ACQUISITION OF MUCH ASPHALT

30 OCTOBER 2017
AGENDA

1. CONTEXT AND INVESTMENT SUMMARY
2. ABOUT MUCH ASPHALT
3. FINANCIAL INFORMATION
4. INVESTMENT OUTLOOK AND HIGHLIGHTS
5. INCORPORATION INTO AECI
1 CONTEXT AND INvestment SUMMARY
Global mining activity gaining momentum
  » Positive for Group’s Mining pillar
  » New contracts and increased market share
  » Footprint expanded
  » Good order book for mining chemicals

No significant improvement in SA manufacturing sector anticipated to year-end
However:
  » Good opportunities in Water
  » Agriculture and Food businesses seasonal – stronger 2H historically
  » Rainfall patterns will affect agricultural sector performance

Pursue further footprint and market expansion

Strong pipeline of acquisitions

Focus on working capital and capex management, and costs

Accelerate growth through Innovation projects, including AECI.GO
FOUR BROAD INNOVATION THEMES

Market Expansion
Market sector acquisition through geographic and customer segment expansion strategies in pursuit of becoming the developing world leader

Integrated Solutions
Solutions/offerings that spans across more than one business unit area by combining multiple products (new and existing) to create new and differentiated solutions

Green
Innovative solutions that result in improved human well-being over the long term, while protecting the public against significant environmental risks or ecological scarcities

Exponential Chemistry
Chemical alternatives, substitutes to chemicals and advanced solutions which have the potential to disrupt other industries and create significant value
AECI PILLARS

MINING SOLUTIONS

WATER & PROCESS

PLANT & ANIMAL HEALTH

FOOD & BEVERAGE

CHEMICALS
INVESTMENT SUMMARY

**Strong brand with over 52 years’ experience**

**Leading asphalt producer in SA**
Only independent asphalt producer with a national presence

**State-of-the-art facilities**
Access to SRT laboratory and significant bitumen storage capacity

**Technological capability**
Proprietary technology to convert bitumen grades and produce performance grade specification binders

**Much Asphalt team**
Highly experienced management, 536 employees and high staff retention

**Only commercially-owned specialist road testing laboratory**
INVESTMENT SUMMARY

SA MARKET LEADER

Production in 2016/17

2.3m tonnes hot mix asphalt; c. 20m litres binders

Facilities

18 static asphalt facilities
3 static emulsion and modified binder factories
4 mobile asphalt plants
1 bitumen convertor

Accreditations

ISO 9001: 2000
OSHAS 18001: 2007
SANS ISO/IEC 17025

Financial performance

Revenue: R2bn
Profit after tax: R181m
Good cash conversion

Capacity

Installed production capacity = approx. 50% of total SA asphalt market
MARKET ENVIRONMENT OVERVIEW

- Road infrastructure investment key
- Strong road spend growth
- Robust pipeline of future projects
- Market dynamic supportive of growth
1: End users: determine planned investment, timeframe, desired project outcomes
2: Customer base: major road building contractors, medium-sized contractors, paving, surface companies, smaller operations and SMMEs
3: Much Asphalt is a manufacturer
4: Key suppliers: SA refineries (bitumen), quarries (aggregates) and modifiers (sourced locally and internationally)
KEY CUSTOMERS

Basil Read
H&I
Murray & Roberts
SMMEs
ROADMAC SURFACING
South African National Parks
WBHO
RAUBEX
2 ABOUT MUCH ASPHALT

[AECI Chemicals logo]
HISTORY: MUCH ASPHALT VALUE CHAIN AND FOOTPRINT

First asphalt premix supply plant, Table View quarry

Murray & Roberts acquired 100% of Much Asphalt

Established operations in Namibia

2006: established East Coast Asphalt

Acquired 100% of SprayPave

1965
1970
1986
1989
2006 - 2013
2016

Developed first wet blend method bitumen rubber asphalt

2010: record volumes - GFIP spend

2013: acquired by consortium led by Capitalworks

› Other milestones
  » ‘16: commissioned bitumen converter
  » ‘16: established new production plant in Saldanha Bay
  » ‘16: upgraded Cape Town laboratory
  » ‘17: new technology centre in Gauteng
> 17 static production facilities across SA and 1 in Namibia

> 3 static emulsion and modified binder factories (SprayPave)

> 4 mobile asphalt plants

> 1 bitumen converter

- Much Asphalt
- SprayPave
WELL-RESPECTED AND EXPERIENCED MANAGEMENT TEAM

- Extensive management experience in sector
- Active member of various industry bodies
- Strong focus on in-house training
- Efficient, established and effective management controls
- Commitment to quality and safety
- Combined Executive management team experience = 94 years
15 OPERATIONAL OVERVIEW: MUCH ASPHALT

