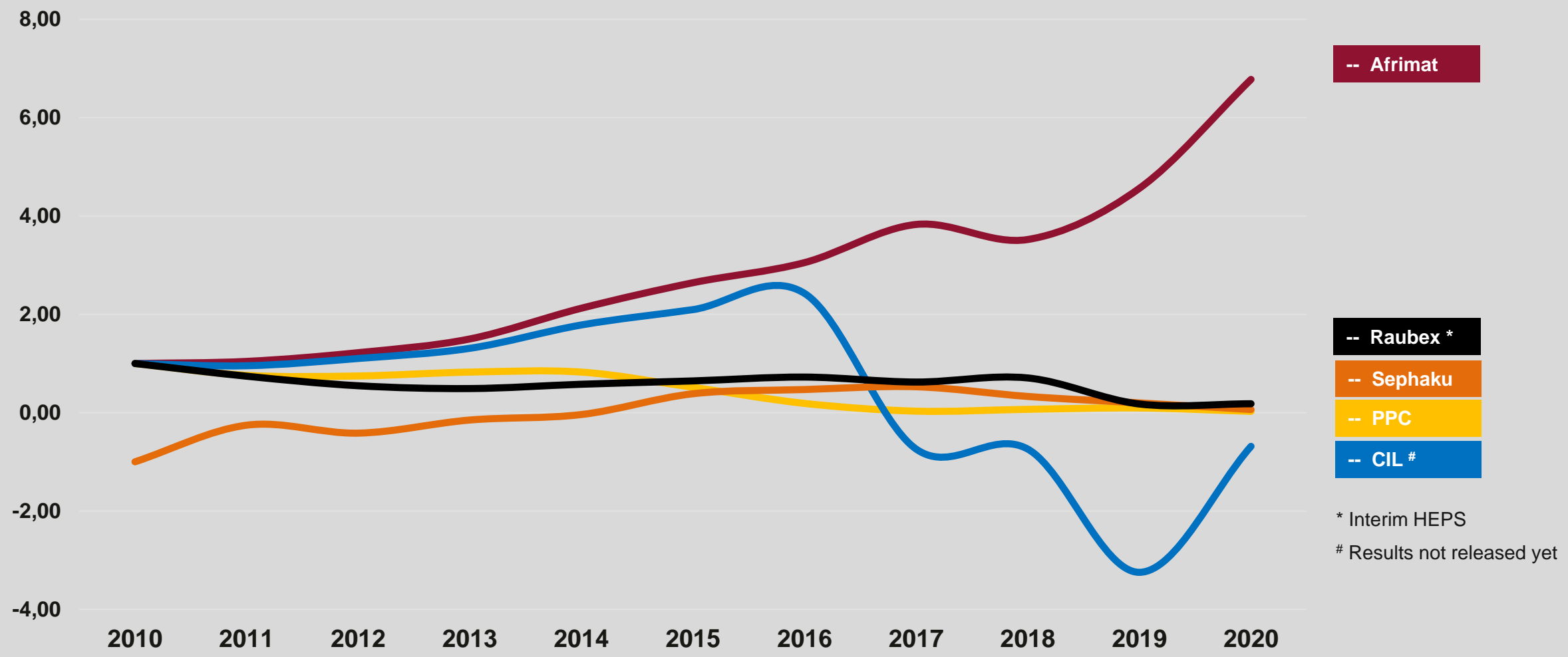
- **Good blend of locally and internationally priced commodities**
- **Exposure to different currencies**
- **Exposure to different economic cycles**
- **Similar operational skills**
- **Smoothed growth for more than a decade (CAGR of PAT = 21,5% for February 2009 – February 2020)**
- **Creates many opportunities**

