KAP INDUSTRIAL HOLDINGS LIMITED (KAP)

PUBLIC OFFERING – NOVEMBER 2016






AGENDA

- KAP OVERVIEW
- SAFRIPOL OVERVIEW
- SAFRIPOL ACQUISITION FUNDING
- PROPOSED PUBLIC OFFERING

KAP OVERVIEW





KAP OVERVIEW

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

48%

INDUSTRIALS

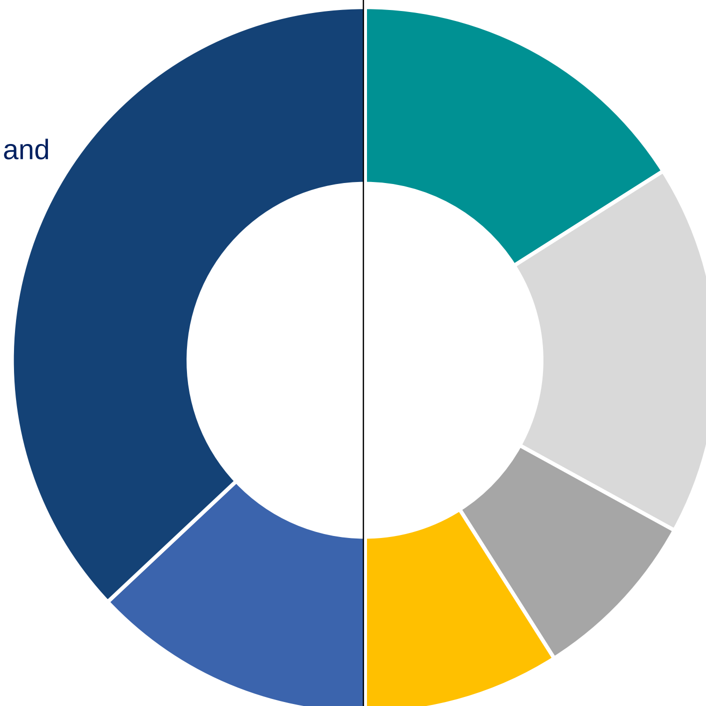
INTEGRATED TIMBER – **17%**
Forestry and timber manufacturing operations with primary and secondary processing

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

52%



KAP OVERVIEW

STRATEGY

1. Being the leader in the markets we serve
2. High barrier to entry industries
3. Sustainable earnings through diversity
4. Sustainable margins through specialisation
5. Strong cash flow generation
6. Leveraging our African base

KAP OVERVIEW

STRATEGIC EXECUTION

KAP acquires Steinhoff's industrial assets

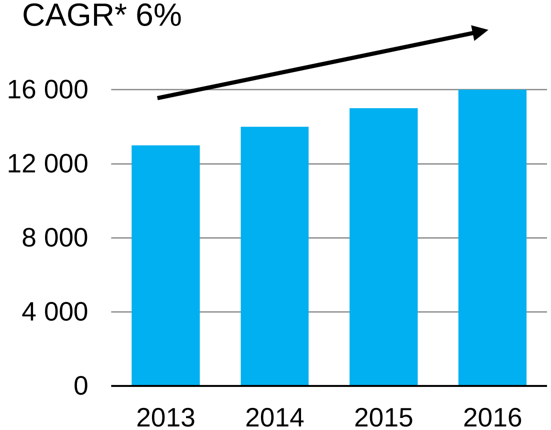
Strategic realignment and operational improvements

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

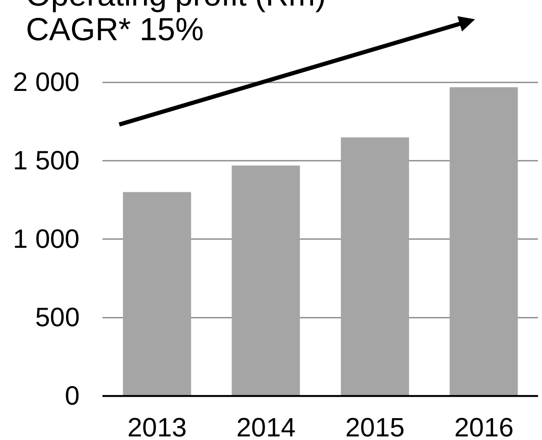
Complementary acquisitions to enhance current business divisions (Restonic and Autovest)

