KAP INDUSTRIAL HOLDINGS LIMITED (KAP)

INVESTEC CEO CONFERENCE – NOVEMBER 2016
LONDON






AGENDA

- KAP OVERVIEW
- SAFRIPOL OVERVIEW
- SAFRIPOL ACQUISITION FUNDING

KAP Industrial Holdings Limited is a JSE-listed **diversified industrial group** consisting of logistics and manufacturing businesses.

DIVERSIFIED LOGISTICS		DIVERSIFIED INDUSTRIAL			
Contractual logistics	**Passenger transport**	**Integrated timber**	**Chemical**	**Automotive components**	**Integrated bedding**
Specialised contractual supply chain and logistics services	Personnel, commuter, intercity and tourist transport	Forestry and timber manufacturing operations with primary and secondary processing	Manufacture of PET, resin and formaldehyde	Manufacture of components used in new vehicle assembly and retail aftermarket vehicle accessories	Manufacture of foam, fabrics, springs, bases and mattresses

KAP OVERVIEW

STRATEGY

1 Market leadership	Being the leader in the markets we serve
High barriers to entry	High barrier to entry industries
Industry diversification	Sustainable earnings through diversity
Adding value through specialisation	Sustainable margins through specialisation
Leveraging our African base	Leveraging our African base

Resulting in strong cash flow generation

KAP OVERVIEW

STRATEGIC EXECUTION

KAP acquires Steinhoff's industrial assets

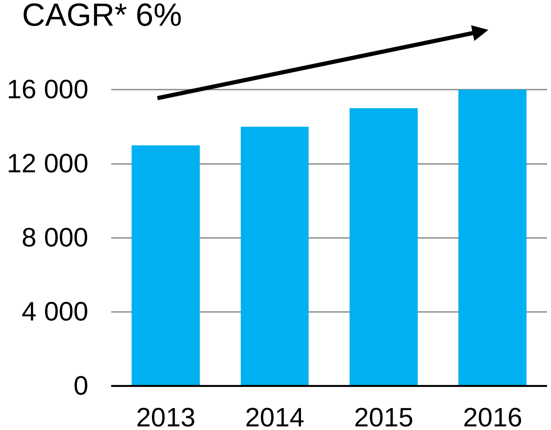
Strategic realignment and operational improvements

Disposal of non-core assets (food, footwear and sawmilling)

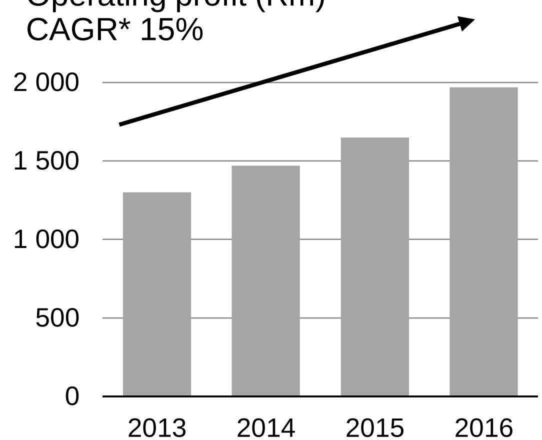
Complementary acquisitions to enhance current business divisions (Restonic and Autovest)

Strategy implementation sets base for expansionary outlook, including Safripol acquisition

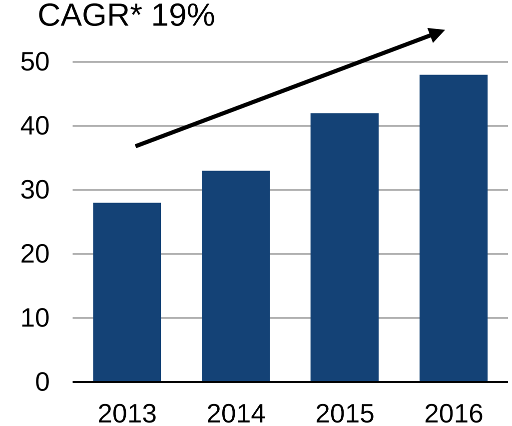
Revenue (Rm)
CAGR* 6%



Operating profit (Rm)
CAGR* 15%



HEPS (cents)
CAGR* 19%



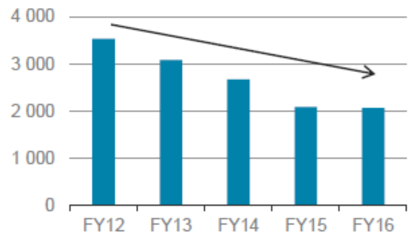
** Compound annual growth rate*

KAP OVERVIEW

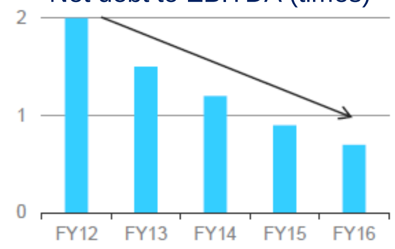
KAP HAS IMPROVED DEBT RATIOS, DEVELOPED AS A DIVERSIFED INDEPENDENT BORROWER AND ENHANCED THE MIX OF INTEREST RATE EXPOSURE

IMPROVED DEBT RATIOS

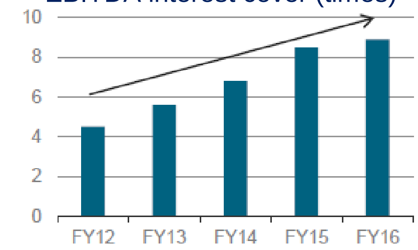
Net debt(Rm)