CONSISTENTLY DELIVERING

WHAT THE DIVERSIFICATION STRATEGY IS DELIVERING

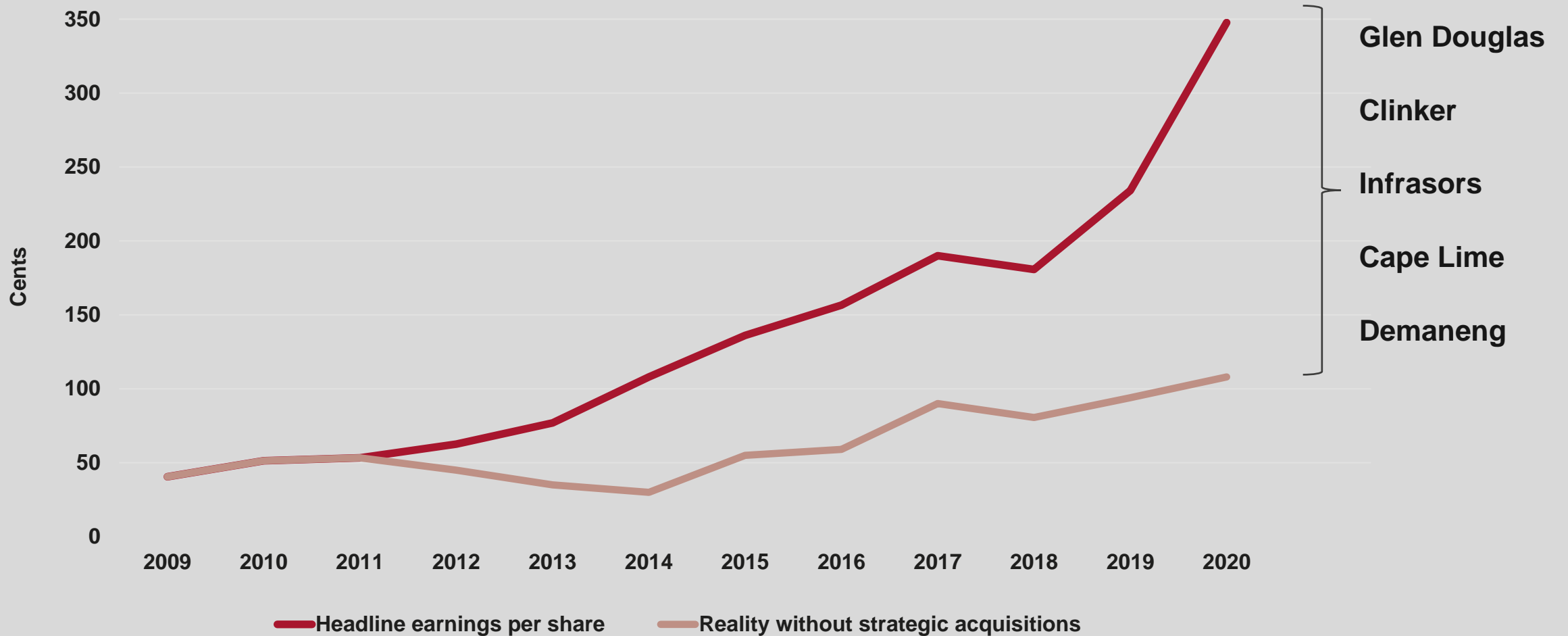


Headline earnings per share (HEPS) comparison



Growth through diversification

Profit history with and without acquisitions

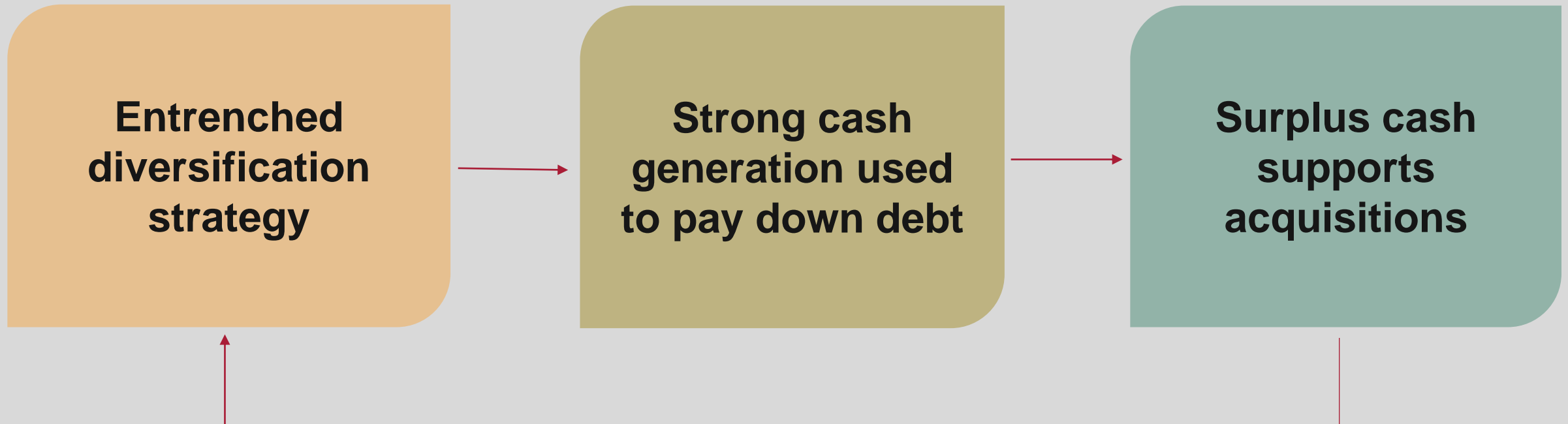


CONSISTENTLY DELIVERING

FINANCIAL REVIEW



Core financial achievements



Financial overview

11,0%

Operating profit increased
to R353,1 million

1,1%

HEPS increased to
183,9 cents

22,7%

Operating profit margin

36,0 cps

Interim dividend per share

32,9%

Return on net operating
assets

R333,7 million

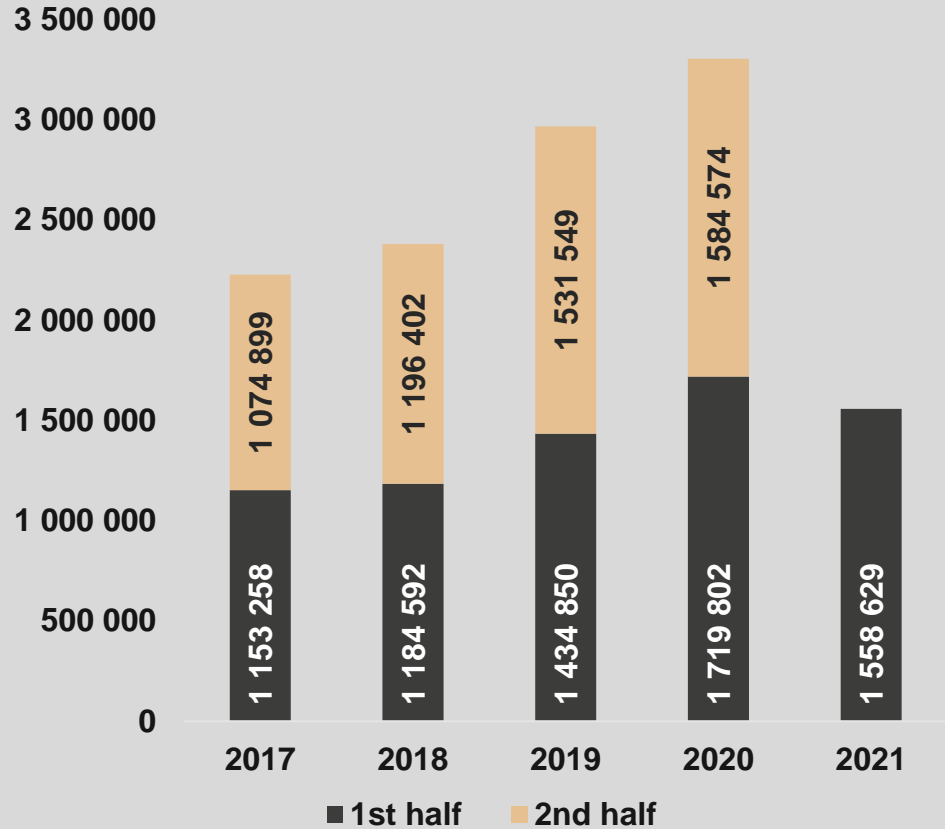
Net cash from operating
activities

Financial overview

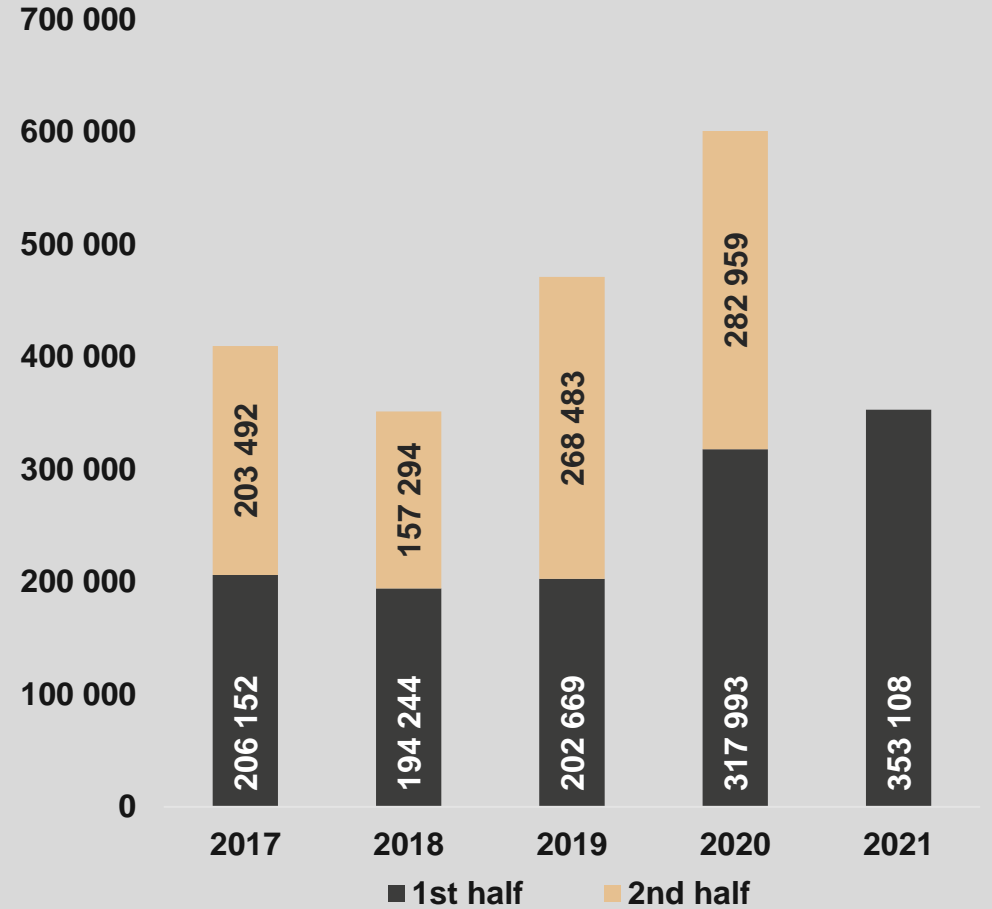
Revenue and operating profit

Contribution from operations margin 22,7% (2019: 18,5%)

Revenue (R'000)



Operating profit (R'000)

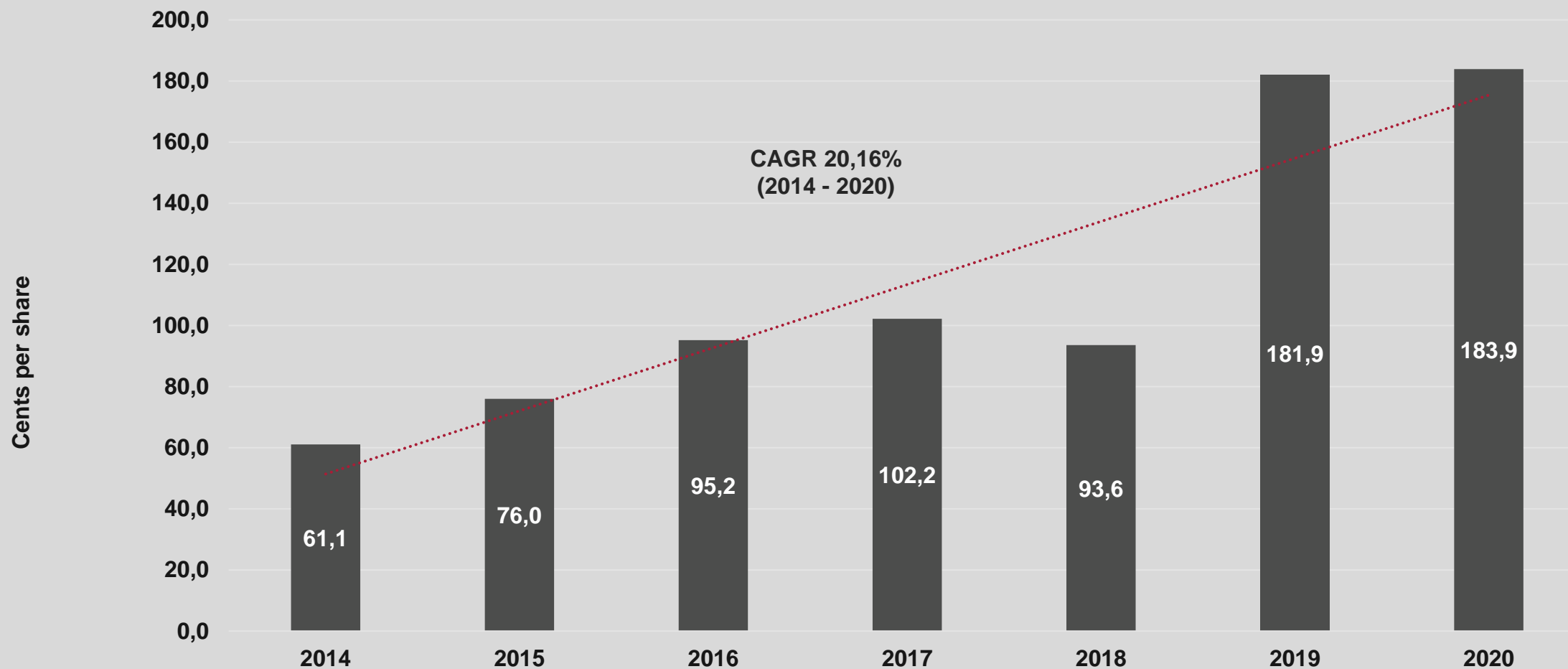


Overall margin improvement

Operating profit margin (%)	HY2021	HY2020
Construction Materials	0,4%	13,2%
Bulk Commodities	48,8%	27,8%
Industrial Minerals	10,3%	20,9%
Overall	22,7%	18,5%

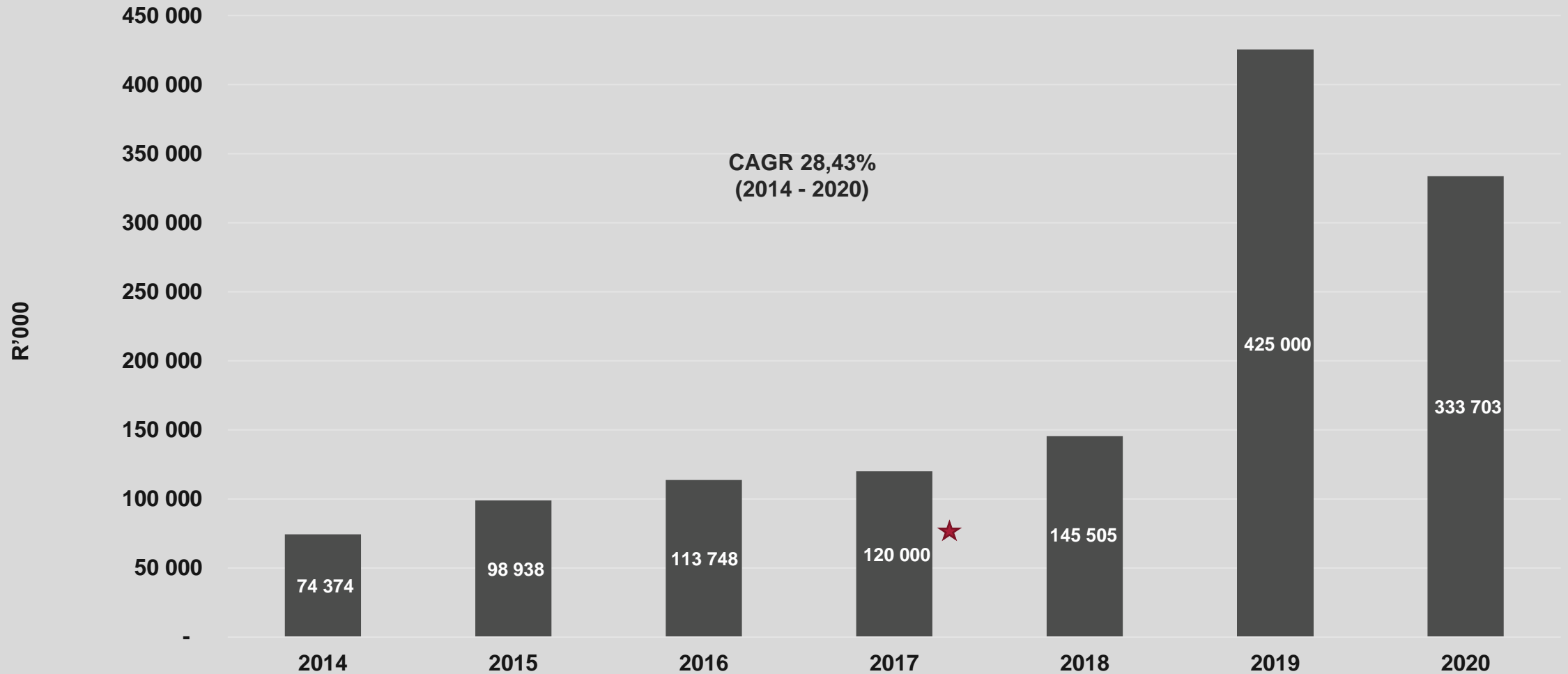


Headline earnings per share - interim



Tax rate 28,4% (2019: 16,5%)