Strategy implementation sets base for expansionary outlook, including Safripol acquisition

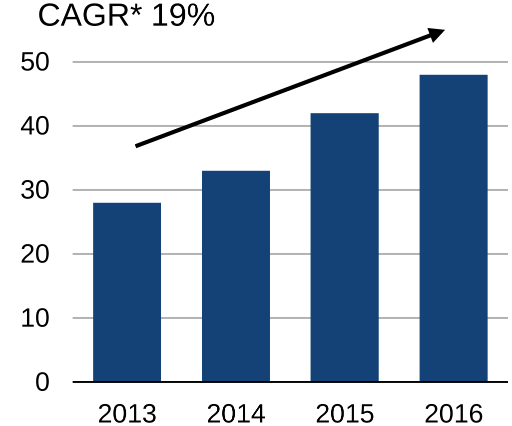
Revenue (Rm)
CAGR* 6%



Operating profit (Rm)
CAGR* 15%



HEPS (cents)
CAGR* 19%



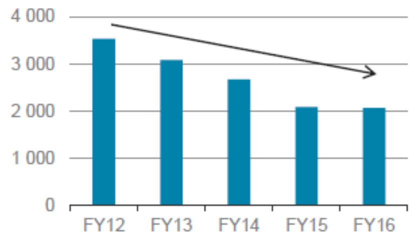
*Compound annual growth rate

CURRENT FUNDING MIX

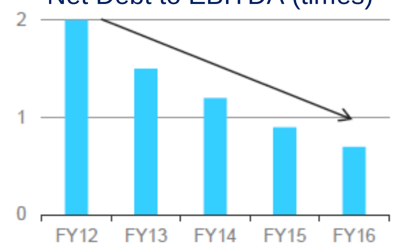
KAP HAS IMPROVED DEBT RATIOS, DEVELOPED AS A DIVERSIFED INDEPENDENT BORROWER AND ENHANCED THE MIX OF INTEREST RATE EXPOSURE

Improved debt ratios

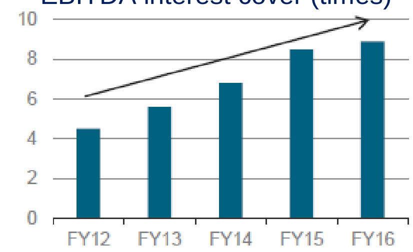
Net Debt(Rm)



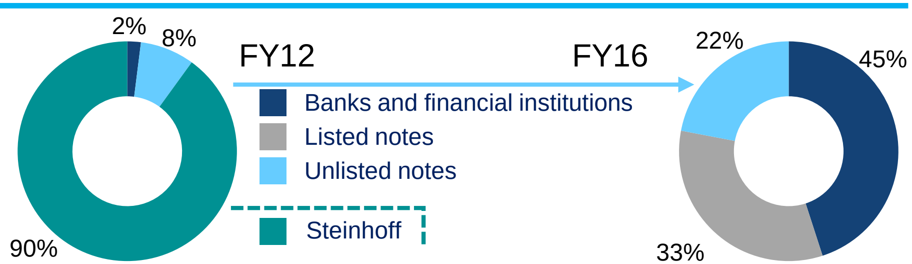
Net Debt to EBITDA (times)*



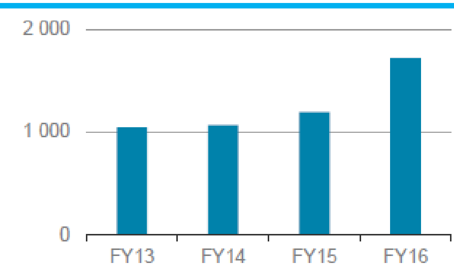
EBITDA interest cover (times)*



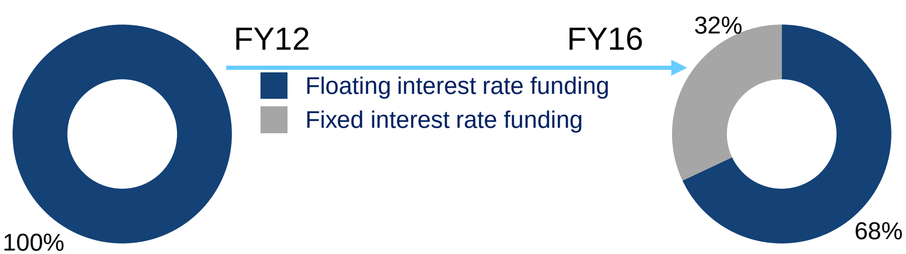
Developed diversified independent funding structure