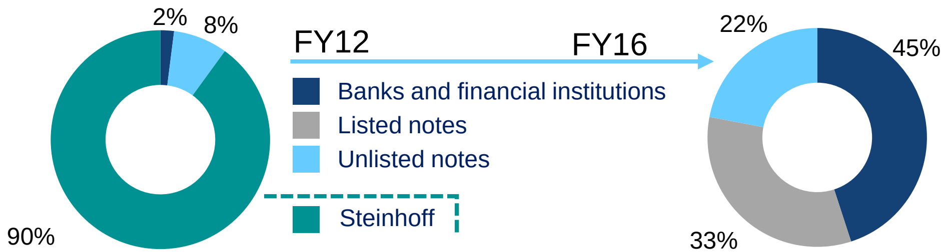
Net debt to EBITDA (times)*



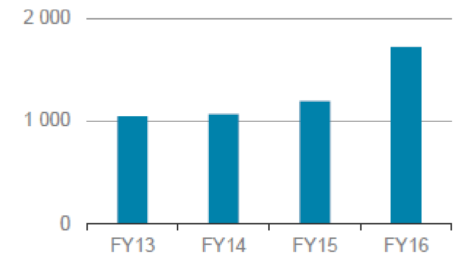
EBITDA interest cover (times)*



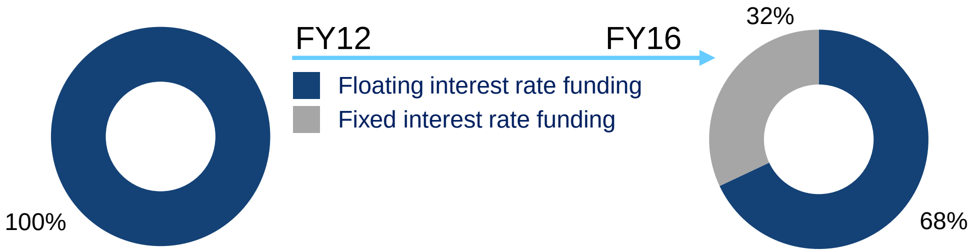
DEVELOPED DIVERSIFIED INDEPENDENT FUNDING STRUCTURE



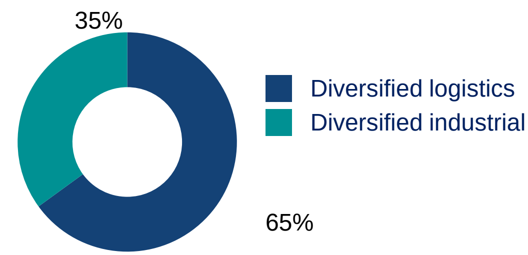
CAPEX (Rm)



ENHANCED MIX OF FLOATING AND FIXED INTEREST RATE FUNDING



CAPEX SPLIT



** Includes discontinued operations*

KAP OVERVIEW

TANGIBLE FIXED ASSET PROFILE

OTHER ASSETS **8%**

VEHICLES AND BUSES 38%

PLANT AND MACHINERY 18%

BIOLOGICAL ASSETS 19%

LAND AND BUILDINGS 17%

FINANCIAL PERFORMANCE

KAP

STRATEGY IMPLEMENTATION CONTINUES TO IMPROVE QUALITY OF EARNINGS

	FY16	FY15	Increase
Revenue (Rm) *continuing*	**16 232**	15 664	4%
Operating profit before capital items (Rm) *continuing*	**1 984**	1 666	19%
Operating margin *continuing*	**12.2%**	10.6%	160 bps
Headline earnings per share (cents) *continuing*	**47.8**	40.6	18%
Cash generated from operations (Rm)	**3 285**	2 275	44%
Net asset value per share (cents)	**355**	320	11%

FINANCIAL PERFORMANCE

GROUP STRUCTURE – SUPPORTING A DIVERSE REVENUE BASE

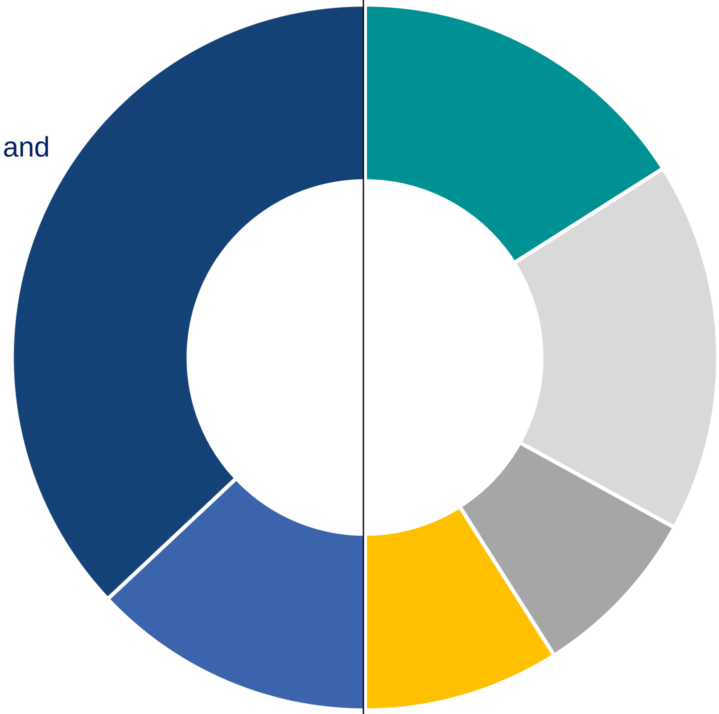
30 JUNE 2016

LOGISTICS

CONTRACTUAL LOGISTICS – **36%**
Specialised contractual supply chain and logistics services

PASSENGER TRANSPORT– **12%**
Personnel, commuter, intercity and tourism transport

INDUSTRIALS



INTEGRATED TIMBER – **17%**
Forestry and timber manufacturing operations with primary and secondary processing

CHEMICAL – **18%**
Manufacture of PET, resin and formaldehyde

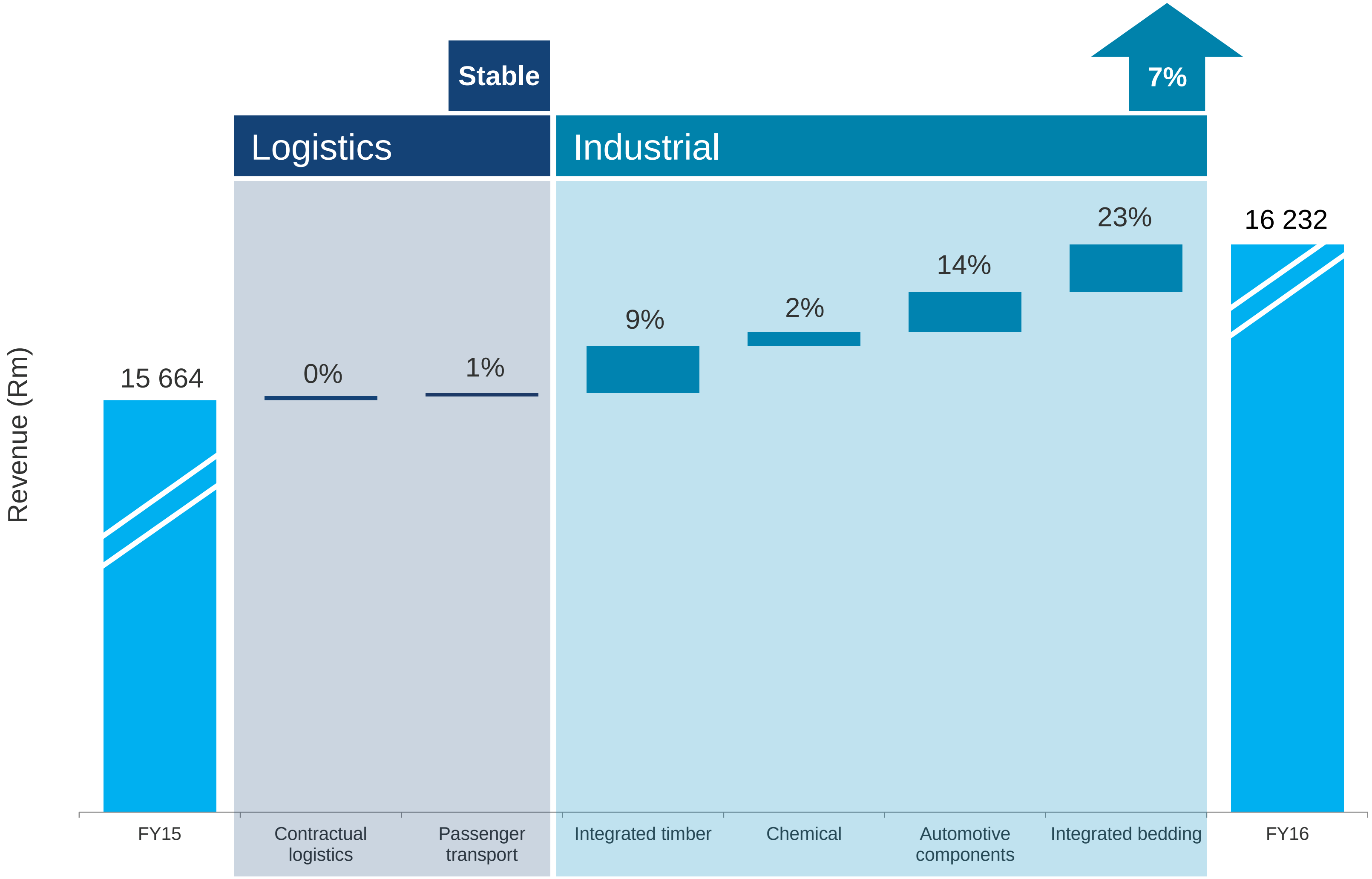
AUTOMOTIVE COMPONENTS – **8%**
Manufacture of components used in new vehicle assembly and after-market vehicle accessories

