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**24 JULY 2019**

**2019**

**FINANCIAL RESULTS PRESENTATION**

FOR THE HALF-YEAR ENDED 30 JUNE 2019

**01**

**PERFORMANCE SUMMARY**

**02**

**BUSINESS DRIVERS**

**03**

**EARNINGS ANALYSED**

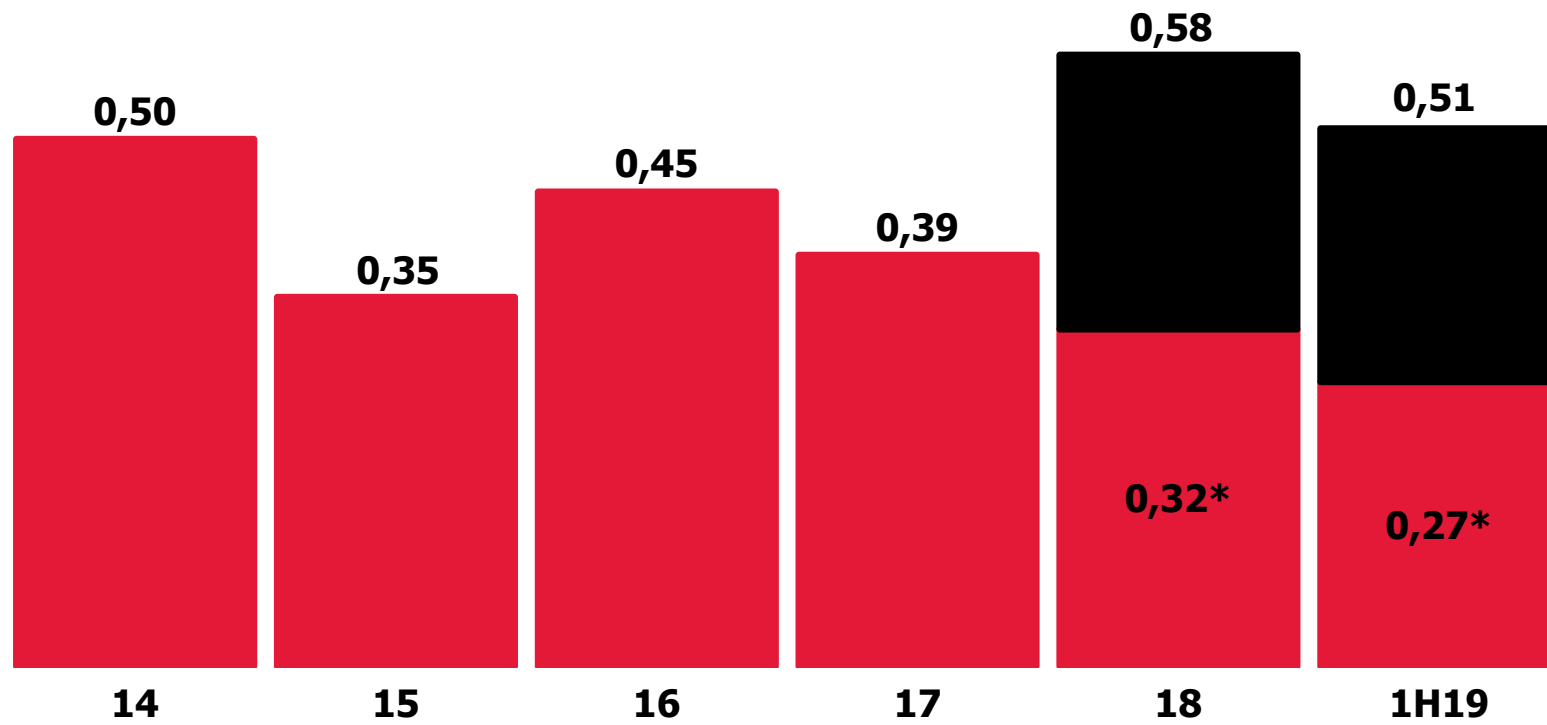
**04**

**PERFORMANCE BY SEGMENT**

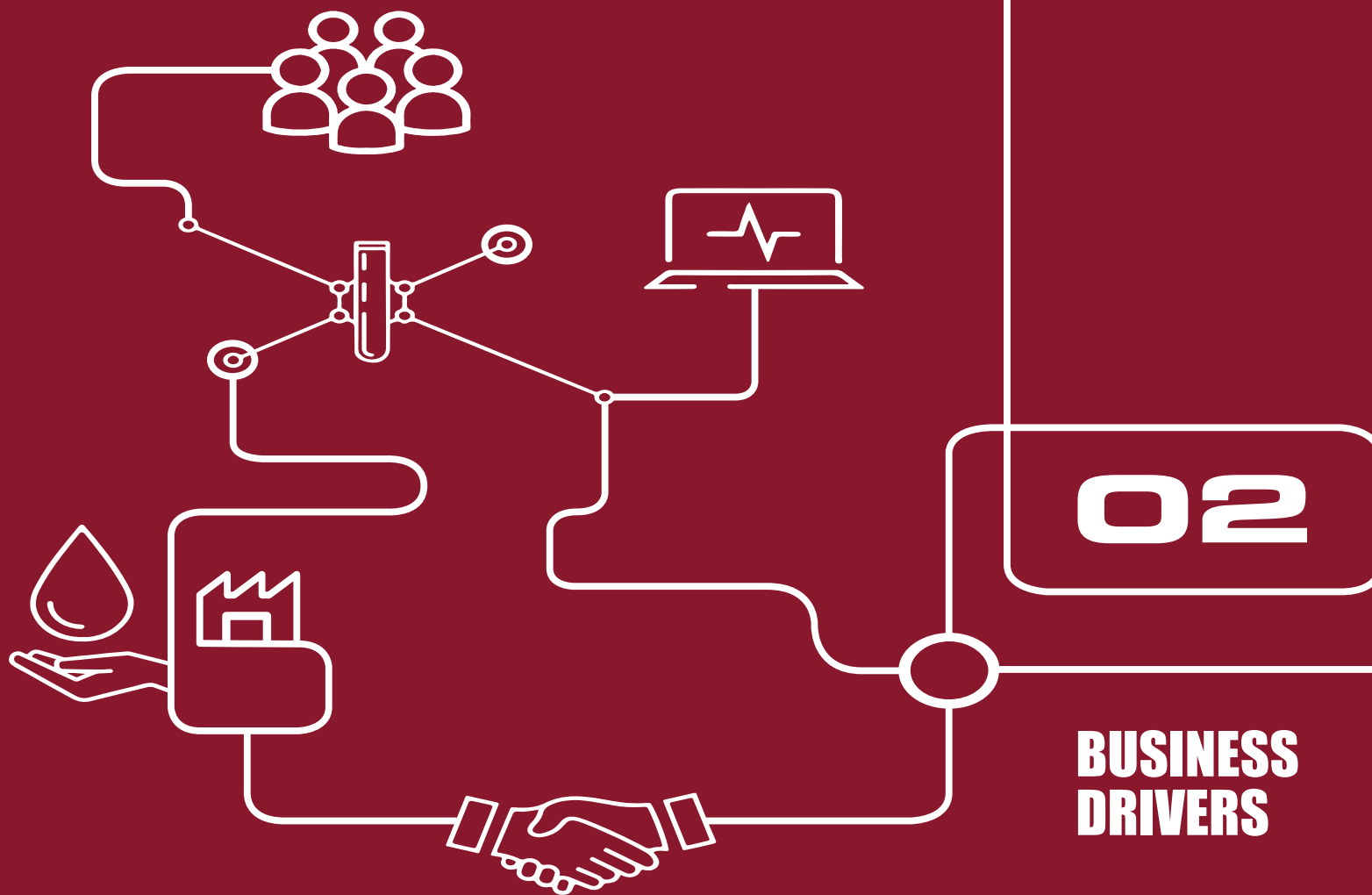
**05**

**OBJECTIVES AND OUTLOOK**

- › Revenue +14% to R11 972m
  - » Contribution from acquisitions for 6 months
  - » Growth in all 5 strategic pillars
  - » Foreign and export revenue = 42% of total revenue
    - Weaker ZAR/US\$ exchange rate
- › Profit from operations -9% to R826m
  - » Impacted by strategic business realignment costs, adoption of IFRS 16 and PPA amortisation
  - » Excl. these +9% to R992m
- › EBITDA +7% to R1 346m
  - » Underlying +11% to R1 391m
- › HEPS -20% to 365c
  - » Underlying +7% to 492c
- › Interim ordinary cash dividend declared +5% to 156cps
- › Safety performance improved
  - » Progress made by acquisitions
- › Achieved Level 2 B-BBEE Contributor status