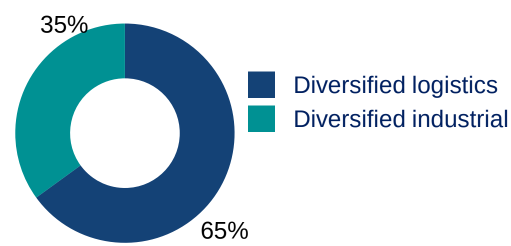
CAPEX (Rm)



Enhanced mix of floating and fixed interest rate funding



CAPEX split



*includes discontinued operations

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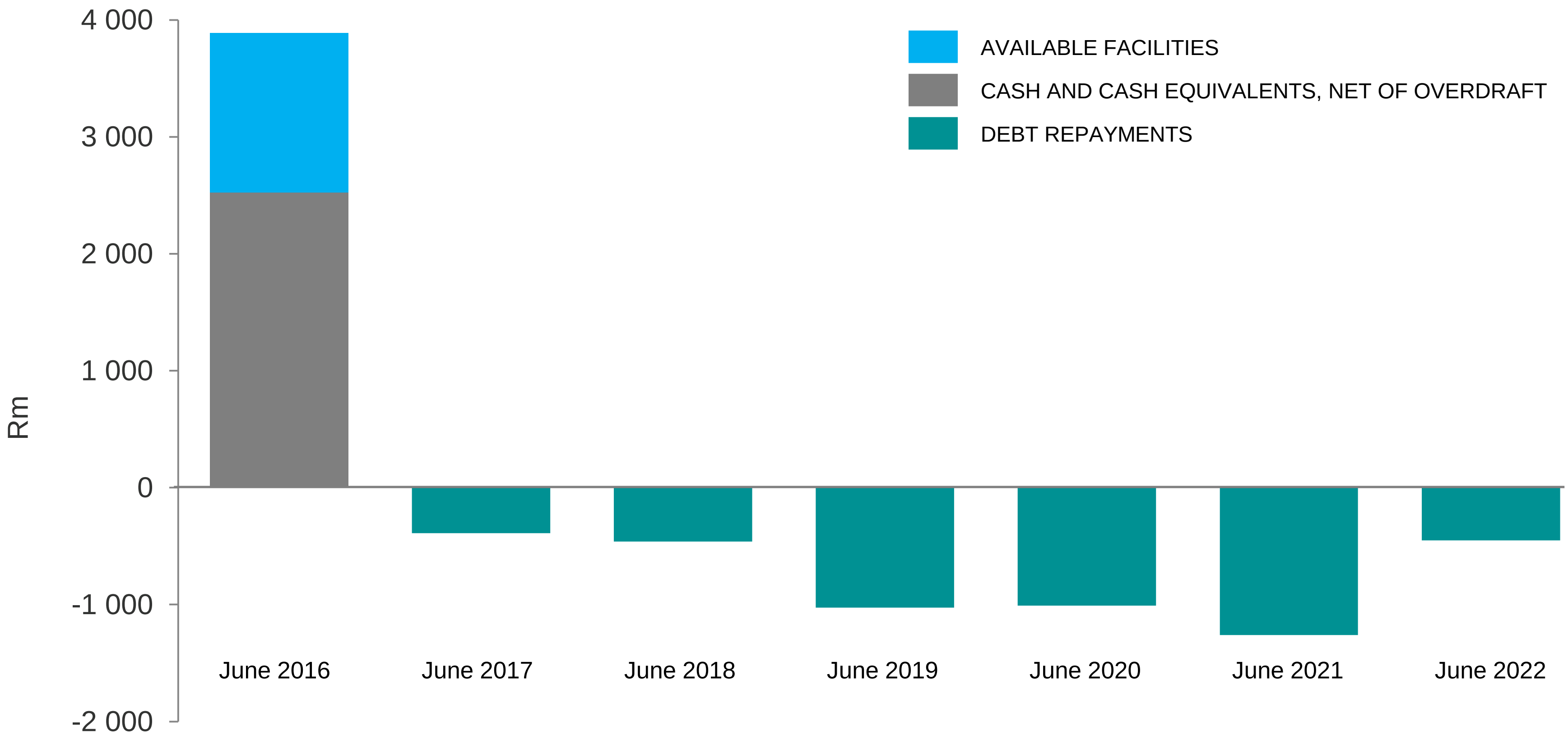
DEBT MATURITY PROFILE