INTEGRATED BEDDING – **9%**
Manufacture of foam, fabrics, springs, bases and mattresses

48% **52%**

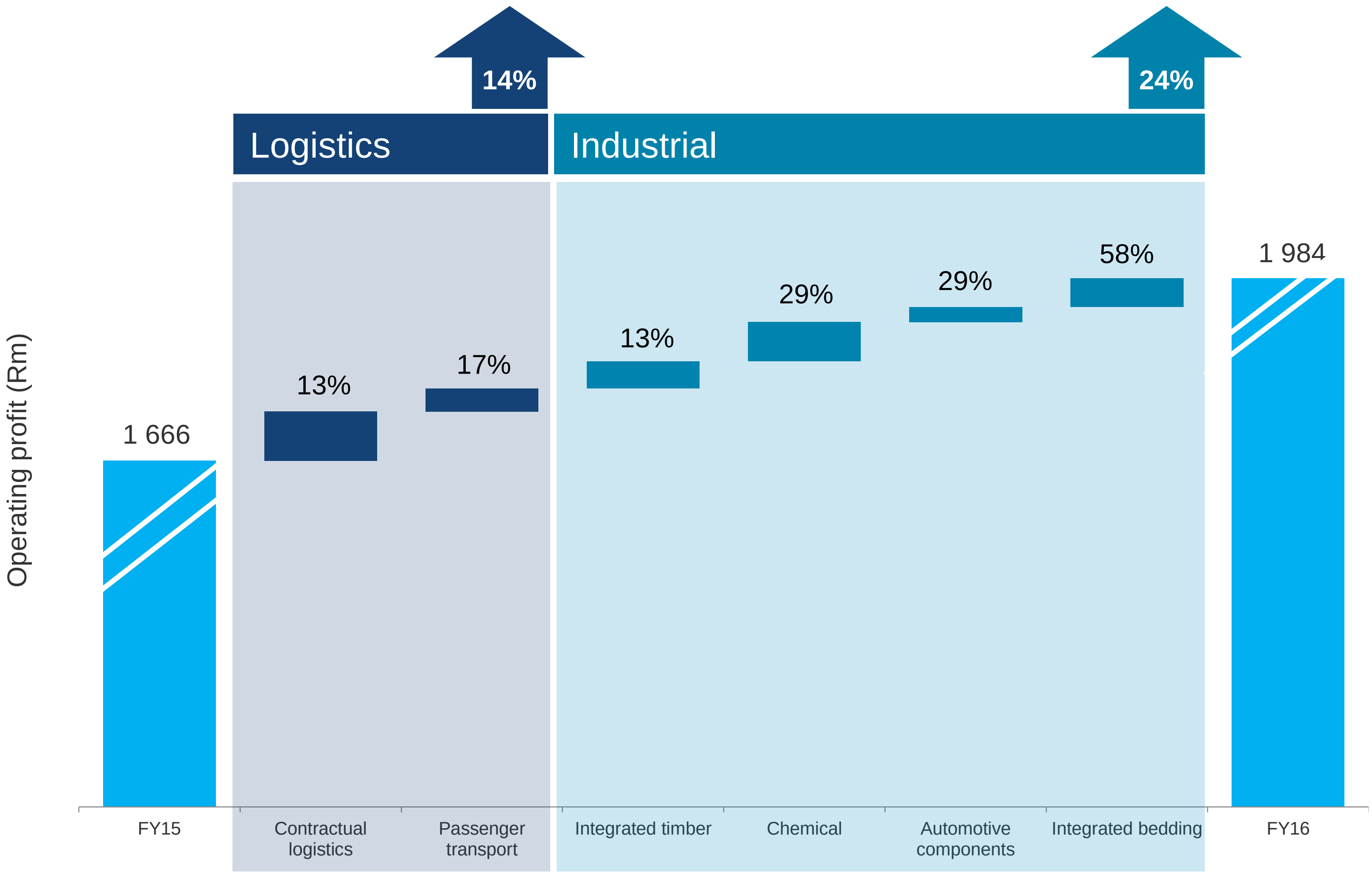
FINANCIAL PERFORMANCE

REVENUE ANALYSIS



FINANCIAL PERFORMANCE

OPERATING PROFIT ANALYSIS

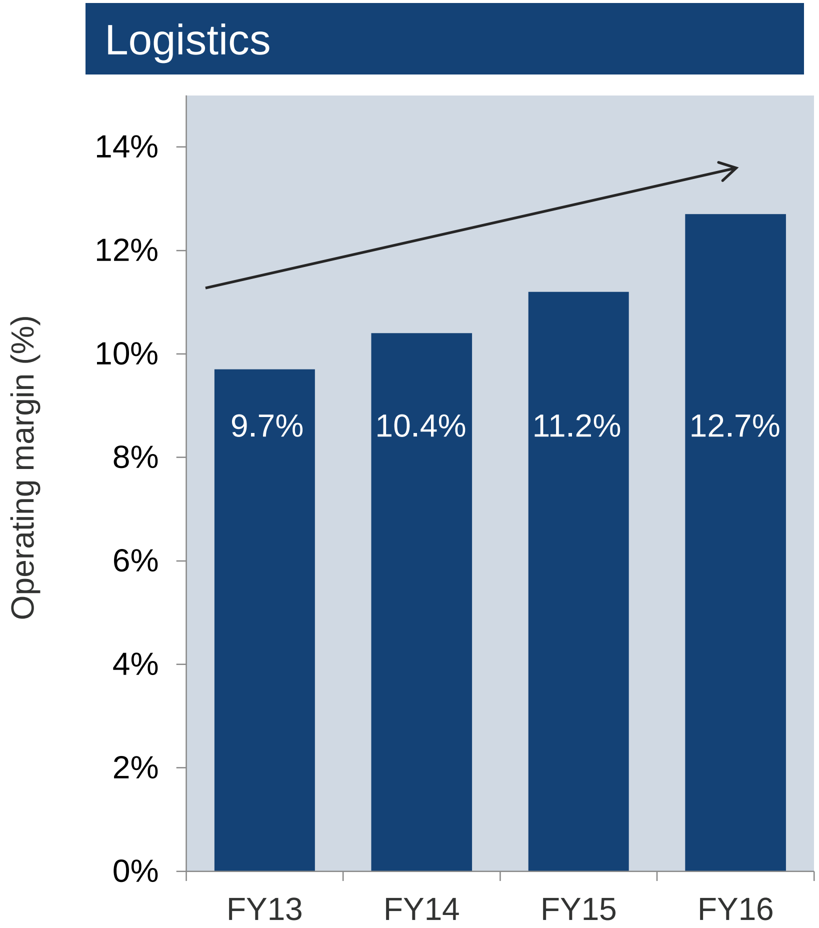


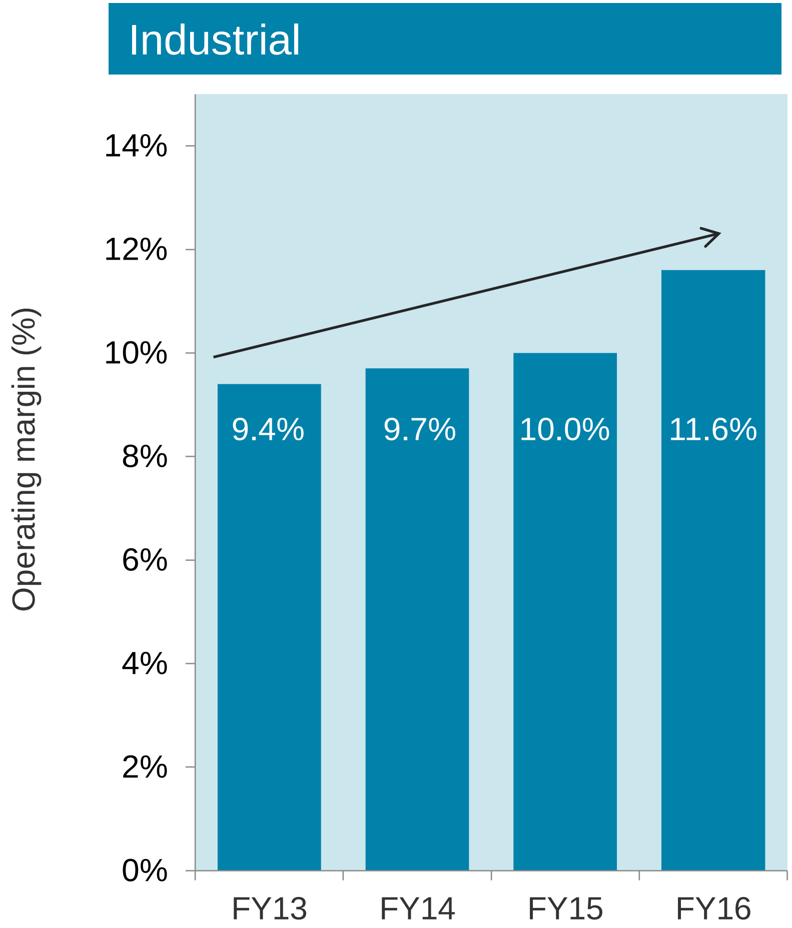
FINANCIAL PERFORMANCE

KAP

MARGIN ANALYSIS

KAP operating profit margin increases by 160 bps





KAP DIVISIONAL REVIEW

DIVERSIFIED LOGISTICS – CONTRACTUAL LOGISTICS

A specialised supply chain company

"Our aim is to be the leading supply chain partner providing specialist services in our chosen markets."

THEUNIS NEL, CEO

9 060 employees

Successful conclusion of 'One Unitrans' strategy

Gross revenue remained stable at **R5.9 billion,** while operating profit **increased by 13%**

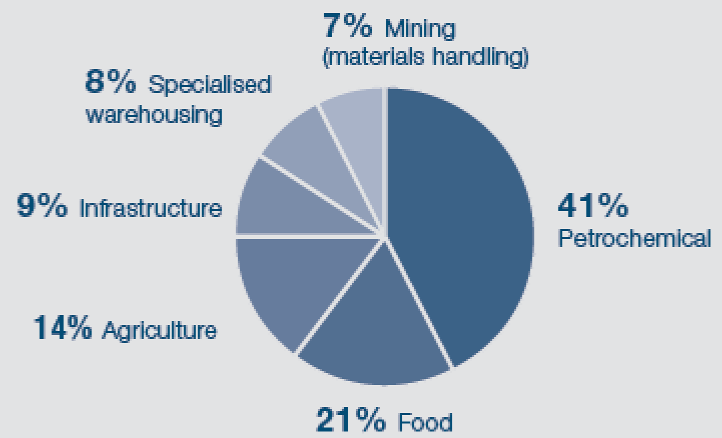
Contributing **36%** of total group revenue

R5.9bn

+245 million km travelled per annum

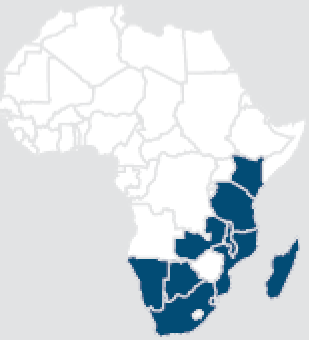
3 012 revenue-earning vehicles

REVENUE BY SECTOR



130 operating sites in **11** African countries

Botswana, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, Swaziland Tanzania, Zambia



DIVERSIFIED LOGISTICS – PASSENGER TRANSPORT

A unique diversified passenger business

"We strive to be the preferred passenger transport service provider to companies and individuals."

NICO BOSHOFF, CEO

3 719 employees

10 million passengers per annum

Operating profit **increased by 17%** on the prior year

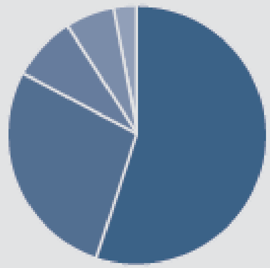
Contributing **12%** of total group revenue

R2.0bn

+108 million km travelled per annum

1 350 revenue-earning vehicles

REVENUE SPLIT



25 depots, **15** servicing terminals, **143** intercity destinations

Mozambique: Maputo, Tete, Beira
South Africa: Nationally
Zimbabwe: Bulawayo, Harare

KAP

DIVERSIFIED INDUSTRIAL – INTEGRATED TIMBER

An integrated business model

PG BISON

"Our aim is to be the leading manufacturer and primary upgrader of timber products in our chosen markets."