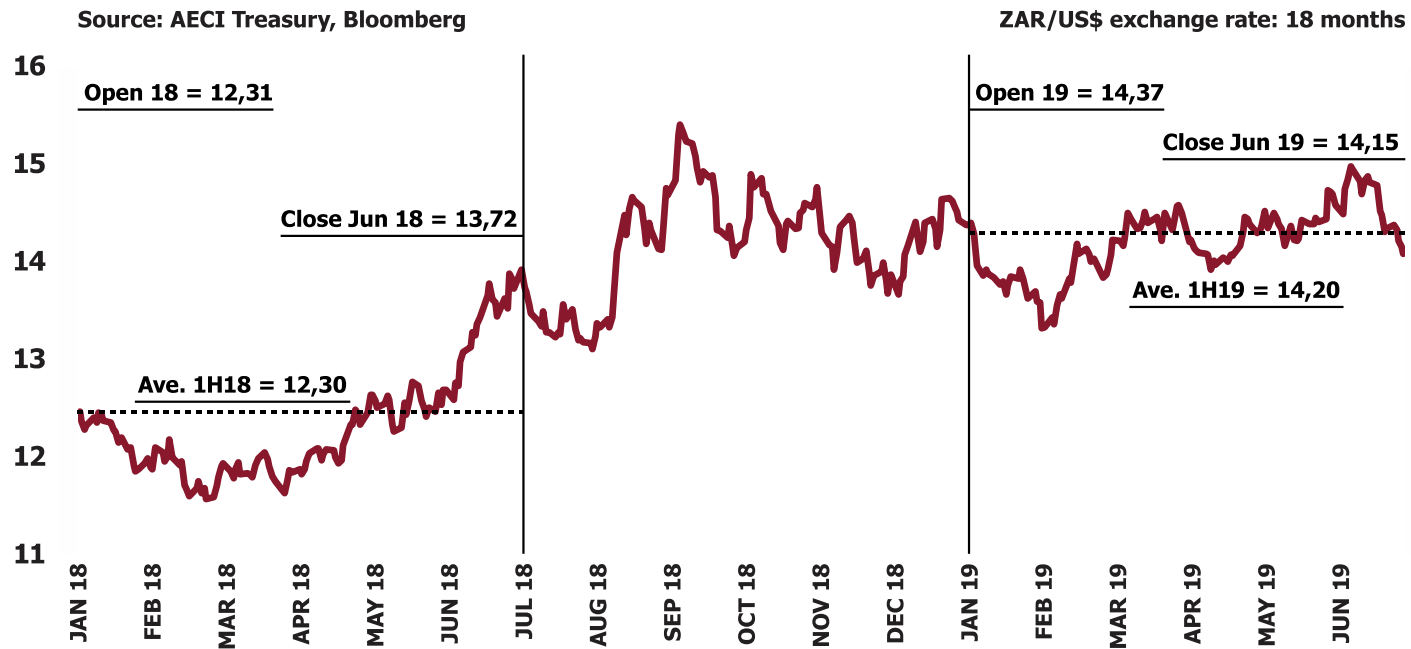


\* Excluding acquisitions



## BUSINESS DRIVERS

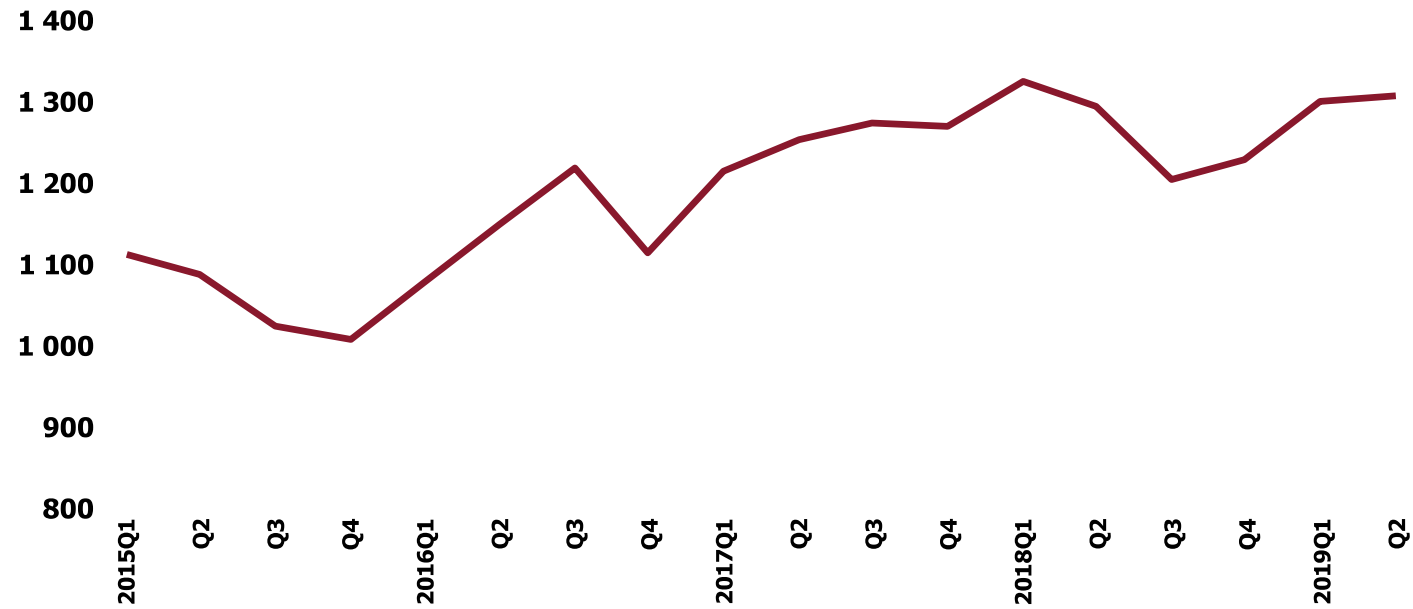