NET INTEREST-BEARING DEBT MATURITY AS AT 30 JUNE 2016



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FINANCIAL POLICIES

KAP'S FINANCIAL COVENANTS, OPERATIONAL FUNDING AND RISK POLICIES ENSURE DEBT IS WELL MANAGED

Financial Covenants

External covenant requirements:

- Net debt to annualised EBITDA < 3.2 times
- EBITDA interest cover > 4.5 times

Liquidity Risk

Group's policy:

- Spread debt maturity over a range of dates
- Diversify funding sources

Operational Funding

The group makes use of a balanced range of funding sources that include:

- Cash generated from operations
- A mix of short, medium and long-term bank credit facilities, bank loans and domestic medium-term notes

Interest Rate Risk

Group policy:

- Spread debt instruments between variable and fixed interest rates in line with expected movements in interest rates

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SAFRIPOL OVERVIEW






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:

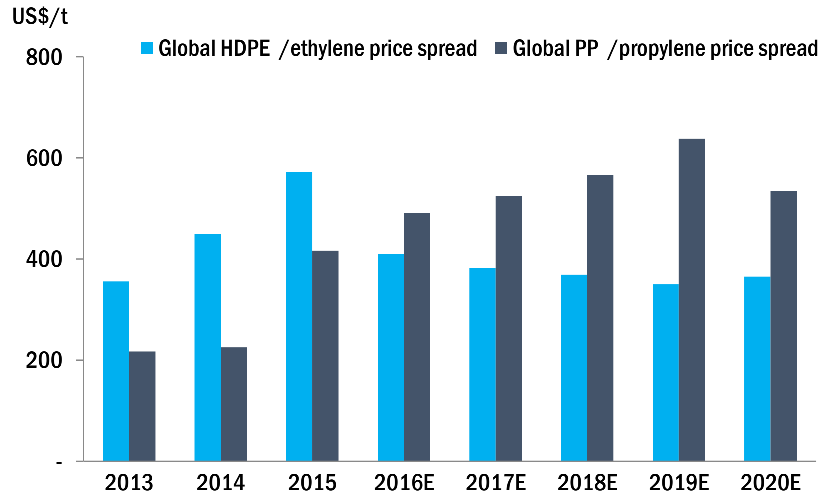
- High Density Polyethylene (HDPE) – 160 000 tonnes per year
- Polypropylene (PP) – 130 000 tonnes per year

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
preferred polymer partner

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	

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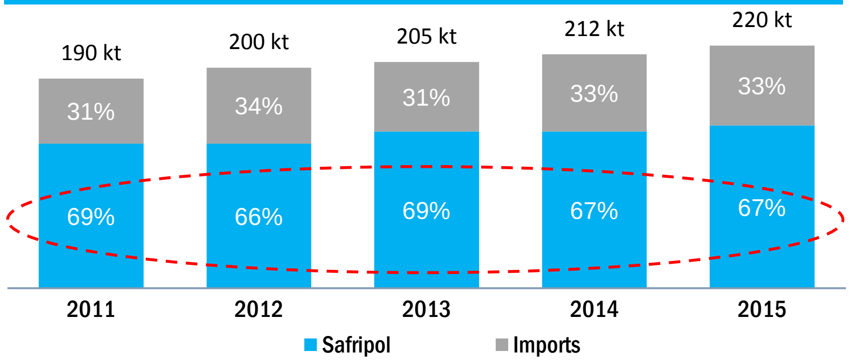
SOUTH AFRICAN HDPE MARKET