GERHARD VICTOR, CEO

1 376 employees

225 000 tonnes of residue fibre consumed

Gross revenue **increased by 9%**

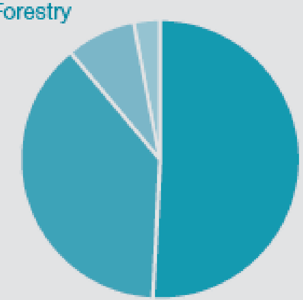
Contributing **17%** of total group revenue

R2.9bn

42 215 ha of planted forests

690 000 m³ board capacity

REVENUE SPLIT



6 manufacturing plants

Sales and distribution
Botswana, DRC, Ghana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Nigeria, Reunion, Sudan, Swaziland, Tanzania, Zambia

Operations
Kenya, South Africa, Uganda, Zimbabwe

DIVERSIFIED INDUSTRIAL – CHEMICAL

A specialised chemical manufacturing division

> *"Our aim is to deliver premium products through leading technical expertise and world-class technology."*
>
> LEIGH POLLARD, CEO

214 employees

2 production facilities

In the current year, Woodchem sold approximately **20 million m²** of treated paper following the commissioning of the new paper impregnation line in December 2015

Contributing **18%** of total group revenue

R3.1bn

128 000 tonnes of PET produced

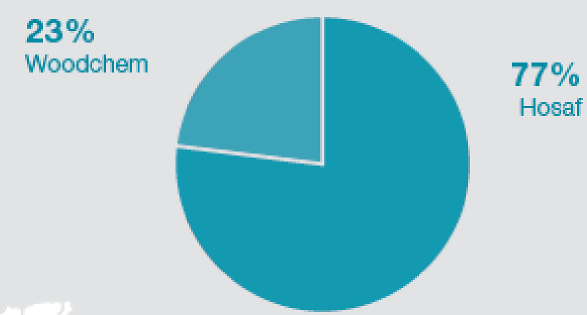
21 million m² of treated paper produced

100 677 tonnes of UF* resin produced

Revenue **increased by 2%,** due to lower volume of PET imported for resale

** Urea formaldehyde concentrate*

REVENUE SPLIT



2 production facilities

Sales and distribution: Exports to Zambia and Zimbabwe

Operations: Hosaf: Durban, Woodchem: Piet Retief

KAP

DIVERSIFIED INDUSTRIAL – AUTOMOTIVE COMPONENTS

Leading technological and manufacturing capabilities

"Our aim is to be the supplier of choice with leading technology and globally competitive manufacturing capabilities."

UGO FRIGERIO, CEO

2 559 employees

22.4 million components produced annually

279 572 accessories sold per annum

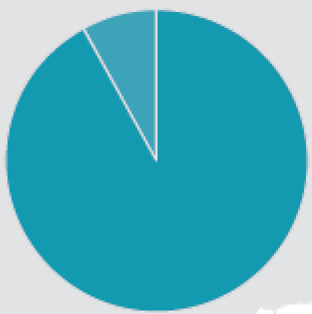
Contributing **9%** of total group revenue

R1.6bn

5 809 tonnes of foam produced

3 600 tonnes of offcut material recycled back into products

REVENUE SPLIT



17 manufacturing plants

Durban, East London, Port Elizabeth, Pretoria

DIVERSIFIED INDUSTRIAL – INTEGRATED BEDDING

Second largest bedding manufacturer in South Africa

"Our aim is to be the leading manufacturer of bedding-related products in southern Africa by utilising world-class technology and expertise."

MICHAEL METZ, CEO

1 497 employees

105 000 m² production space

R120 million net capex for the year

7.4 million linear metres of fabric produced annually

Contributing **8%** of total group revenue

R1.4bn

Second largest inner-spring bedding manufacturer in southern Africa

Operating profit **increased by 58%** as a result of integration synergies

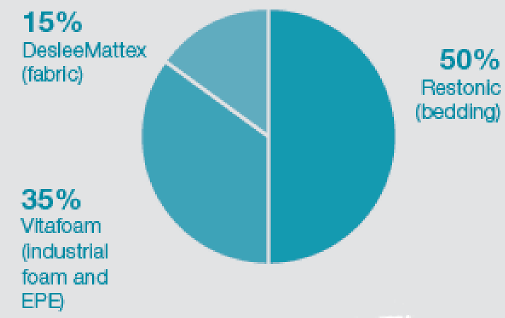
Introduction of new foam technology and foam branding

Supply of raw materials into the African bedding markets

In excess of **300 000** mattresses produced annually

Decentralisation of mattress assembly and distribution to five strategic locations

REVENUE SPLIT



12 locations

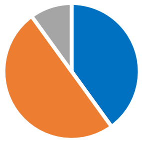
Johannesburg, Cape Town, Port Elizabeth, Durban, Windhoek

SAFRIPOL OVERVIEW

SAFRIPOL OVERVIEW

Safripol
preferred polymer partner

TYPES OF PLASTIC

	Type	Uses	Supply
1	**PET** Polyethelyne terephthalate	Soft drink bottles, mineral water, fruit juice containers and cooking oil	 30% **Imports** 70% **Hosaf**
2	**HDPE** High-density polyethylene	Milk jugs, cleaning agents, laundry detergents, bleaching agents, shampoo bottles, washing and shower soaps	 30% **Imports** 70% **Safripol**
3	**PVC** Polyvinyl chloride	Trays for sweets, fruit, plastic packaging (bubble foil) and food foils to wrap foodstuff	sasol reaching new frontiers
4	**LDPE** Low-density polyethylene	Crushed bottles, shopping bags, highly resistant sacks and most wrappings	sasol reaching new frontiers
5	**PP** Polypropylene	Furniture, consumers, luggage, toys, bumpers, lining and external borders of cars	 10% **Imports** 40% **Safripol** 50% **Sasol**
6	**PS** Polystyrene	Toys, hard packing, refrigerator trays, cosmetic bags, costume jewellery, audio cassettes, CD cases, vending cups	**Imports**

SAFRIPOL OVERVIEW

ACQUISITION OF SAFRIPOL EXPANDS KAP'S CHEMICAL DIVISION TO INCLUDE HDPE AND PP – PRODUCTS WITH ROBUST MARGINS THAT ARE SUPPORTED BY INDUSTRY FUNDAMENTALS

Safripol acquisition overview

Safripol manufactures:

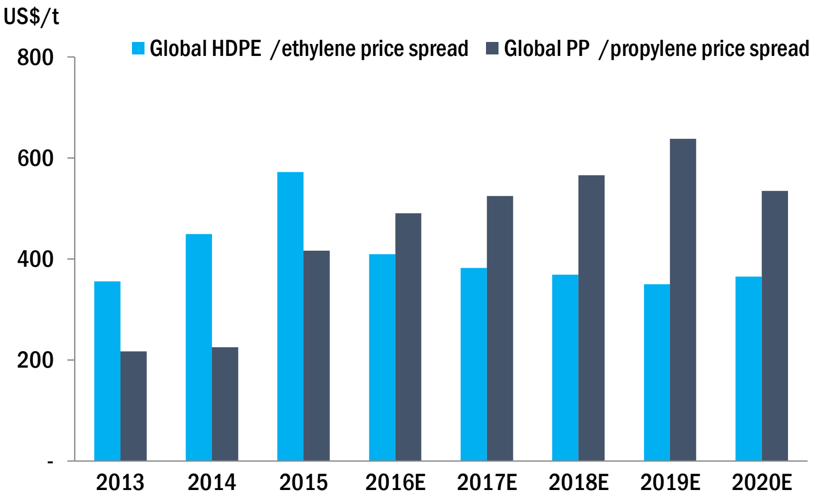
- High Density Polyethylene (HDPE) – 160 000 tonnes per year
- Polypropylene (PP) – 130 000 tonnes per year