Net cash from operating activities (H1)



★ Includes PAYE paid on behalf of Afrimat BEE Trust employees

Statement of financial position - assets

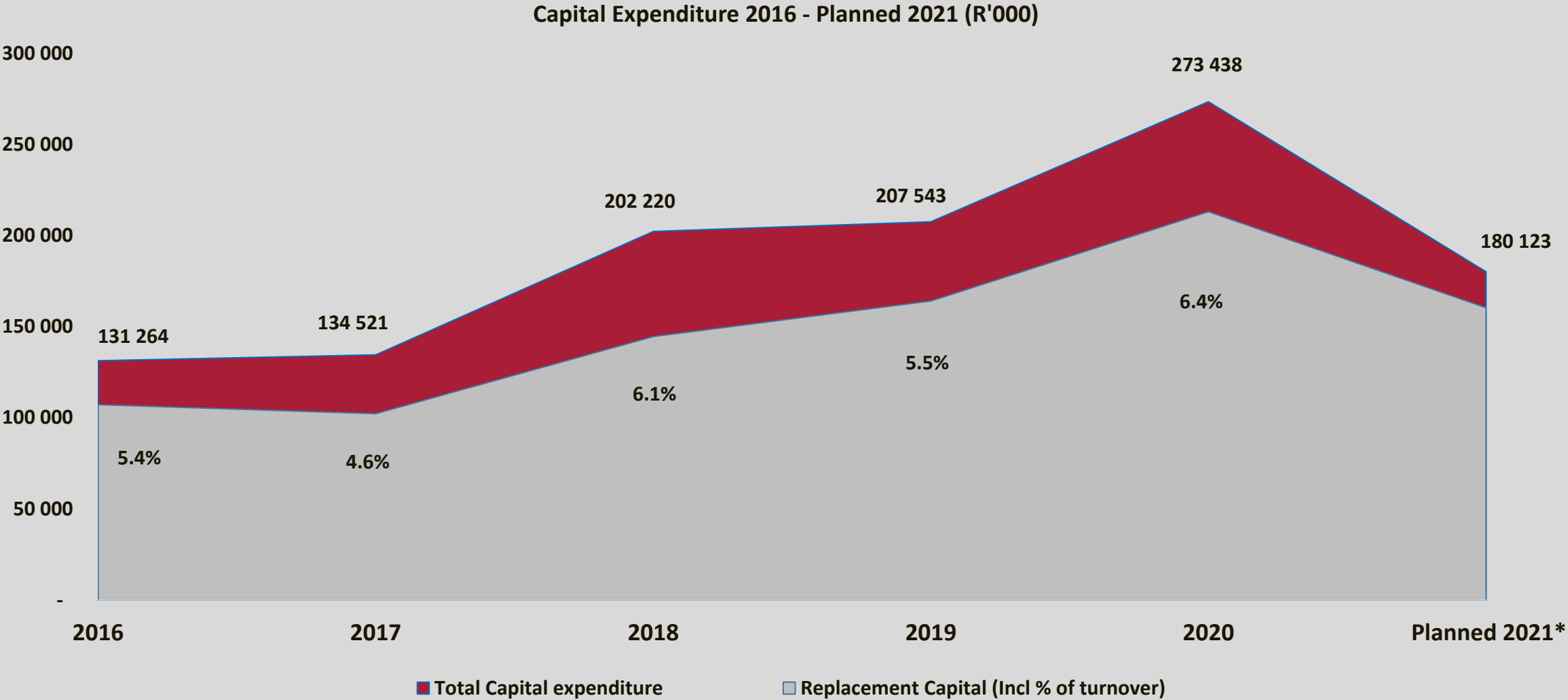
R'000	Unaudited Aug 2020	Unaudited Aug 2019	Audited Feb 2020
Property, plant and equipment	1 551 695	1 514 283	1 571 519
Mining rights and goodwill	209 632	221 065	210 226
Inventories	286 703	258 409	260 526
Trade and other receivables	526 506	426 516	476 356
Cash	332 747	156 850	167 533
Other assets / BEE funding	180 868	108 834	109 102
	3 088 151	2 685 957	2 795 262

Statement of financial position – equities & liabilities

R'000	Unaudited Aug 2020	Unaudited Aug 2019	Audited Feb 2020
Total equity	1 934 101	1 549 246	1 688 907
Borrowings	258 505	259 186	295 832
Provisions	157 794	147 232	152 748
Overdraft	2 120	34 381	20
Trade and other payables	467 138	469 444	421 072
Other liabilities / deferred tax	268 493	226 468	236 683
	3 088 151	2 685 957	2 795 262

Net cash position (2019: debt: equity 9,4%)

Capital expenditure



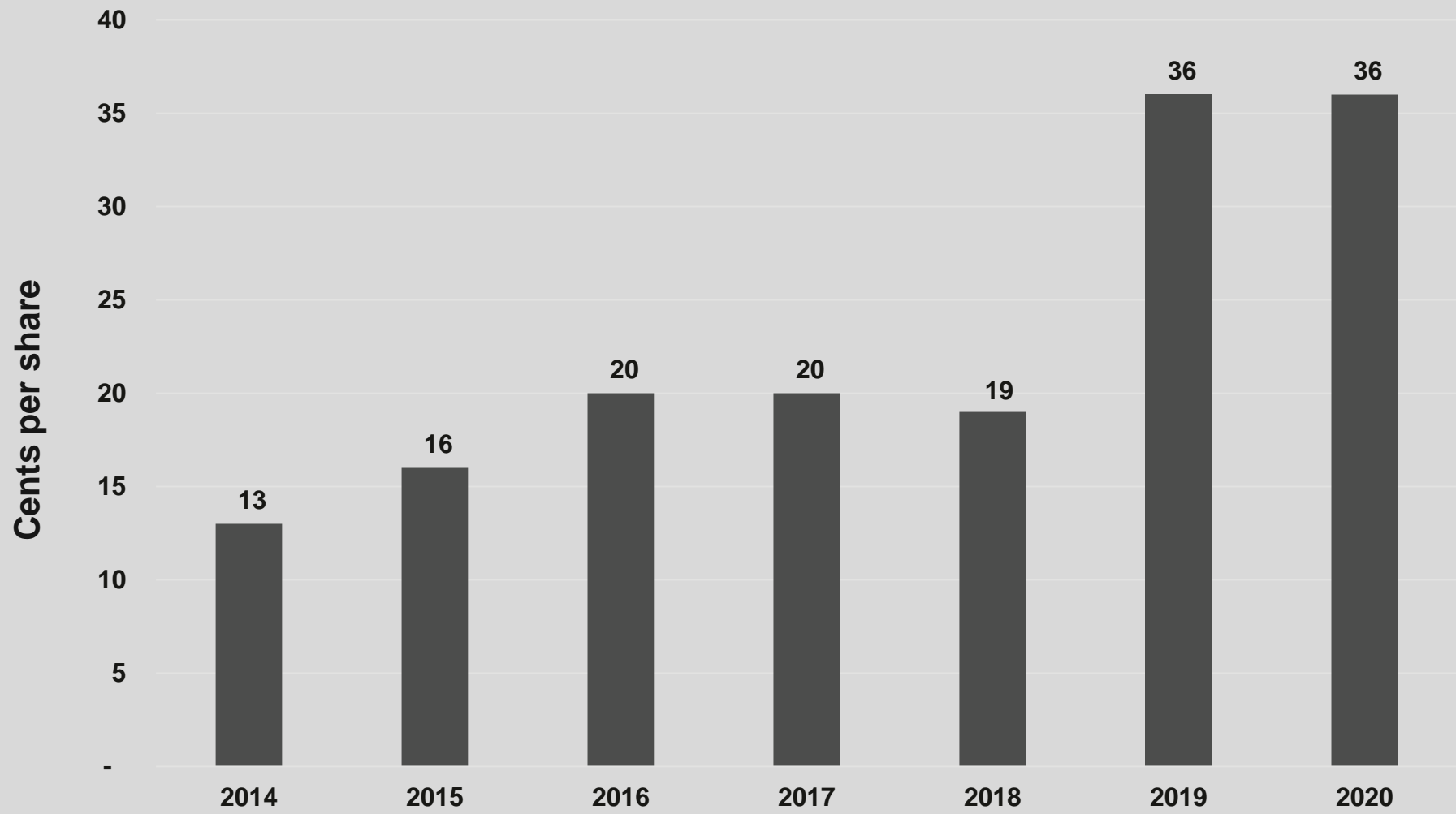
Dividend payment

Interim dividend 2,75 x cover

CAGR of 18,50%
2014 - 2020

Record date
Fri, 27 Nov 2020

Dividend payment
Mon, 30 Nov 2020



CONSISTENTLY DELIVERING

SEGMENT PERFORMANCE





Bulk Commodities

- **Iron ore**

- **Coza acquisition to add Jenkins, Driehoekspan and Doornpan to iron ore**
- **UCP scheme of arrangement will diversify bulk commodities to include anthracite**

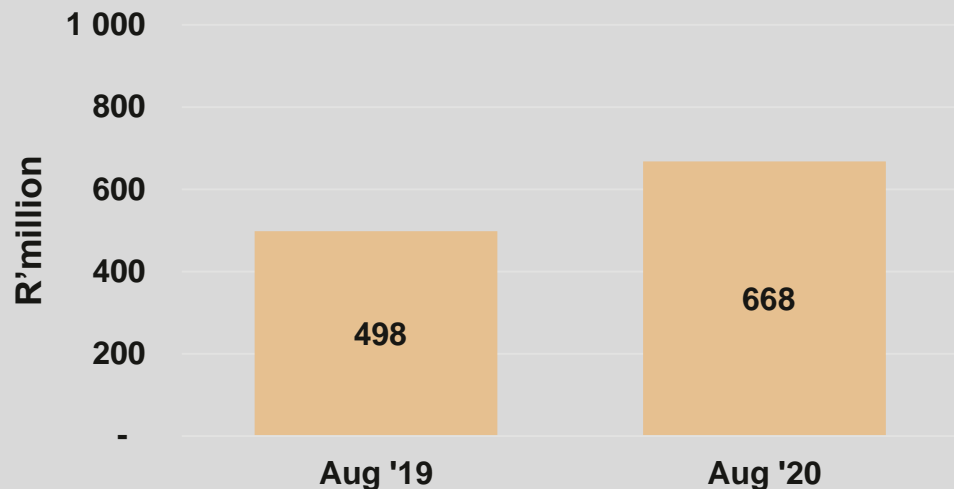




Bulk Commodities

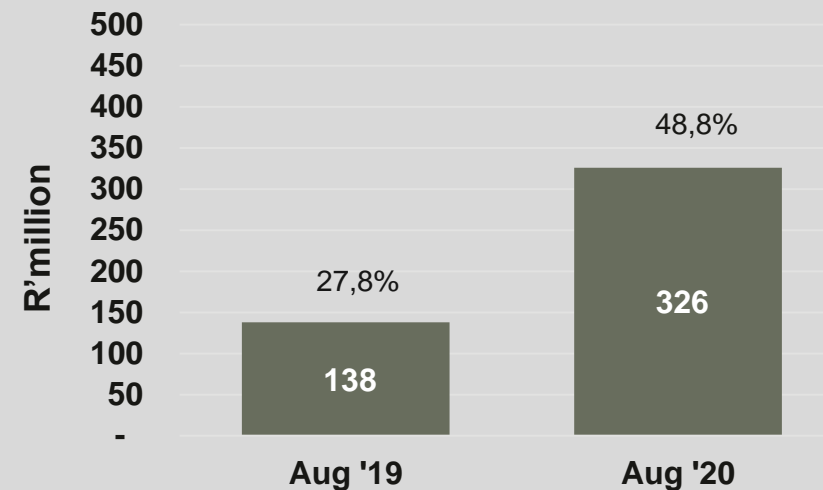
Excellent results on favourable market conditions