### ZAR/US\$ EXCHANGE RATE



## MINING SOLUTIONS: BUSINESS DRIVERS

### GOLD

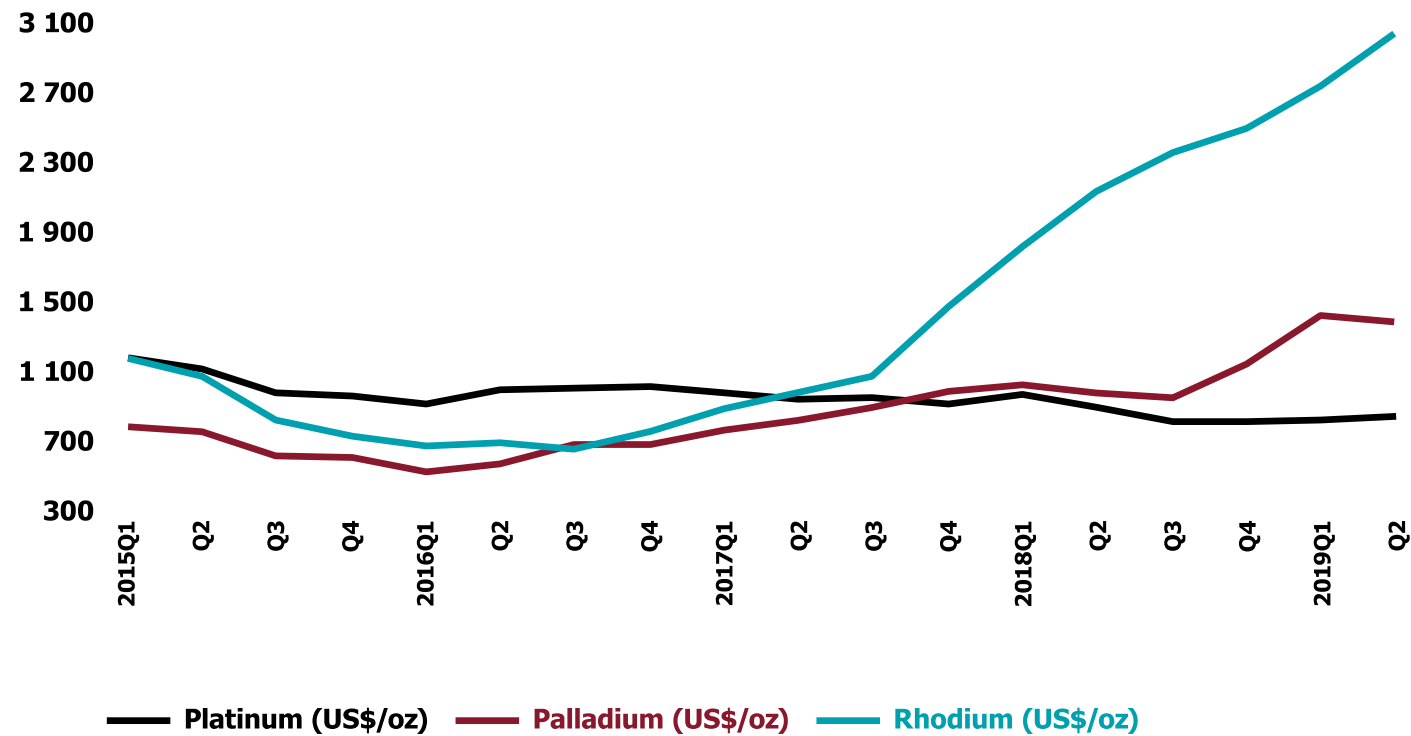
US\$/oz Source: FitchSolutions



## BUSINESS DRIVERS

### PGMs

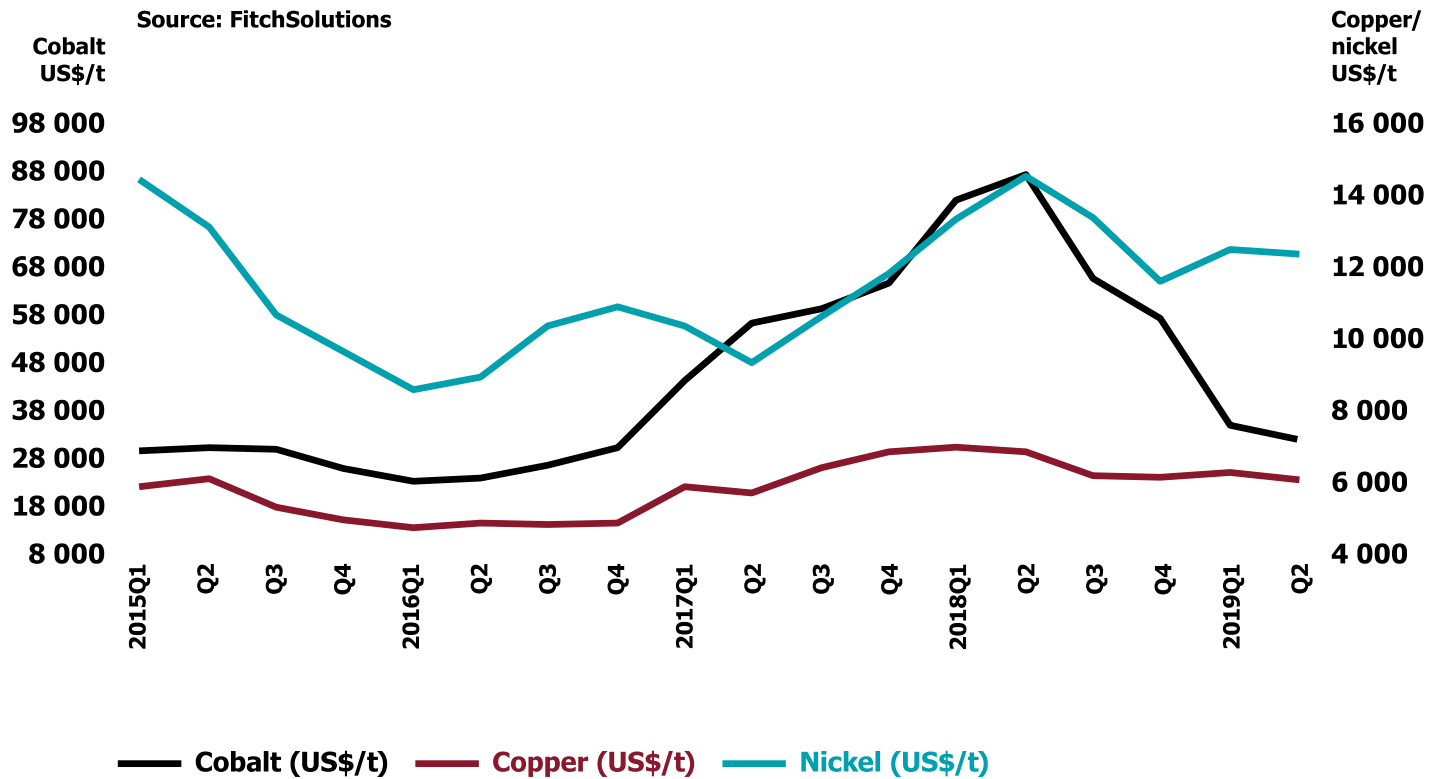