Safripol
preferred polymer partner

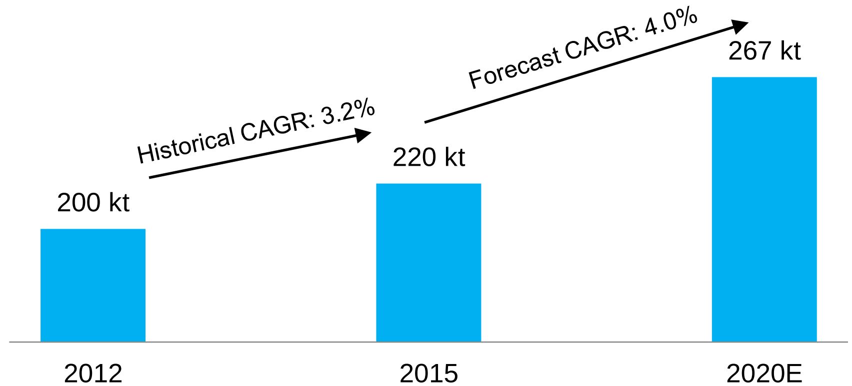
SAFRIPOL IS THE SOLE DOMESTIC PRODUCER OF HDPE, MAINTAINING A LEADING MARKET POSITION IN A MARKET CHARACTERISED BY GROWING DEMAND

Estimated Market Share

Sole Domestic Producer of HDPE

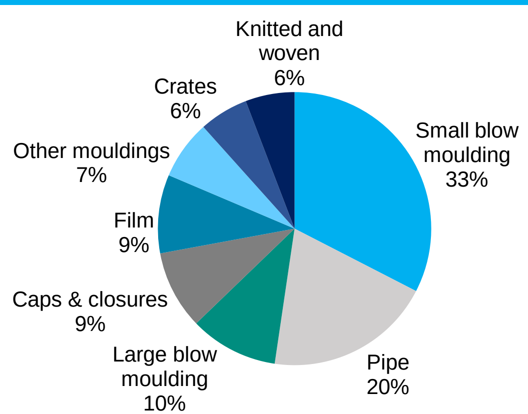


Estimated South African HDPE Demand



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 & 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

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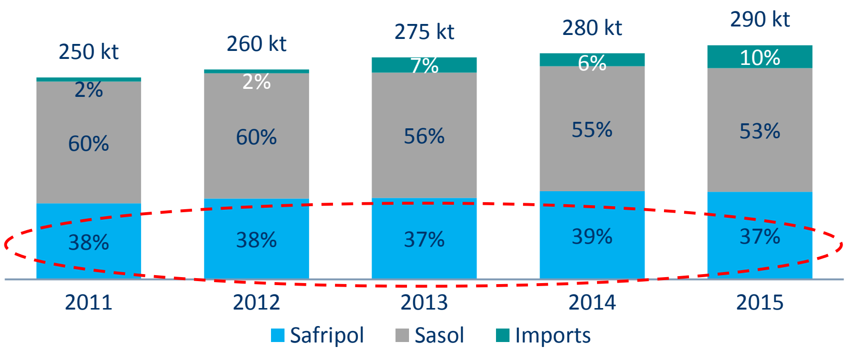
SOUTH AFRICAN PP MARKET

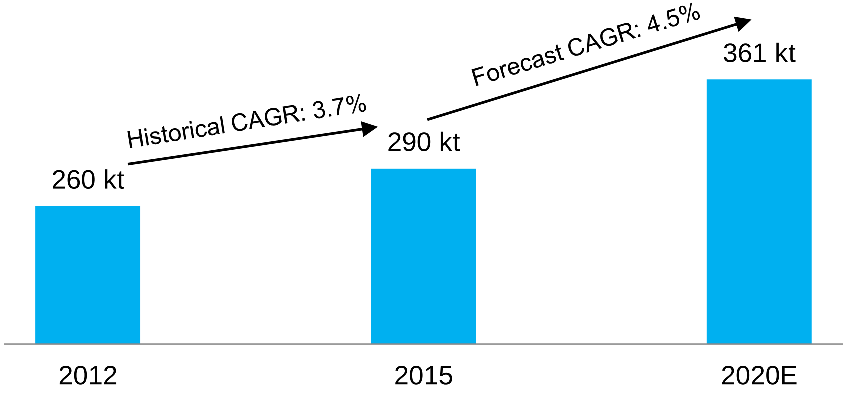
SAFRIPOL IS A MAJOR DOMESTIC PRODUCER OF PP, MAINTAINING A STRONG MARKET POSITION IN A MARKET CHARACTERISED BY GROWING DEMAND