Revenue



- Revenue increased by 34,2%
- Favourable pricing

Operating profit and margin



- Operating profit increased by 135,8%
- Operating profit margin increased

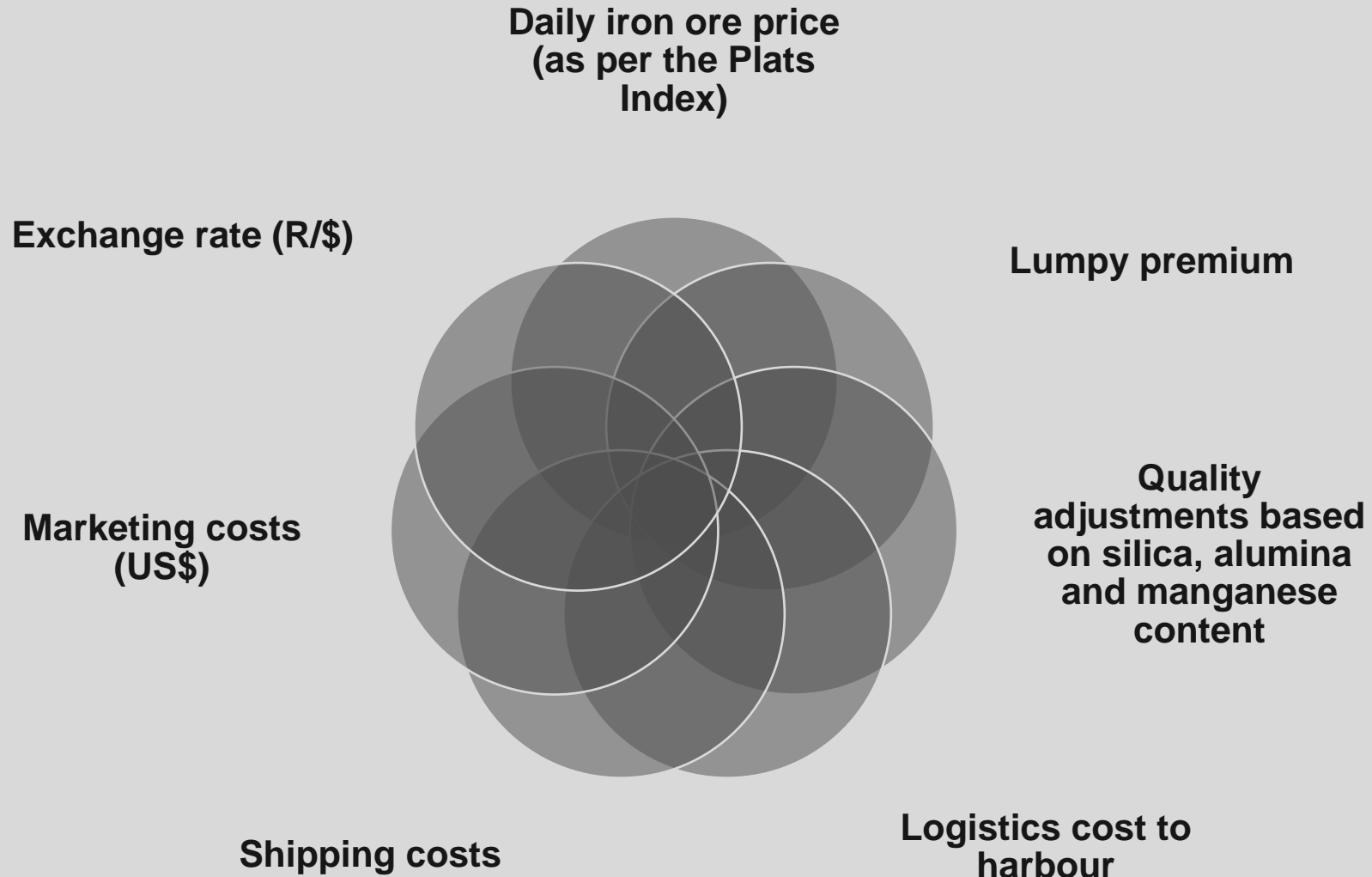


Bulk Commodities

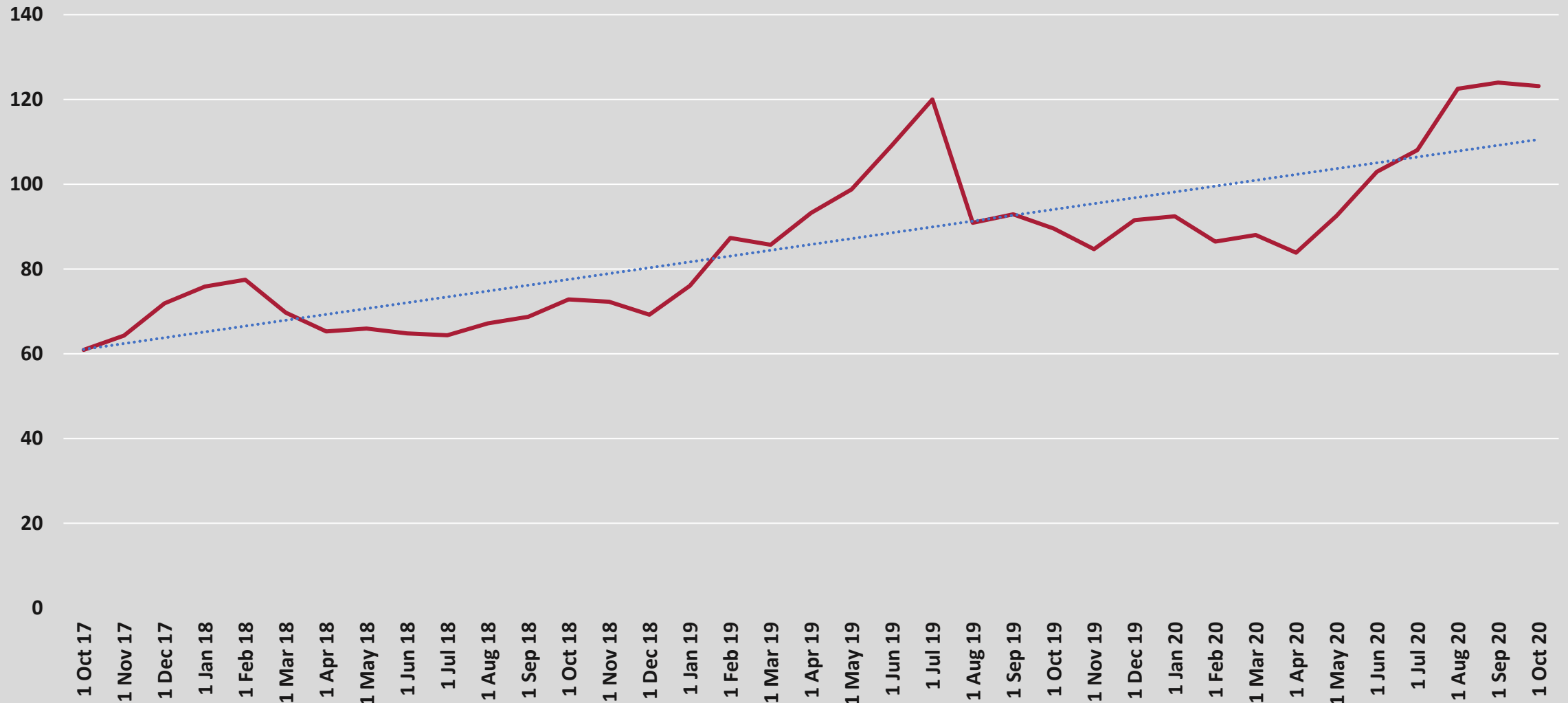
- **Exceptional contribution to group**
- **42,9% of revenue**
- **92,3% of operating profit**
- **Operated at 50% during lockdown, but volumes are back to steady levels**
- **Transnet rail line stable (October line maintenance shutdowns)**



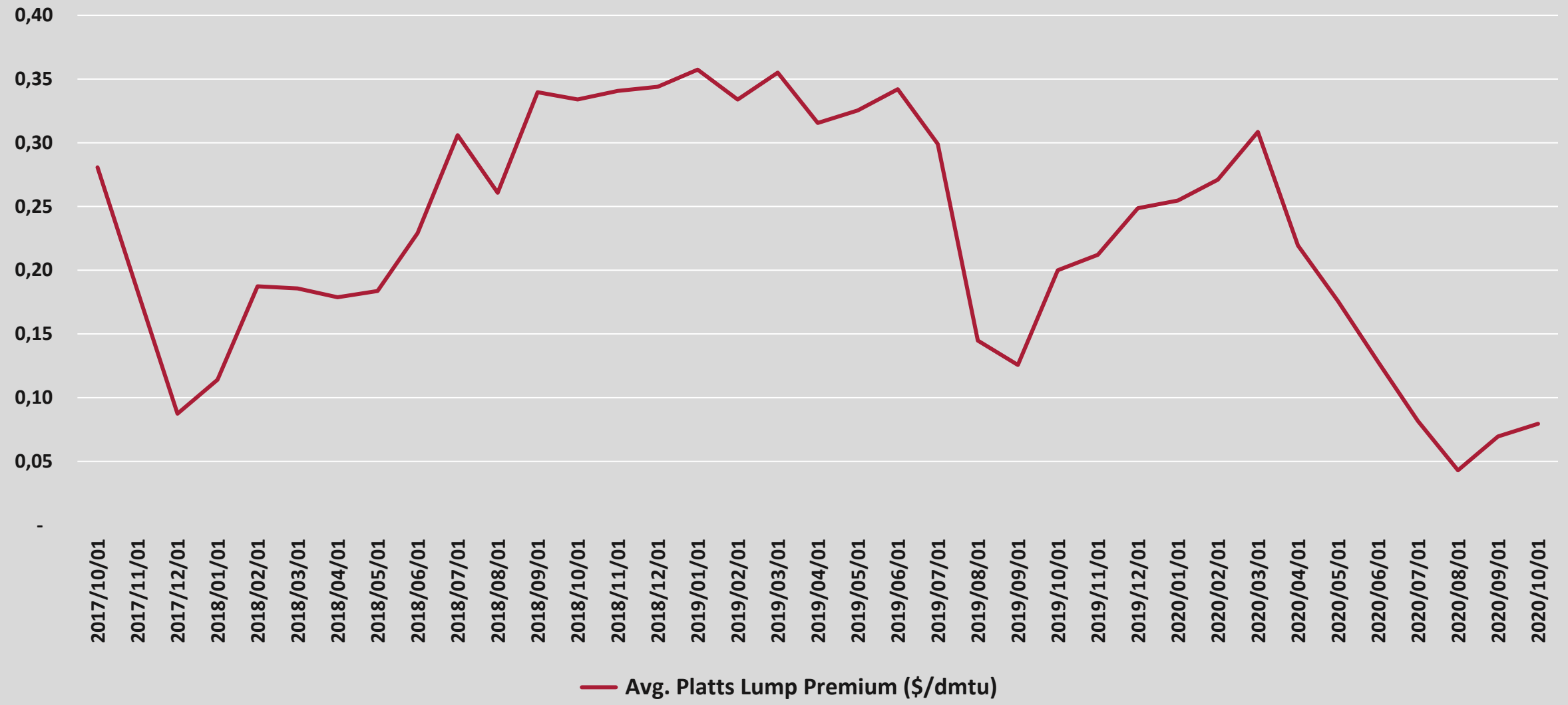
Price influences



62% FE Platts Index Price



Lump premium (\$/dmtu)