US\$/oz Source: FitchSolutions





## BUSINESS DRIVERS

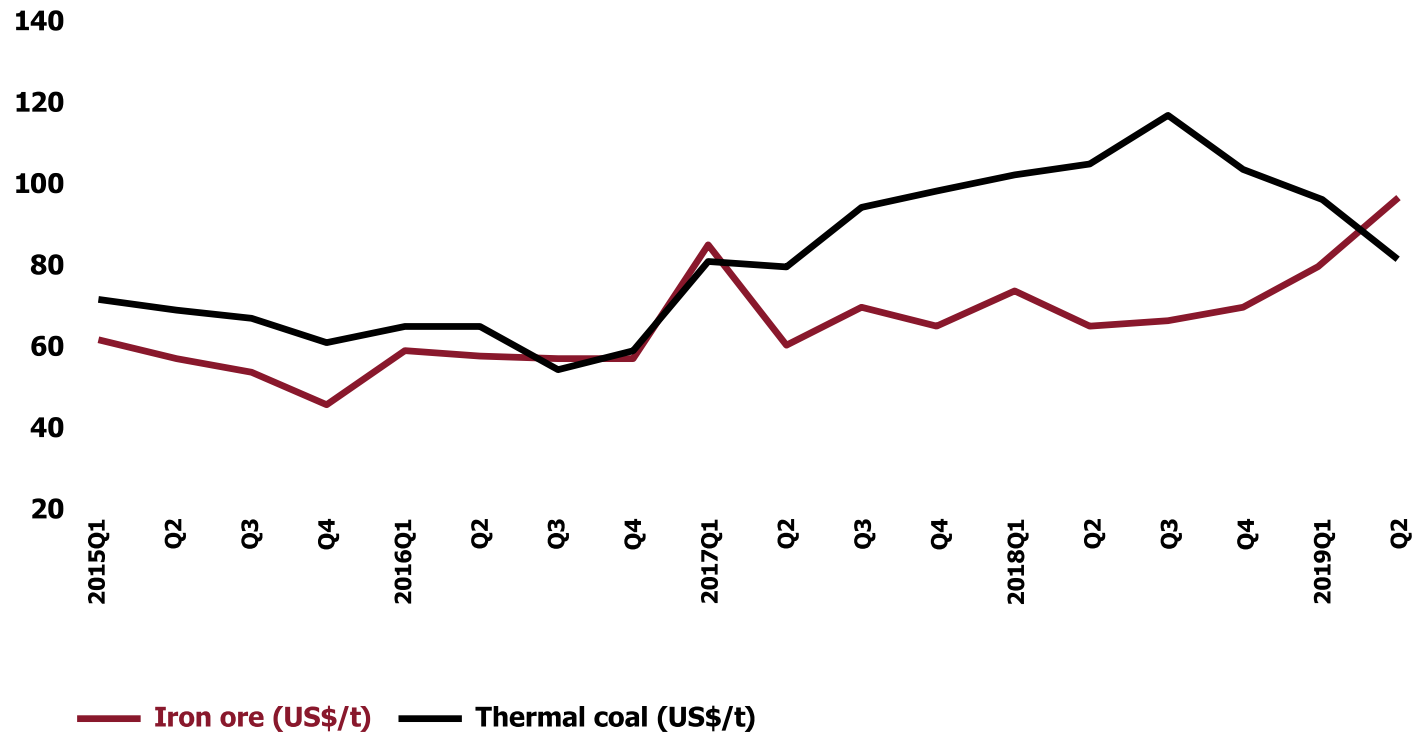