Estimated Market Share

Leading Producer of PP in South Africa

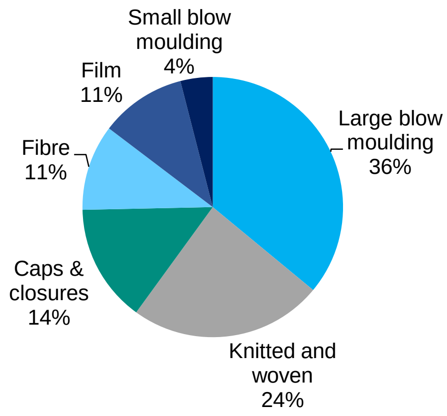


Estimated South African PP Demand



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 + Woven	• Strong demand for semi-bulk packaging	GDP
Caps + 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

Safripol
preferred polymer partner

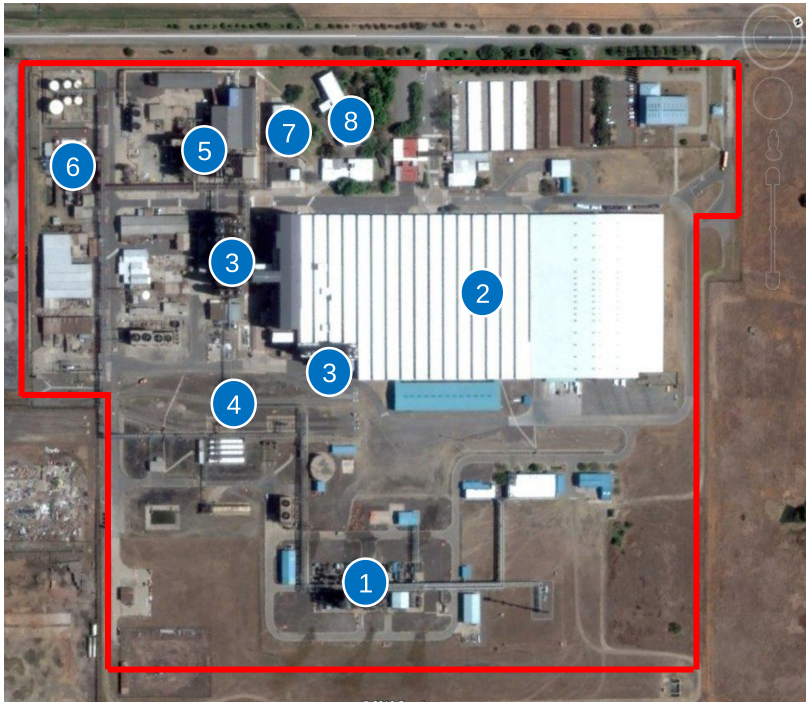
LOCATED WITHIN SASOLBURG INDUSTRIAL COMPLEX, WITH EASY ACCESS TO RAW MATERIALS AND UTILITIES

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	

Source: Safripol

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

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SAFRIPOL ACQUISITION FUNDING






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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

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ACQUISITION IMPACT ON KAP GEARING