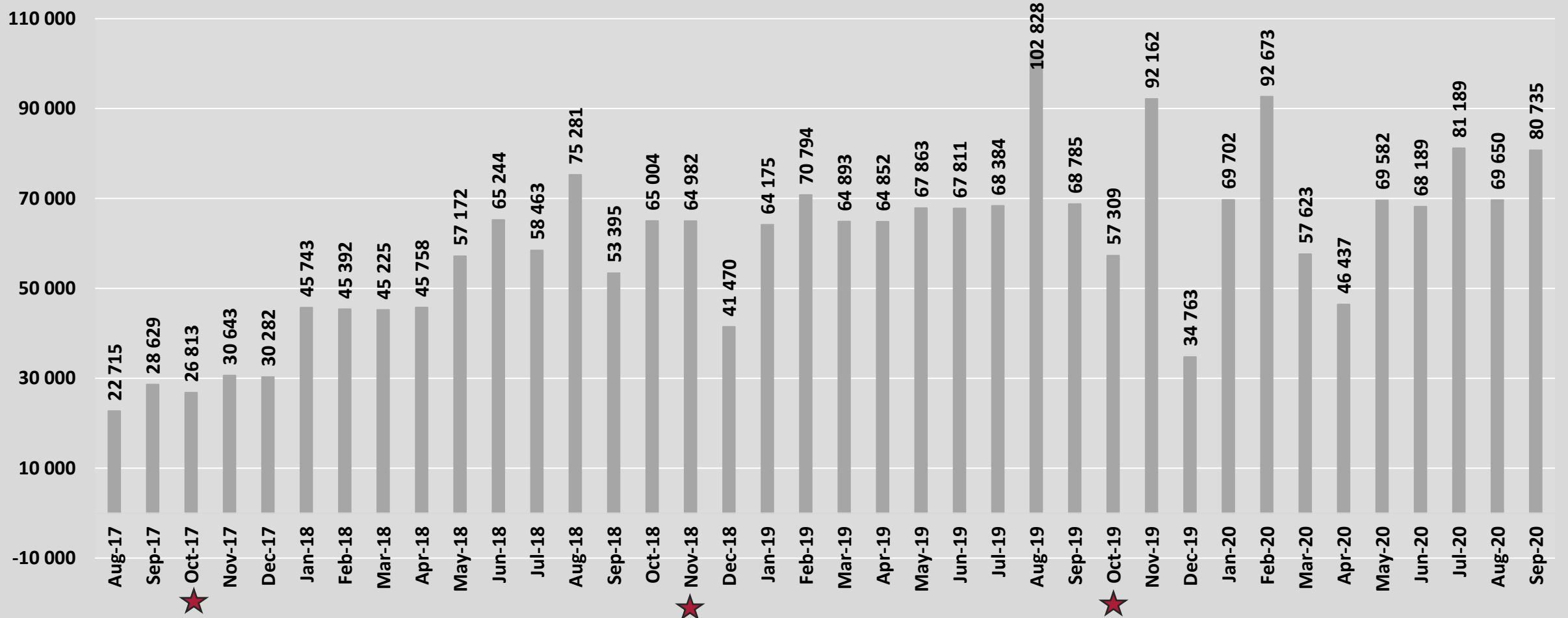
Freight rate China

Avg. Platts Sth Africa -China Capesize



Iron ore sales by rail

Sales (tons)



Stable monthly sales expected to settle at 72,500

★ Planned Transnet maintenance shut down (Sep or Oct)



Industrial Minerals

- Lime
- Metallurgical dolomite

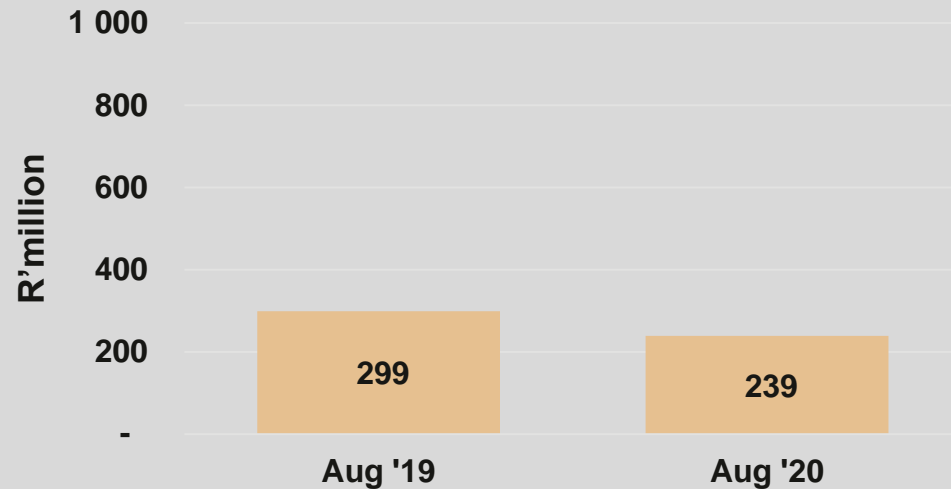




Industrial Minerals

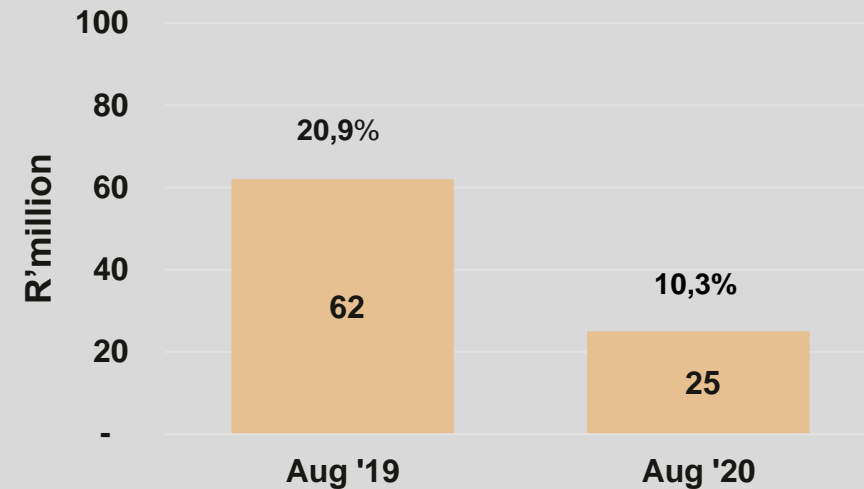
Satisfactory results across all regions, entering new markets

Revenue



- Limited sales during lockdown
- Entered new markets
- Increased activity

Operating profit and margin



- Operating profit impacted by lockdown
- Successful product development
- Efficiency initiatives pay off



Industrial Minerals

- 15,3% of revenue
- 7,0% of operating profit
- Entered new markets
- Possible acquisition and growth opportunities exist



Construction Materials



- **Aggregates**
- **Bricks & blocks**
- **Readymix concrete**

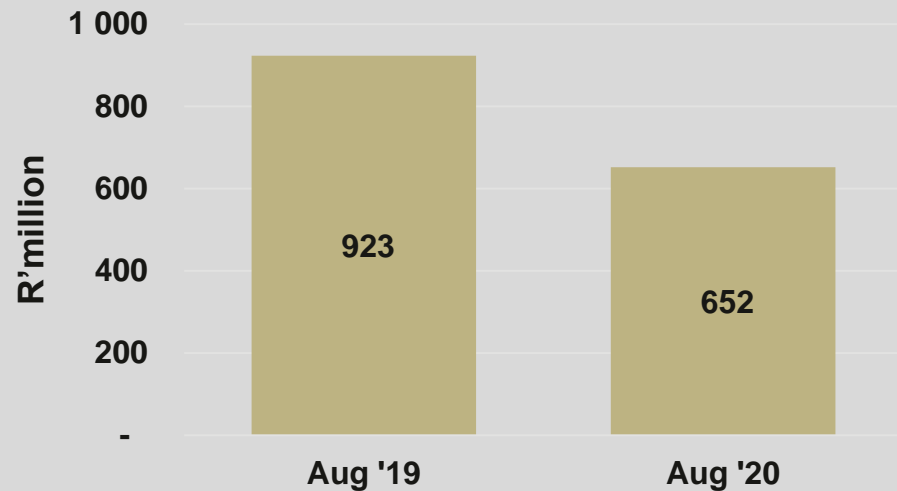


Construction Materials



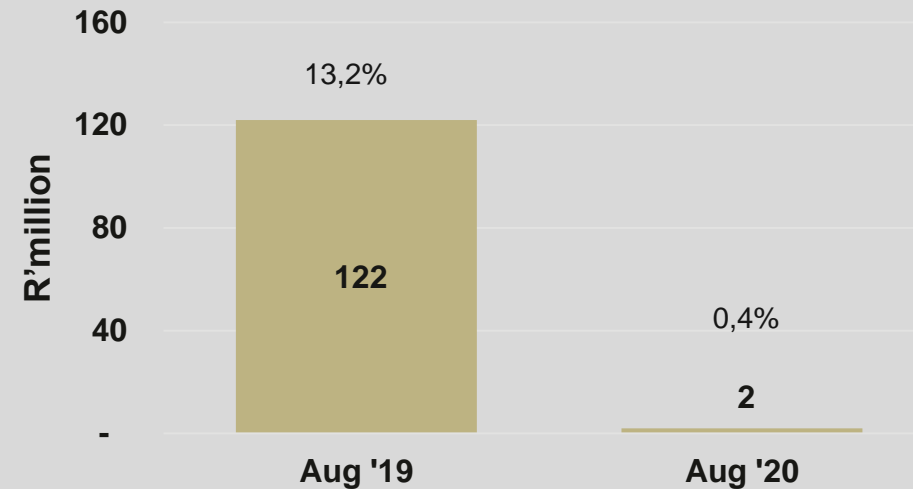
Severely impacted by Covid-19

Revenue



- Revenue decreased by 29,3%
- Considerably impacted by Covid-19 lockdown periods
- No revenue in April, limited in May and June
- Back at monthly sales levels similar to pre-Covid-19