Quick facts

- Acquisition price R4.1 billion
- Profit after tax for 12 months to 31 December 2015 of R488 million
- Effective date 1 January 2017*

Global margins supported by industry fundamentals

- **PP margins to remain robust supported by ample global propylene supply**
- **Long-term HDPE margins supported by global effect of low-cost ethylene from Shale Gas**



Source: IHS and Nexant

** Subject to conditions precedent*

SAFRIPOL OVERVIEW

SAFRIPOL STRATEGICALLY ALIGNS WITH KAP’S SIX STRATEGIC THEMES

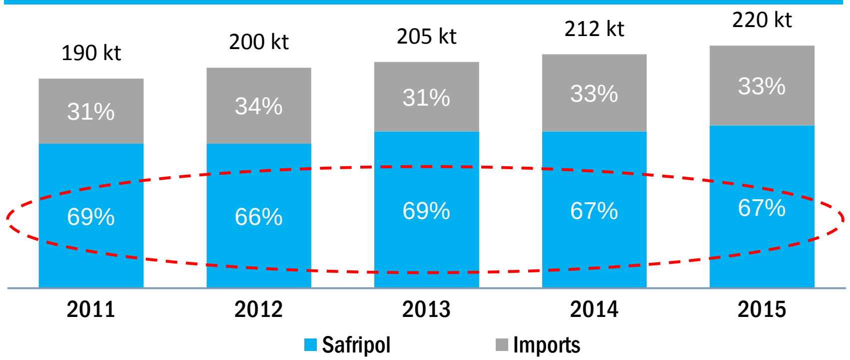
	High Density Polyethylene (HDPE)	Polypropylene – (PP)
Being the leader in the markets we serve	Sole producer of HDPE in South Africa c. 65-70% market share in South Africa	Leading producer of PP in South Africa c. 35%-40% market share in South Africa
High barrier to entry industries	• Strategic access to raw materials • Estimate plant replacement cost of R5bn – R6bn	
Sustainable earnings through diversity	**Acquisition of Safripol expands KAP’s chemical division** • HDPE expands KAP’s chemical product range • Diverse applications of HDPE	• PP expands KAP’s chemical product range • Diverse applications of PP
Sustainable margins through specialisation	Sustainable market leadership position achieved through low cost of production, technology and market position	Market share maintained due to Safripol’s competitive cost of production, technology and market position. Sasol is a significant other local producer, exporting the majority of its production
Strong cash flow generation	Safripol market share currently limited by raw material supply	Safripol production and market share currently limited by capacity
Leveraging our African base	Safripol sells limited volumes to other sub-Saharan markets	

SOUTH AFRICAN HDPE MARKET

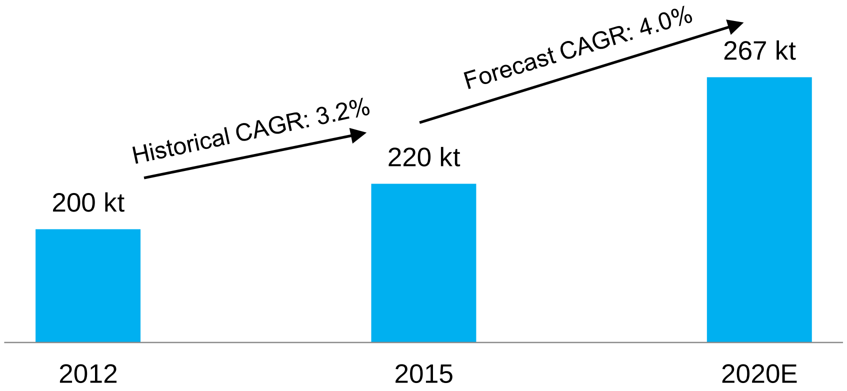
SAFRIPOL IS THE SOLE DOMESTIC PRODUCER OF HDPE, MAINTAINING A LEADING MARKET POSITION IN A MARKET CHARACTERISED BY GROWING DEMAND

Estimated market share

Sole Domestic Producer of HDPE

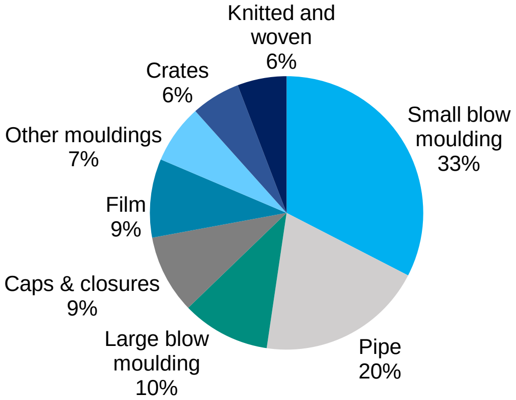


Estimated South African HDPE demand



Safripol sales by application (2014)

Diverse application of HDPE



South African HDPE demand drivers

Application	Demand Drivers	Growth
Small Blow Moulding	Increase in consumer spending	GDP+
Pipe	Catch-up investment / development of infrastructure	GDP++
Large Blow Moulding	Manufacturing sector growth	GDP
Caps and Closures	Increase in consumer spending	GDP+
Film	Growth in packaging demand e.g. food and consumer products	GDP
Crates	Increasing consumer spending	GDP+
Knitted and Woven	Increasing sophistication in agriculture	GDP