	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

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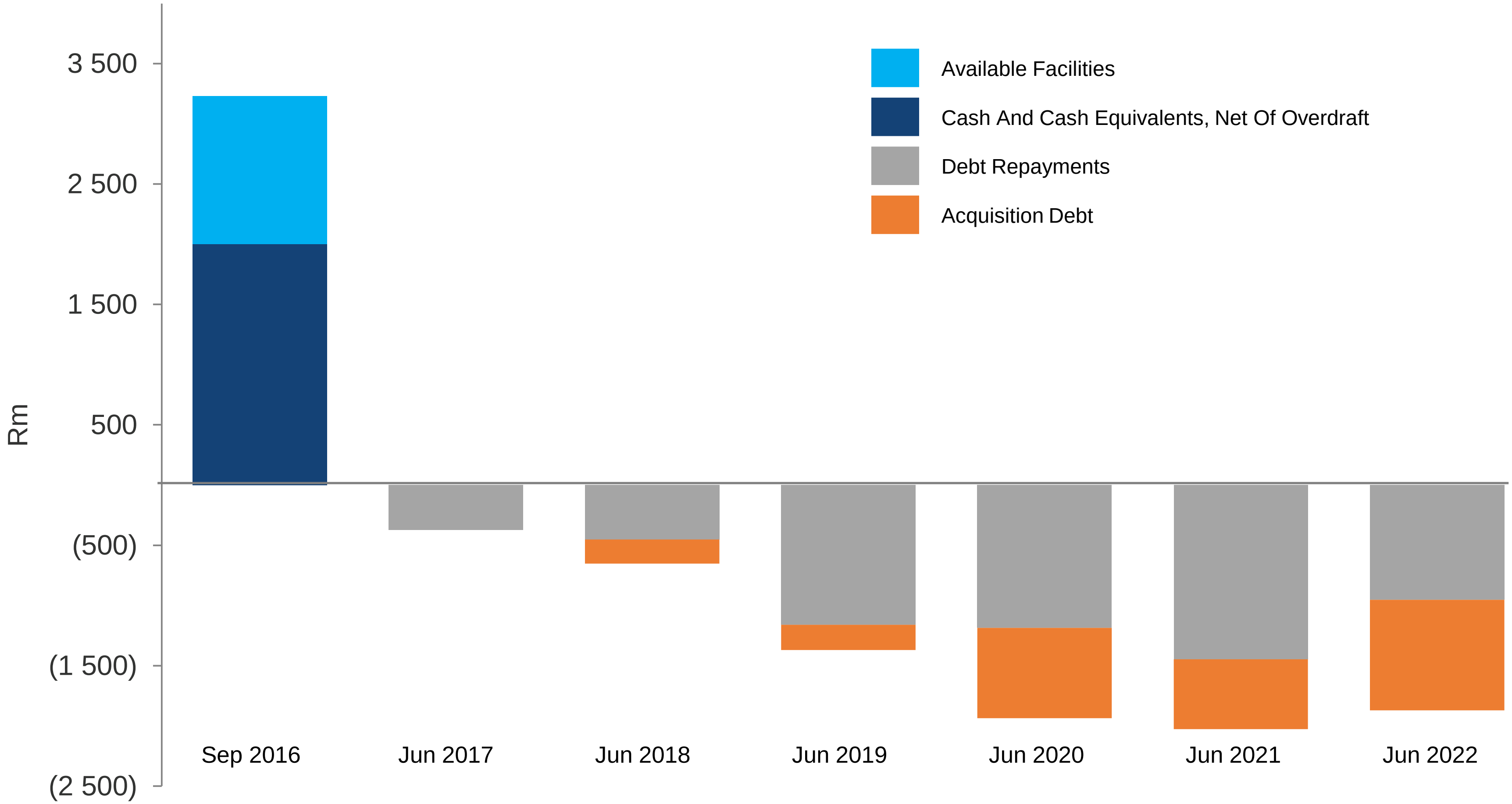
DEBT MATURITY PROFILE – POST SAFRIPOL