Operating profit and margin



- Pressure on operating profit margin due to Covid-19 lockdown
- Internal efficiency drive bearing fruit

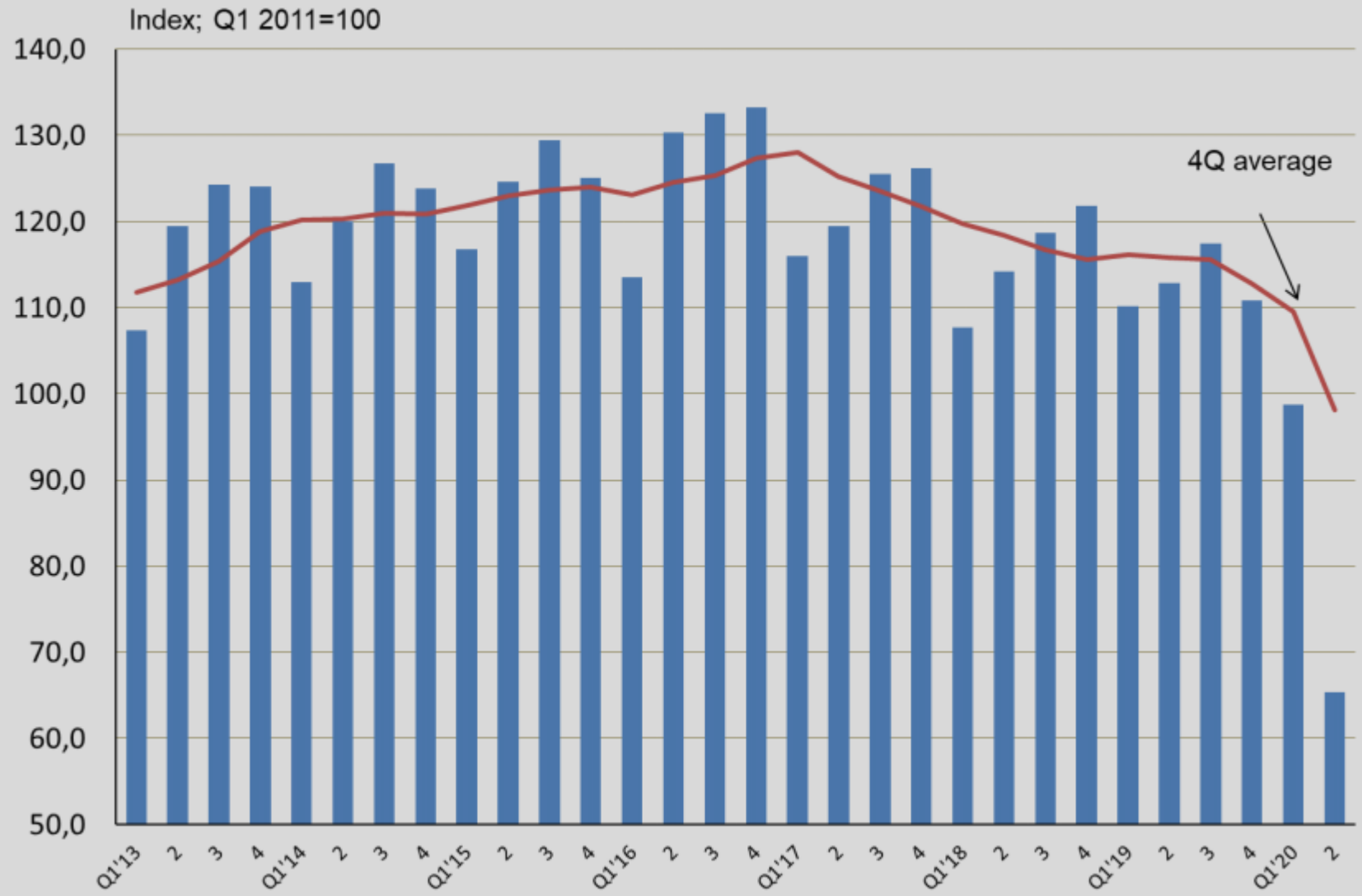
Construction Materials



- 41,8% of revenue
- Mozambique gaining momentum
- Good recovery expected from local market as volumes return
- Recovery continues

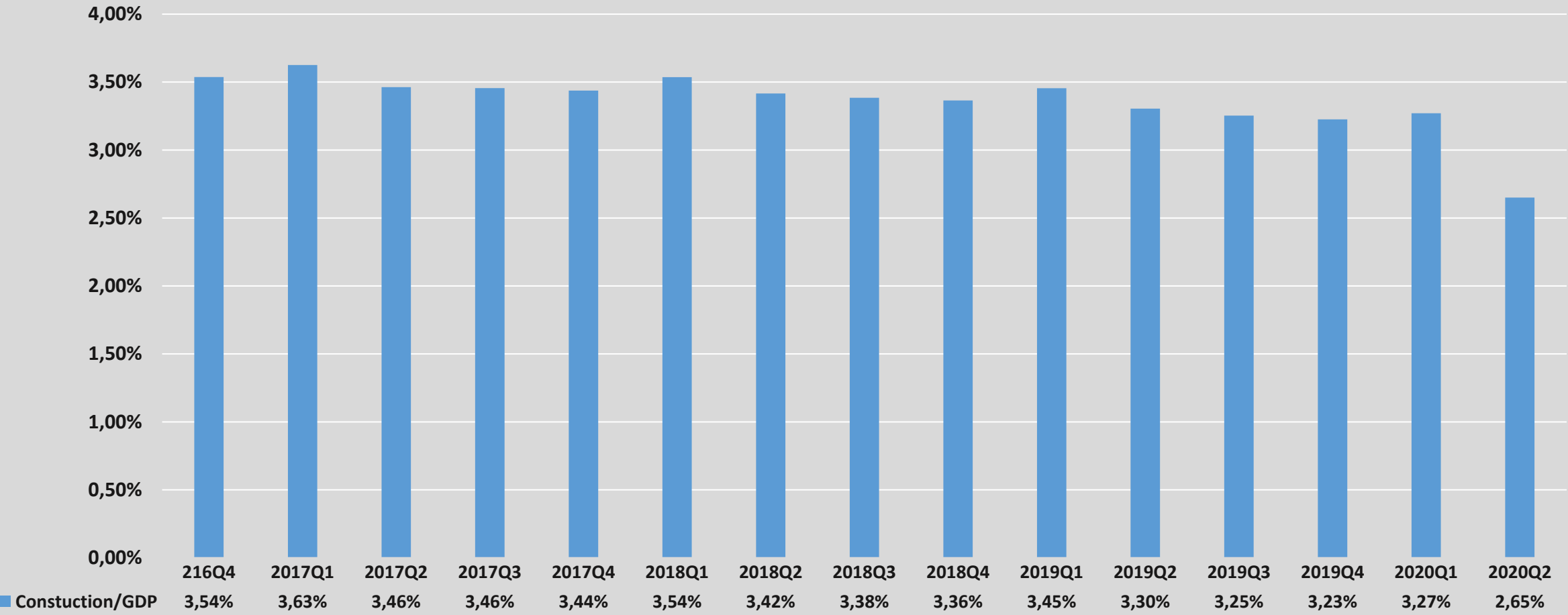


Afrimat Construction Index – Q2 2020



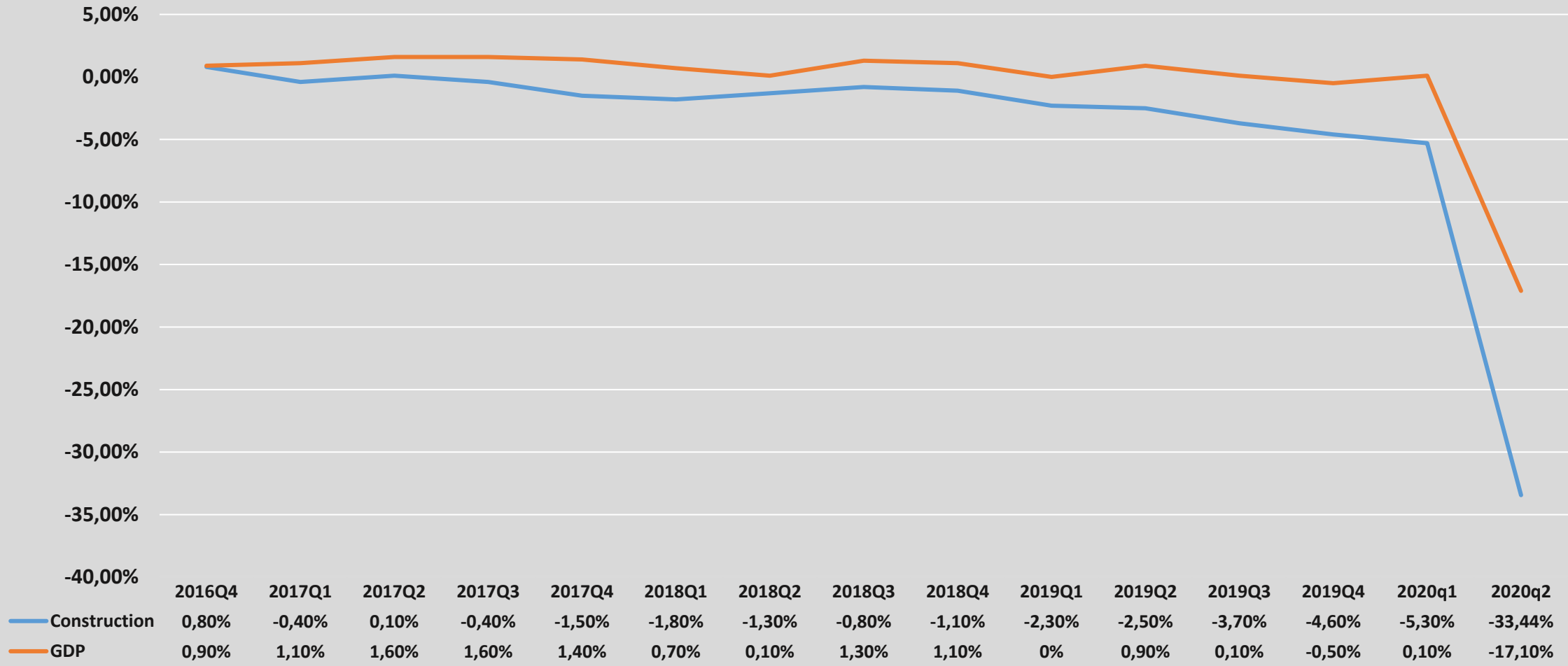
Contribution of construction to GDP (both at 2010 prices)

Contribution of construction to GDP
(Both at 2010-prices)
(Source: Stats SA, P0441, Table5, p.11).