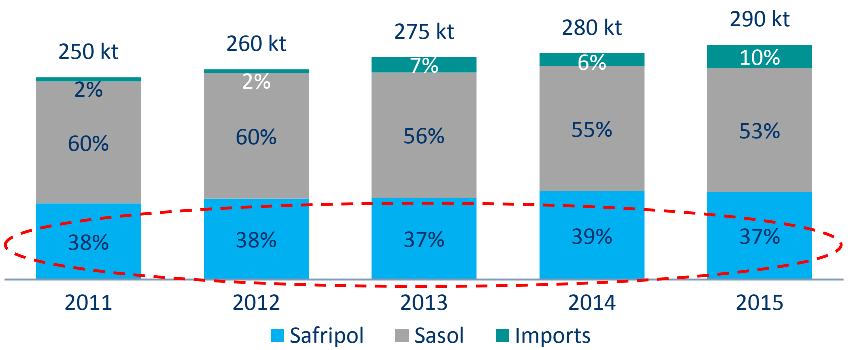
Source: Safripol

SOUTH AFRICAN PP MARKET

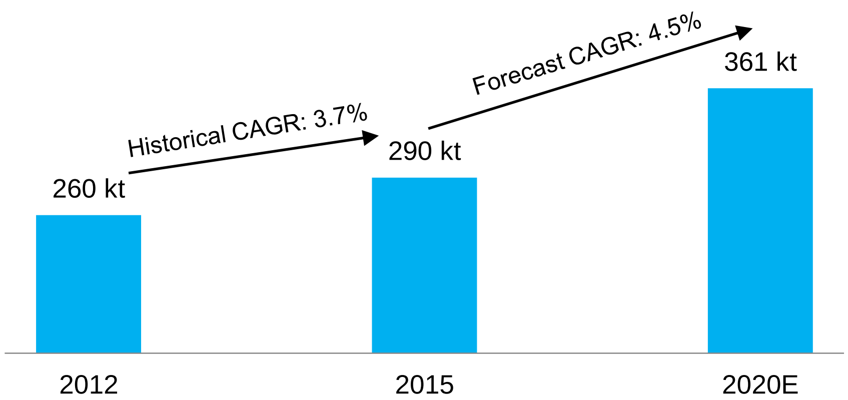
SAFRIPOL IS A MAJOR DOMESTIC PRODUCER OF PP, MAINTAINING A STRONG MARKET POSITION IN A MARKET CHARACTERISED BY GROWING DEMAND

Estimated market share

Leading Producer of PP in South Africa

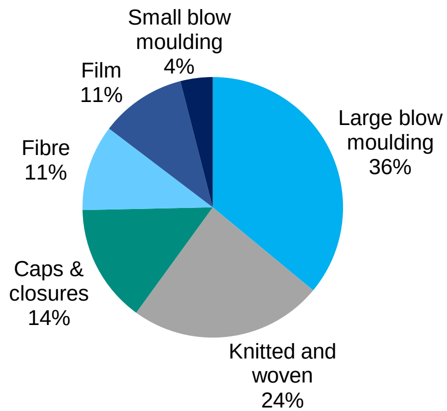


Estimated South African PP demand



Safripol sales by application (2014)

Diverse application of PP



South African PP demand drivers

Application	Demand Drivers	Growth
Blow Moulding	• Blow-moulding technology advances • Increase in consumer spending	GDP+
Knitted and Woven	• Strong demand for semi-bulk packaging	GDP
Caps and Closures	• Increase in consumer spending	GDP+
Thin Walled	• Growth in rigid packaging • Substitution of other materials due to versatility	GDP+
Fibre	• Growing non-woven consumer demand	GDP
Film	• Increasing BOPP demand replacing imports	GDP+
Buckets	• Increase in consumer spending	GDP +

Source: Safripol

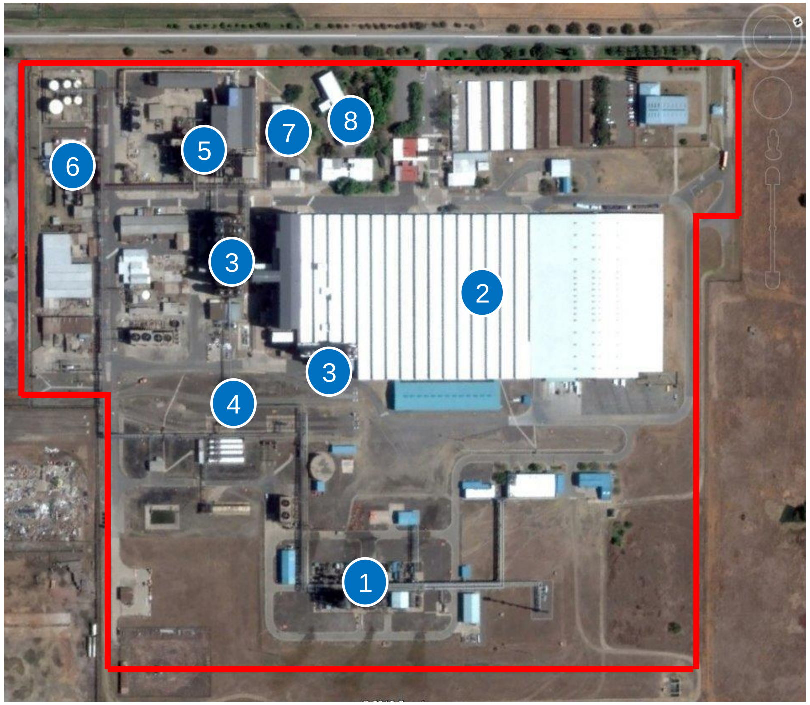
SITE OVERVIEW

LOCATED WITHIN SASOLBURG INDUSTRIAL COMPLEX, WITH EASY ACCESS TO RAW MATERIALS AND UTILITIES

Specification

Land	• Total site area of 45 hectares • Approximately half being used, with adjacent greenfield land also available • Land and assets are owned by Safripol • Propylene splitter located at Sapref	
Capacity	HDPE	PP
	160kt	130kt
	14 Product families	19 Product families
	As low as a two week production cycle for certain products	
Logistics	• Pipeline: supplies monomer and nitrogen • Rail: 4 loading points that supply monomer from Sapref • Road: 4 loading points for raw materials, 4 interlinks for finished products	
Utilities	• Electricity supplied by Eskom (with no load shedding as yet – priority zone I) • Steam supplied from adjacent Sasol Infrachem plant • Water supplied by local authorities and effluent treatment carried out by Sasol	
Warehousing and distribution	• Outsourced	

Site map



1 PP Plant
2 Warehouses
3 Silos
4 Rail Loading Points
5 HDPE Plant
6 Raw Material Storage
7 Laboratory
8 Office Buildings

Source: Safripol

SAFRIPOL ACQUISITION FUNDING






SAFRIPOL ACQUISITION FUNDING

	Rm
Safripol acquisition price[(1)]	**4 100**
Funded by:	
Equity[(2)]	1 500
Debt	2 600
Debt instruments:	
Private bond issuance – 5 year tenure[(3)]	1 000
Term/revolving funding[(4)]	1 100
Proposed public offering[(5)]	500

[1] Acquisition price on a debt free cash free basis, anticipated effective date: 1 January 2017
[2] Equity raise before expenses at R7.60 per KAP share
[3] KAP006 and KAP007 bonds issued during October 2016
[4] Funded via bank term loans and revolving credit (2 – 5 year tenure)
[5] Offering for R500m with the right to upsize within price guidance