Load bitumen at refinery

Mill material from road

Load aggregate at the quarry

Deliver bitumen to plant

Weigh in mill material at plant

Weigh in aggregate at plant

Weigh in bitumen at plant

Process mill material

Stockpile aggregate

Offload bitumen and heat

Test incoming raw materials

Test asphalt

Weigh out asphalt and deliver to site

Test asphalt

Lay asphalt on road

SUCCESS
Operational Overview: SprayPave

1. Load bitumen at refinery
2. Travel to SprayPave site
3. Weigh-in at SprayPave site
4. Test bitumen
5. Offload bitumen and heat to blending temperature
6. Blending process
7. Allow product to mature
8. Test modified product
9. Once approved, released for despatch
10. Load tanker with product
11. Weigh-out tanker
12. Customer blends asphalt for road application

- Multigrading unit
- Re-arrange chemical structures
- Loop columns
GOVERNANCE FRAMEWORK

- Current applicable legislation
- Health and Safety policy
- Environmental policy
- Risk and Compliance
- Audit
 › Developed state-of-the-art technology for automation, operation and process control of asphalt plants
 › Leader in processing, screening and use of recycled asphalt to maximise yield and economic benefits
 › Leading R&D capability, technical expertise and quality
 › Unique bitumen converter with cutting-edge bitumen modification technology
 › Ability to create new products in line with evolving customer requirements
 › Investment in specialised road technology gives further access to R&D
CURRENT INNOVATION AND R&D

**Much Asphalt**
- New product development through own laboratories in Cape Town and Benoni and through CSIR
- Move towards performance grade specification and certified mixes
- Plant optimisation

**SprayPave**
- Bitumen converter – 2nd of its kind in the world
- Modified bitumen technologies
**Generic asphalt solutions:** wide variety of generic solutions incl. various asphalt grades, mixes and courses

**Specialist/proprietary solutions:** modified asphalts, proprietary products and other specialised surfacing ranges

**Warm mix asphalt:** warm mix asphalt ('WMA') is a technology that saves energy, increases delivery and improves mix durability; Much Asphalt is a market leader

**Cold mix asphalt:** commonly used on rural or low traffic roads, and for repairing worn pavement and potholes

**SprayPave:** generic and specialised bituminous emulsions, modified binders, primes and application thereof

**Recycling:** increased focus on product development and use of recycled materials, incl. asphalt; equipment utilised supports optimal recycled asphalt yields

**Performance grade bitumen:** unique bitumen modification technology
3 FINANCIAL INFORMATION
> Purchase price consideration of R2,272 billion
  » Acquisition of 100% share capital of Much Asphalt
  » Management transaction to be finalised
    ~ Approximately 2% of equity
> Implied Enterprise Value/EBITDA above 7x
> Rigorous due diligence process over 3-month period
> Good earnings growth over last 3 years – above 10% p.a.
> Good cash conversion
> Investment is projected to be earnings accretive
> Initially negative on RONA
> Current funding will be replaced through 100% bridge facility from Standard Bank
> Funding structure will be finalised once all acquisitions finalised
> Approval by Competition Authorities
> Change of control consents from certain parties
> Finalisation of management transaction
> Transaction expected to close in 1Q18
CURRENT OWNERSHIP STRUCTURE

MIC
- 25.4%

CAPITALWORKS
- 66%

Management
- 8.6%

Much Asphalt
- 100%

Much Asphalt Namibia (Pty) Ltd
- 100%

East Coast Asphalt (Pty) Ltd
- 55%

Specialised Road Technologies (Pty) Ltd
- 27%

SprayPAve (Pty) Ltd
- 100%
Ownership Structure Post Acquisition

AECI  
good chemistry  
98%

Management  
2%

Much Asphalt

Much Asphalt Namibia (Pty) Ltd  
100%

East Coast Asphalt (Pty) Ltd  
55%

Specialised Road Technologies (Pty) Ltd  
27%

SprayPAve (Pty) Ltd  
100%
4 INVESTMENT OUTLOOK AND INFORMATION
SANRAL announced plans to expand road network from 22 000km to 25 000km

» Allocated R36,8bn to upgrade and maintain the national road network

» Incorporate roads previously administered by provinces and metros

Provincial roads maintenance grant allocated R34,5bn

» Resealing and rehabilitation of provincial roads
**INVESTMENT HIGHLIGHTS: MUCH ASPHALT**

- **1. Strong growth, healthy margins, high cash conversion**
- **2. Market-leading position; national footprint**
- **3. Strategic bitumen sourcing**
- **4. Well-respected and experienced management team**
- **5. Diverse customer base**
- **6. Independent national supplier**
- **7. Leading technology; culture of innovation**
- **8. Specialised, differentiated product offering**
INVESTMENT HIGHLIGHTS: MUCH ASPHALT GROWTH OPPORTUNITIES

- SA geographic footprint
- Expanded converter technology
- Opportunities in Africa
- Expanded product offering
- Acquisition opportunities
5 INCORPORATION INTO AECI
A STAND-ALONE GROUP ENTITY

BOARD

EXECUTIVE COMMITTEE

HEAD OFFICE FUNCTIONS
THANK YOU

AECI®
good chemistry