NET INTEREST-BEARING DEBT AS AT 30 SEP 2016

REPAYMENT PROFILE POST SAFRIPOL TRANSACTION



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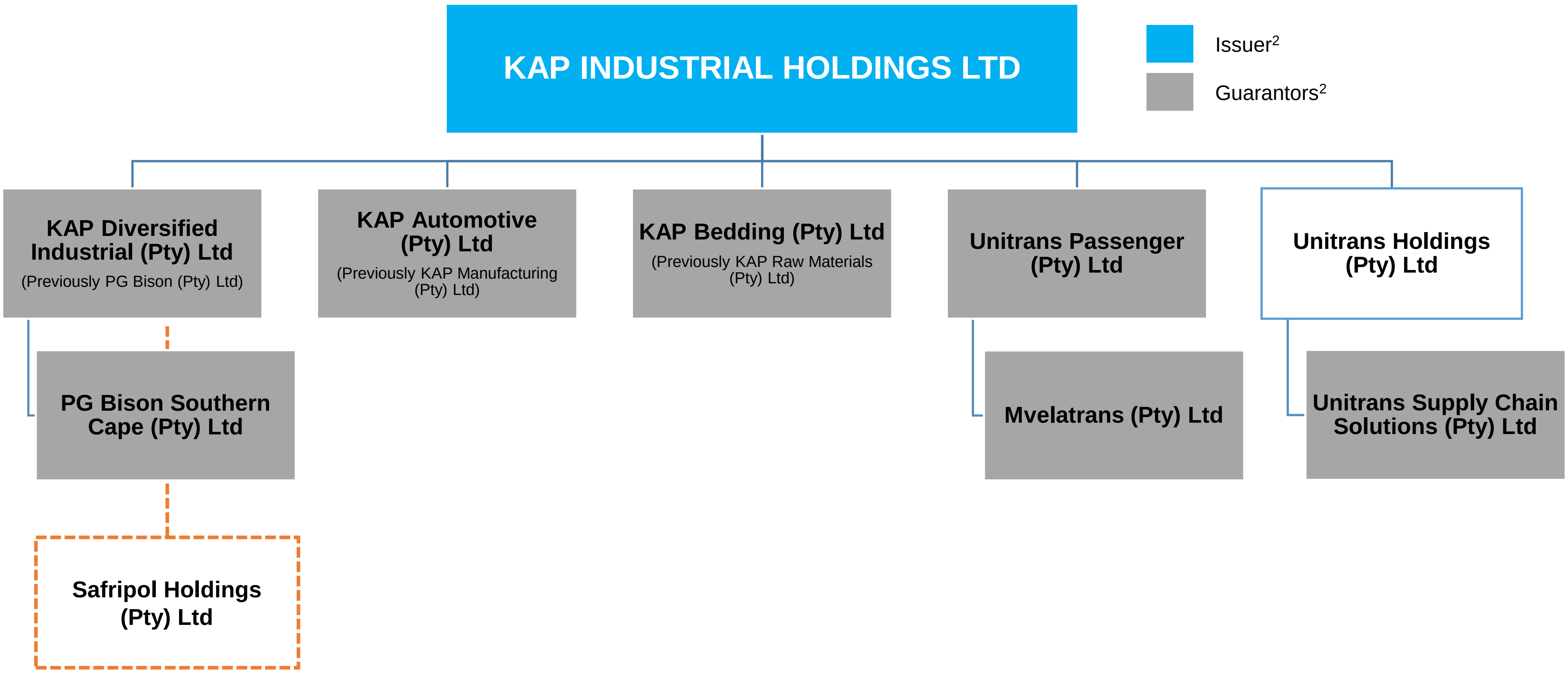
PROPOSED POST-ACQUISITION GROUP STRUCTURE(1)



[1] Subject to planned restructure of Safripol into an existing guarantor or add Safripol as an additional guarantor to the bond programme

[2] As disclosed on page 79 of KAP's Domestic Medium Term Note Programme documentation – available at www.kap.co.za

PROPOSED PUBLIC OFFERING






KAP

SPECIFICS OF UPCOMING ISSUE

Issuer	**KAP Industrial Holdings Limited ("KAP")**
Guarantors	KAP Automotive Proprietary Limited KAP Bedding Proprietary Limited KAP Diversified Industrial Proprietary Limited; PG Bison Southern Cape Proprietary Limited; Unitrans Passenger Proprietary Limited; Mvelatrans Proprietary Limited; and Unitrans Supply Chain Solutions Proprietary Limited;
Arrangers	Absa Corporate and Investment Bank ("Absa") / Nedbank Corporate and Investment Banking ("Nedbank")
Issuer Rating	GCR: long term A(za) and short term A1(za). Outlook stable (1)
Documentation	ZAR5bn DMTN programme, listed on the JSE
Target Issue size	[ZAR500m with the right to upsize within price guidance]
Tenor	[3yrs and 7yrs]
Interest Nature	[floating and fixed]
Maturity Date	TBA
Bond codes	TBA
Pricing	TBA
Pricing Benchmark	TBA
Auction Process	Dutch auction process. No feedback will be given
Auction Date	**Monday 21st November 2016 (9-11am)**
Settlement Date	**Monday 28th November 2016 (T+5)**
Bid Process	Absa: Beyers Roux; Riweena Perumal; Jonathan Margolius (011) 895 5511 (Johannesburg based investors) Nedbank: David Needham; Gareth Robertson; Thabo Mahloele (011) 535 4021 (Cape Town based investors)

[1] *Report issued on 28 October 2016*

THANK YOU






INTEGRATED INTO EVERY DAY