Growth rate of GDP and the growth rate of construction (both at 2010 prices)

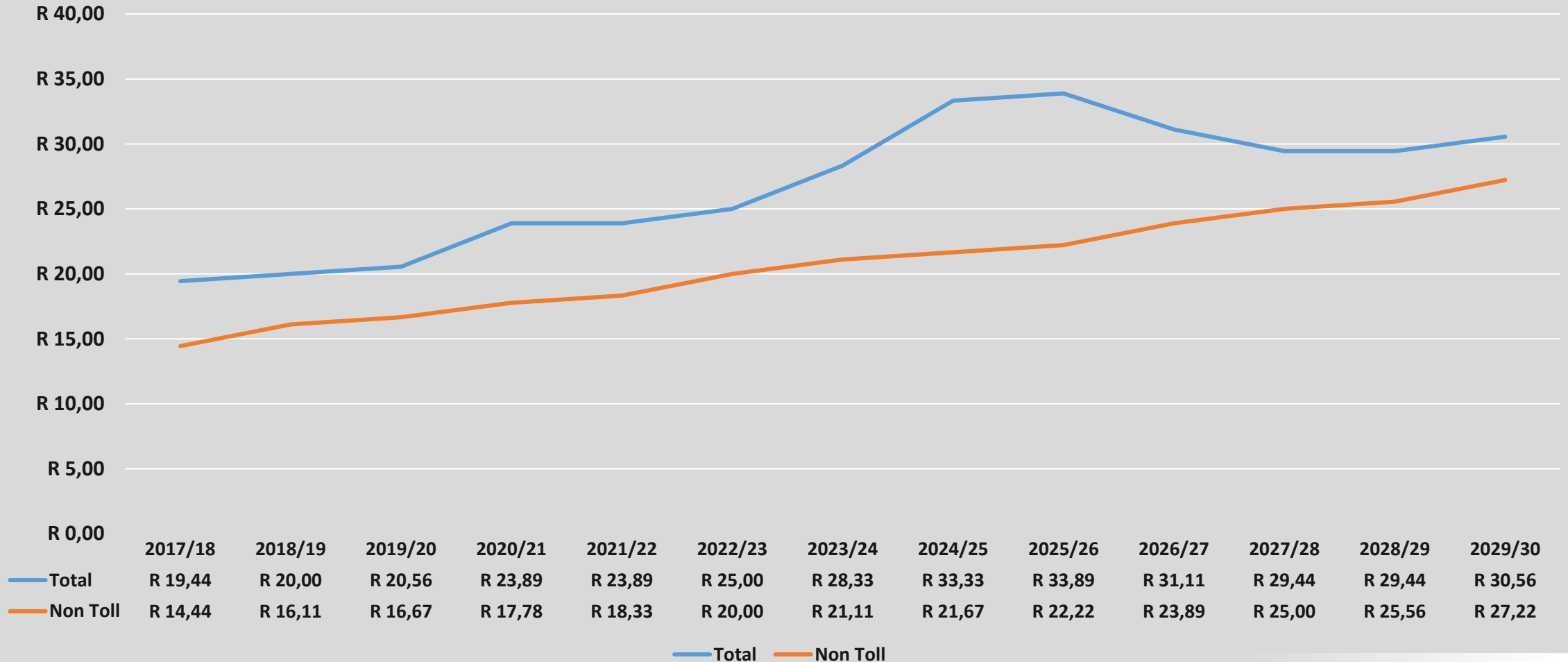
Growth rates (2010-prices)
(Source: Stats SA, Po441, Table 5, 8 September 2020).



SANRAL

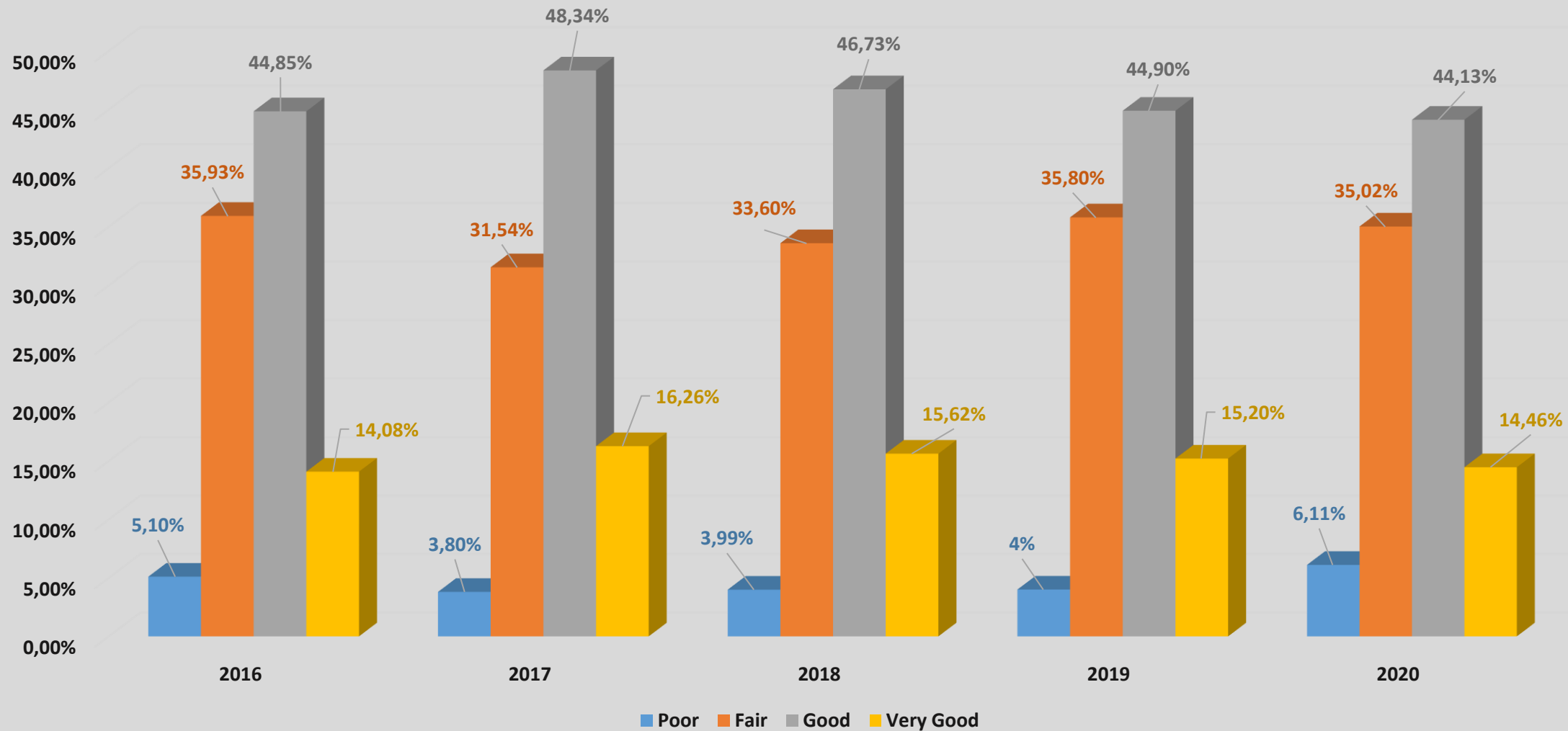
Expenditure trend (R billion)

SANRAL expenditure trend (R billion)
(Source: SANRAL Strategy Horizon 2030).



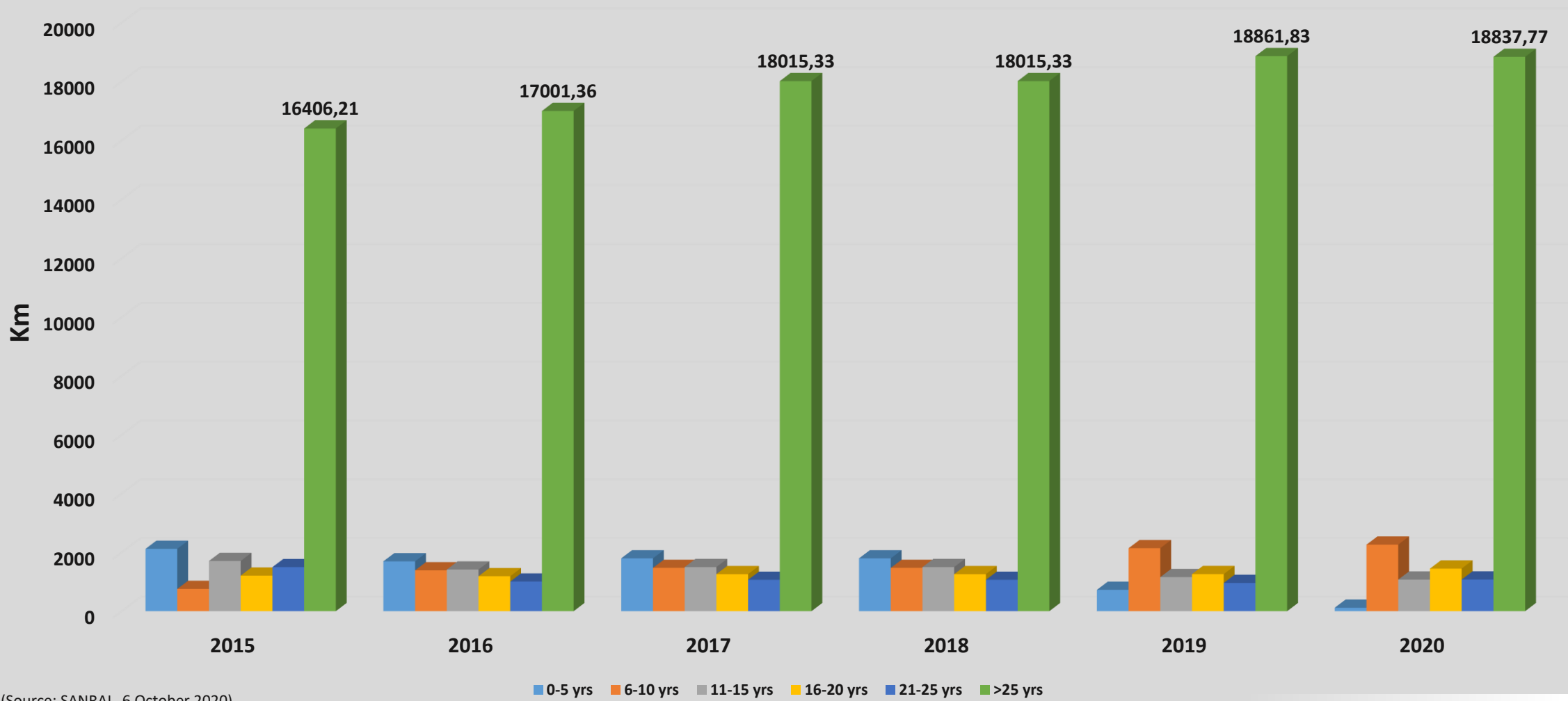
SANRAL

Condition of SANRAL's roads (25 100 km)



SANRAL

Age of SANRAL's network of roads (25 100 km)



(Source: SANRAL, 6 October 2020).