### COBALT, COPPER AND NICKEL



## BUSINESS DRIVERS

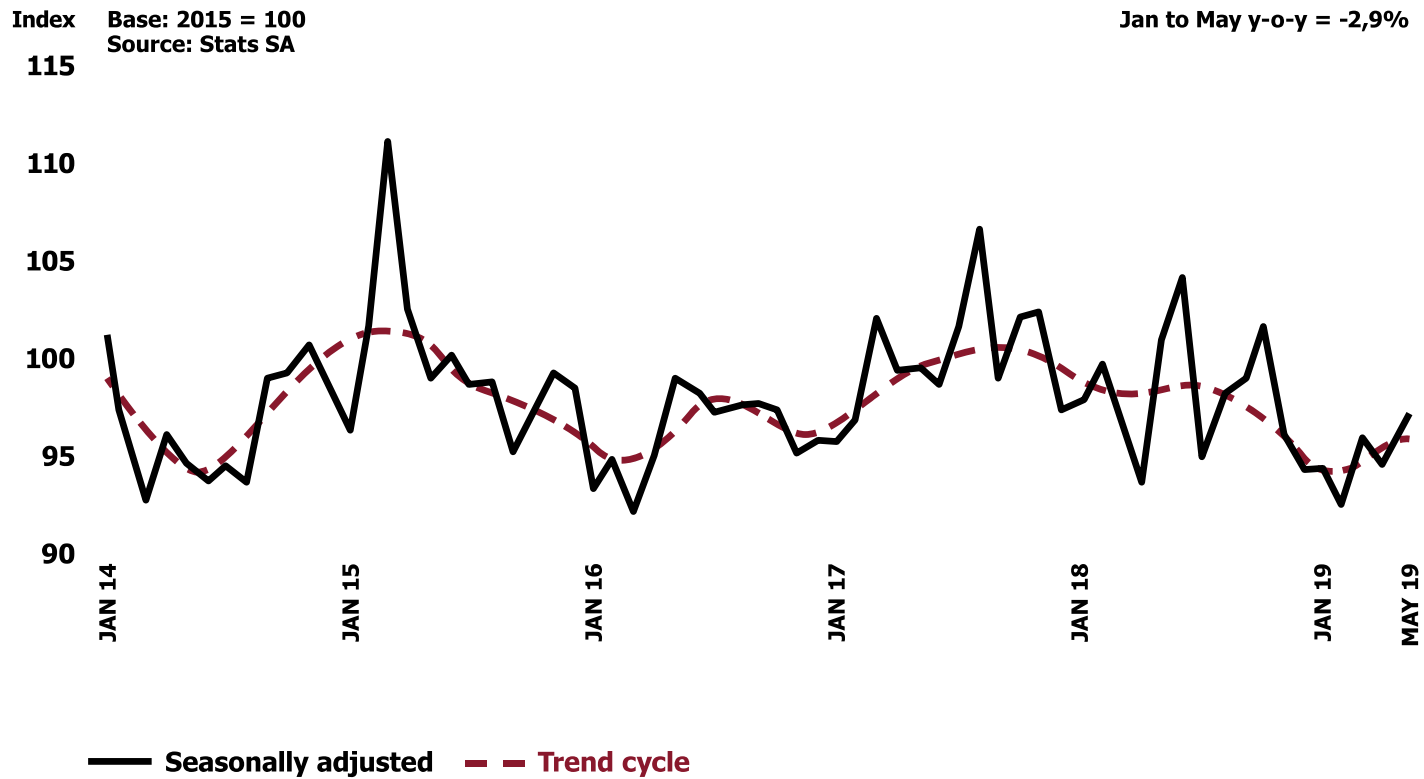
### COAL AND IRON ORE

US\$/t