ACQUISITION IMPACT ON KAP GEARING

KAP

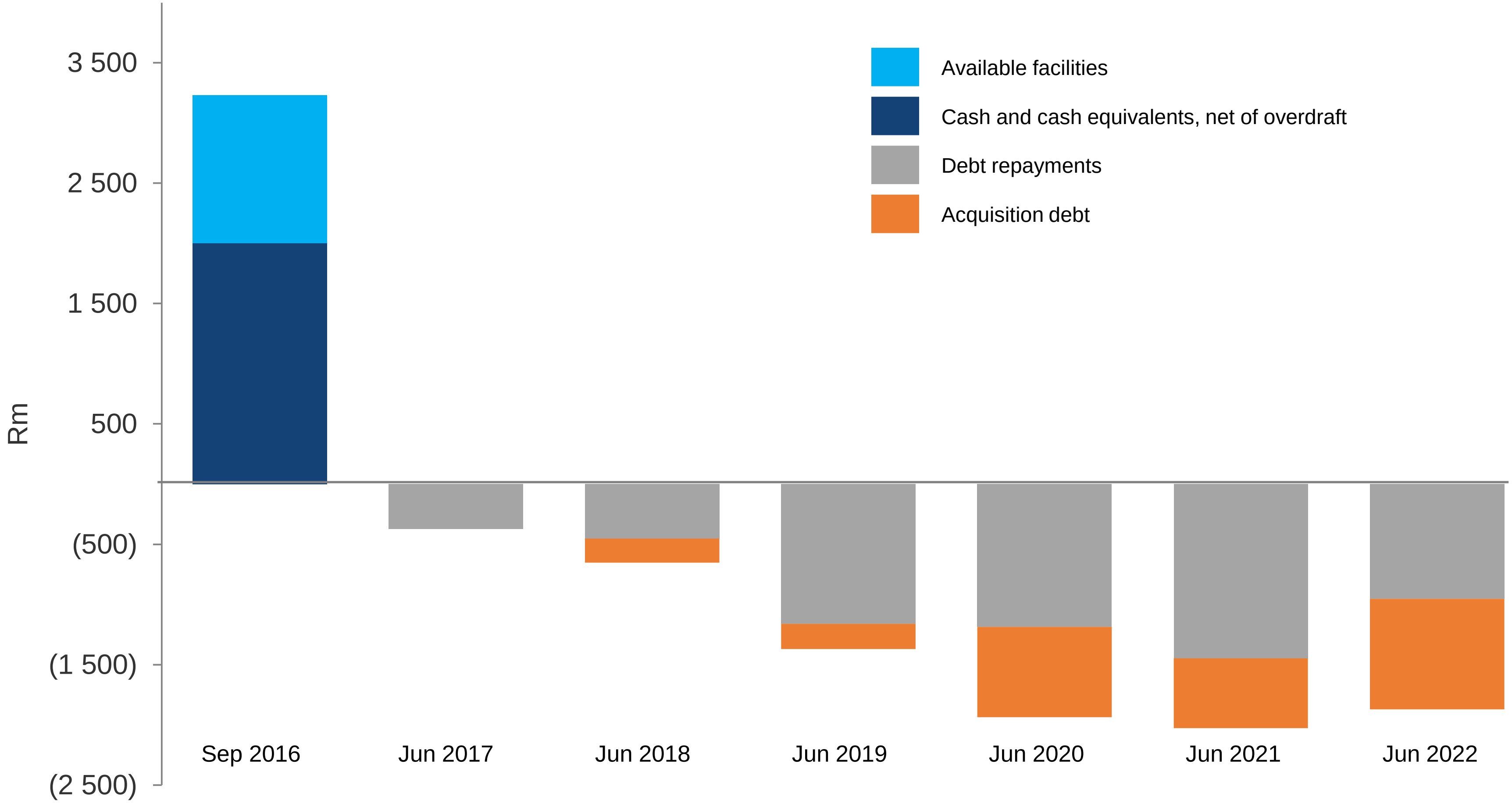
	FY16 Pro-forma[1]	FY16	FY15
Net interest-bearing debt (Rm)[2]	**4 669**	2 069	2 089
Equity excl. non-controlling interest (Rm)[3]	**10 167**	8 667	7 761
Gearing: Net debt:equity	**46%**	24%	27%
Net debt to EBITDA (times) < 3.2	**Note 4**	0.7	0.9
EBITDA interest cover (times) > 4.5	**Note 4**	8.9	8.5

[1] Information includes Safripol figures on a pro-forma basis
[2] Includes the increase in debt of R2.6bn
[3] Includes the equity raise of R1.5bn
[4] Remains within internal covenant targets

DEBT MATURITY PROFILE – POST SAFRIPOL

NET INTEREST-BEARING DEBT AS AT 30 SEPTEMBER 2016

REPAYMENT PROFILE POST SAFRIPOL TRANSACTION



THANK YOU

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INTEGRATED INTO EVERY DAY

ADDENDUM

- INCOME STATEMENT
- BALANCE SHEET
- CASH FLOW STATEMENT

FINANCIAL PERFORMANCE

INCOME STATEMENT

	FY16 Rm	FY15 Rm	Increase
Revenue	**16 232**	15 664	4%
Operating profit before capital items	**1 984**	1 666	19%
Capital items	**(20)**	(35)	
Net finance costs	**(313)**	(289)	
Finance costs	**(357)**	(344)	
Investment income	**44**	55	
Associate companies and joint ventures	**24**	–	
Taxation	**(482)**	(361)	
Minorities	**(46)**	(42)	
Profit attributable to owners of the parent	**1 147**	939	22%
Add back capital items net of taxation	**16**	30	
Headline earnings	**1 163**	969	20%
Weighted average number of ordinary shares (m)	**2 433**	2 384	2%
Headline earnings per share (cents) *continuing*	**47.8**	40.6	18%

BALANCE SHEET

Improved quality of net asset value

	FY16 Rm	FY15 Rm
Property, plant, equipment and investment properties	**8 128**	7 129
Intangible assets and goodwill	**2 078**	1 598
Biological assets	**1 890**	1 824
Net working capital	**(27)**	352
Other assets	**278**	285
Assets	**12 347**	11 188
Total equity	**8 862**	7 930
Net interest-bearing borrowings	**2 069**	2 089
Other liabilities	**1 416**	1 169
Equity and liabilities	**12 347**	11 188
Net asset value per share (cents)	**355**	320

FINANCIAL PERFORMANCE

CASH FLOW

	FY16 Rm	FY15 Rm
Operating profit from continuing operations	**1 984**	1 666
Depreciation and amortisation	**806**	784
EBITDA continuing operations	**2 790**	2 450
EBITDA discontinued operations	**–**	(1)
Net revaluation of biological assets	**(43)**	(86)
Other non-cash adjustments	**111**	114
Cash generated before working capital changes	**2 858**	2 477
Working capital changes	**427**	(202)
Inventory	**(73)**	1
Receivables	**(21)**	(17)
Payables	**521**	(186)
Cash generated from operations	**3 285**	2 275
Net finance charges	**(313)**	(290)
Taxation	**(266)**	(200)
Net dividends	**(372)**	(302)
Cash flow from operating activities	**2 334**	1 483
Cash flow conversion ratio	**166%**	137%

FINANCIAL PERFORMANCE

KAP

CASH FLOW – CONTINUED

	FY16 Rm	FY15 Rm
Cash flow from operating activities	**2 334**	1 483
Investing activities	**(2 302)**	(874)
Expansion capex	**(752)**	(512)
Replacement capex	**(965)**	(683)
Proceeds on disposal of investments	**–**	470
Acquisition of investments	**(573)**	(142)
Other investing activities	**(12)**	(7)
Cash flow after investing activities	**32**	609
Financing activities	**1 174**	(602)
Movement in cash and cash equivalents	**1 206**	7