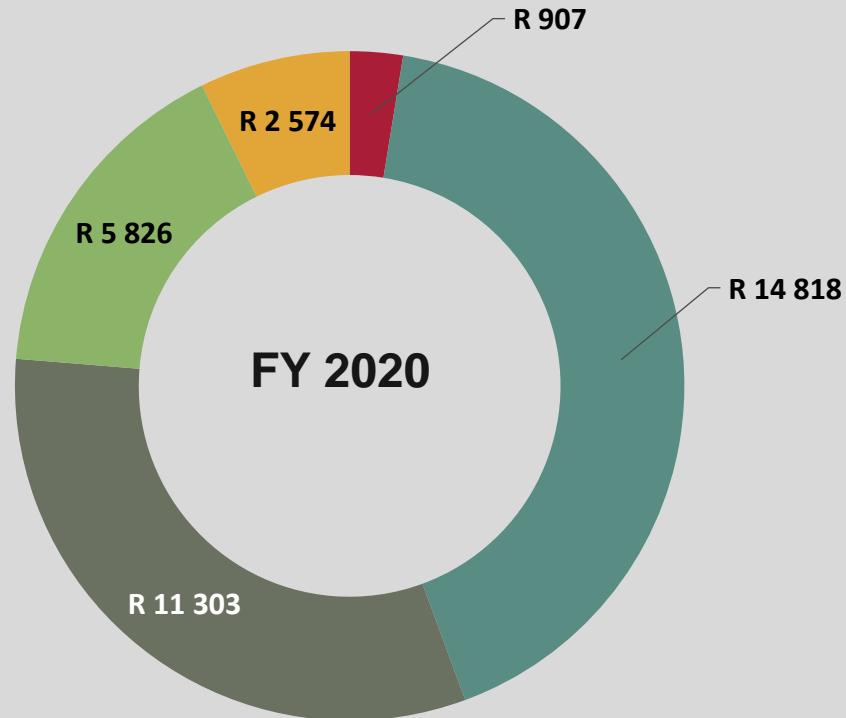
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SUSTAINABILITY

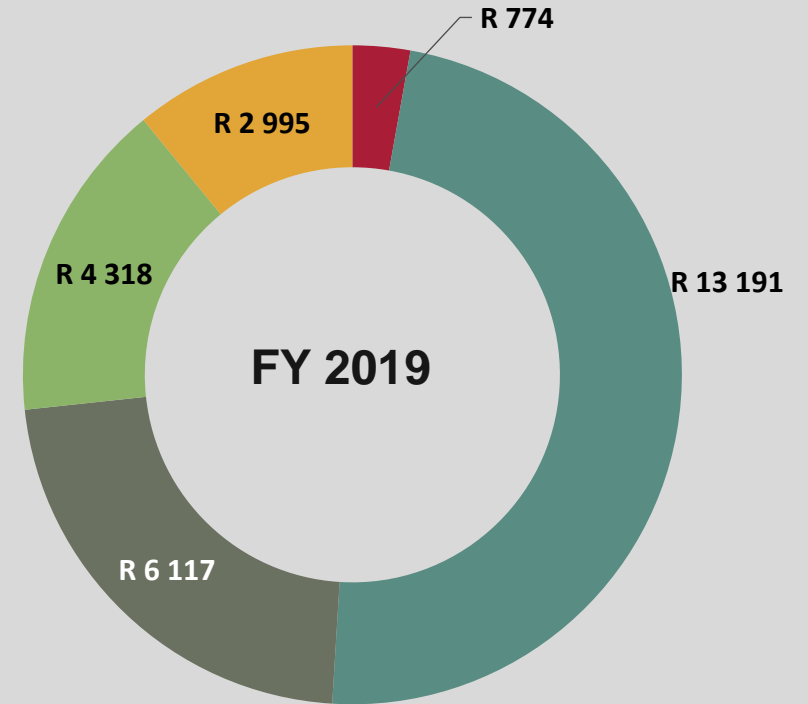


Human resource development

Categorisation spend (R'000)



- Bursary/study loans
- Training costs
- Skills development department cost
- Learnerships
- Internship remuneration



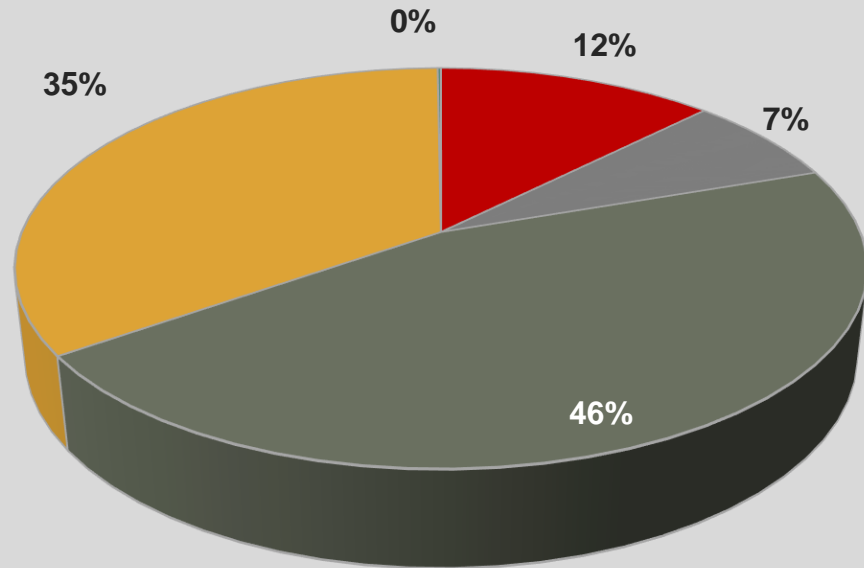
- Bursary/study loans
- Training costs
- Skills development department cost
- Learnerships
- Internship remuneration

R35,4 million (2019: R27,4 million) spent on skills development, bursaries, learnerships and internships for the year
78,4% of this expenditure was in respect of historically disadvantaged employees

Community development

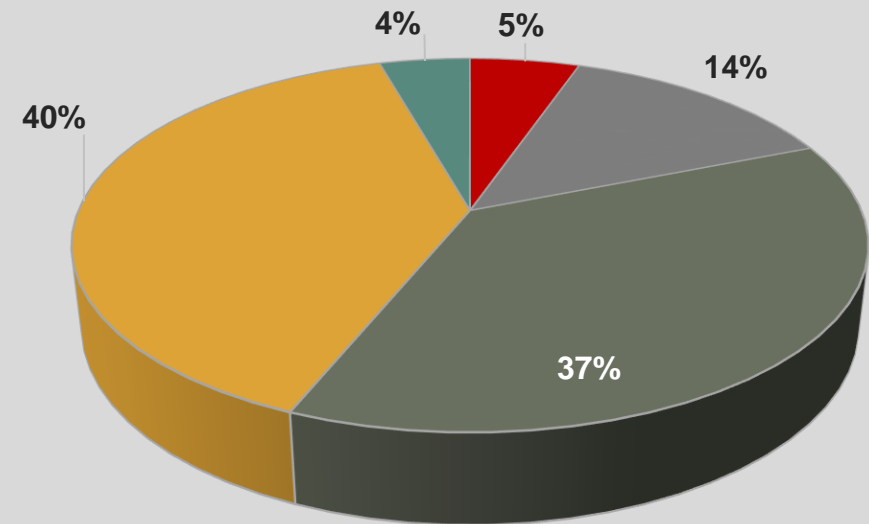
Categorisation spend (R'000)

FY 2020



- Art, Sports & Culture (12,5%) ■ Basic Needs (7,2%)
- Education projects (45,5%) ■ Uplifting community (34,6%)
- Skills development (0,2%)

FY 2019



- Art, Sports & Culture (5,3%) ■ Basic Needs (13,7%)
- Education projects (37,2%) ■ Uplifting community (39,4%)
- Skills development (4,4%)

R4 925 (R3 236) spend towards LED projects during the year

Afrimat culture



CARING ENVIRONMENT



RESULTS DRIVEN



SKILLS AND COMPETENCE



ENTREPRENEURIAL DRIVE



HUMILITY AND BELIEF



IMPORTANT RELATIONSHIPS



TEAMWORK



EMPOWERING



WINNING ATTITUDE

CONSISTENTLY DELIVERING

THE FUTURE



Experience has taught us

- 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**



Our transition through diversification



Looking ahead

- **Diligently monitor and manage Covid-19 impact**
- **Iron ore business should continue to perform well**
- **Industrial Minerals range expansion**
- **Construction Materials to continue to look for new opportunities**
- **Good cash flow**
- **LNG in Mozambique set to start ramp-up**
- **Remain true to expertise and financially conservative with expansions**
- **Execute diligently on acquisitions to support diversification**

Presidential Infrastructure Coordinating Commission Council

Starting to see some action!

Gazetted: 24 Jul 2020 – projects identified, updated 21 Oct 2020:

- Water and sanitation (R106 billion)
- Energy (R58 billion)
- Roads (R47 billion)
- Human settlements (R138 billion)

“...recovery should be led by infrastructure development and maintenance” - Cyril Ramaphosa

Core message

**Diversification
strategy proved
its worth**
(especially in light of
Covid-19 pandemic)

**Very strong
balance sheet
enabled
growth**

**Values-based
entrepreneurial
culture paying
off**

Thank you for your attendance and participation

For any further investor relations questions please contact:

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Vanessa Rech | Keyter Rech Investor Solutions

087 351 3814

www.afrimat.co.za

Proposed acquisitions – UCP (Nkomati)

Commodity

Anthracite - generates the highest heat of all the fossil fuels available and the low sulfur makes anthracite an extremely clean-burning fuel

Location

Mpumalanga

Life of mine

Proven reserve at current installed capacity of more than 20 years

Water use license and all other regulatory requirements (DMRE) in place?

Yes, although extensions needed



Nkomati – the numbers

- Afrimat has 27,27% holding in UCP – R16 million
- For remainder, 1 new Afrimat ordinary share for every 280 UCP shares held (\pm R100m)
- Working capital provided: R82,8 million
- Capital required to get mine operational: \pm R250 million
- Expected to be fully operational and contributing by H2 2021 financial year
- Volume goal of 40,000 tonnes / month of product

In UCP structure, three other assets i) Ritchie Crane Hire, ii) JEF Drill and Blast & iii) Geosearch Group of Companies – no strategic value to Afrimat - possibly sold with proceeds used to pay down debt

Proposed acquisition – Coza

Commodity

Iron ore

Mines

Jenkins
Driehoekspan and Doornpan

Location

Northern Cape, adjacent to the Afrimat Demaneng iron ore mine

Life of mine

> 20 years

Water use license and all other regulatory requirements (DMRE) in place?

In progress

Coza – the numbers

- **Cash price R300 million**
- **Additional investment of R40 – R50 million to get to production**
- **Operational when mining licence is approved and received – probably H2 next year**
- **Expect 1,25 mtpa additional sales**

Coza – milestone payments

with expected dates and conditions precedent

1st tranche payment (R45m) – expected mid December 2020

- a. Submission of Water use License (“WUL”) application
- b. Granting of Driehoekspan mining right
- c. Granting of Doornpan mining right
- d. Section 11 application

2nd tranche payment (R195m) – expected end February 2021

- a. Submission of Water use License (“WUL”) application
- b. Granting of Jenkins mining right
- c. Section 11 application

Final tranche payment (R60m) – expected end March 2021

- a. Approval of Section 11 transfers