Source: FitchSolutions



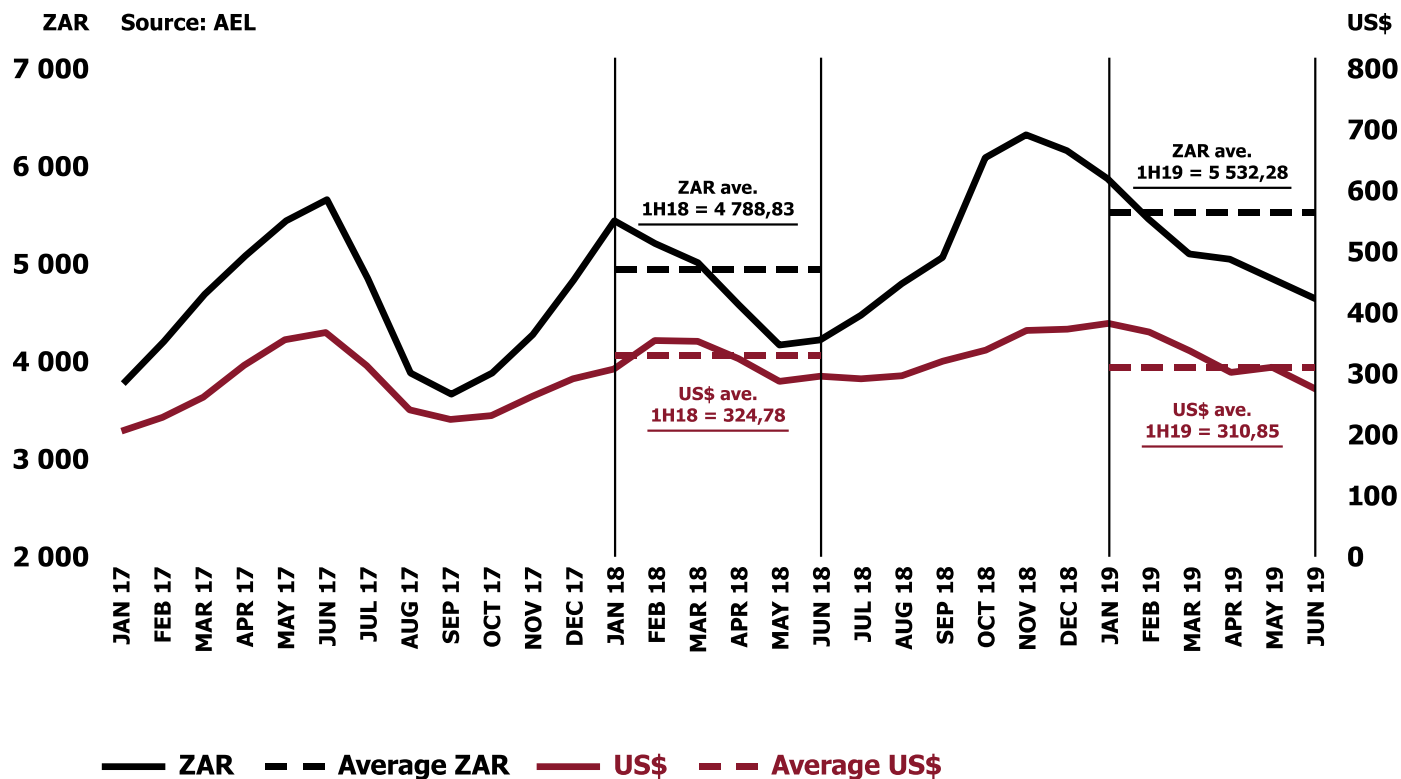
## BUSINESS DRIVERS

### SA MINING VOLUMES



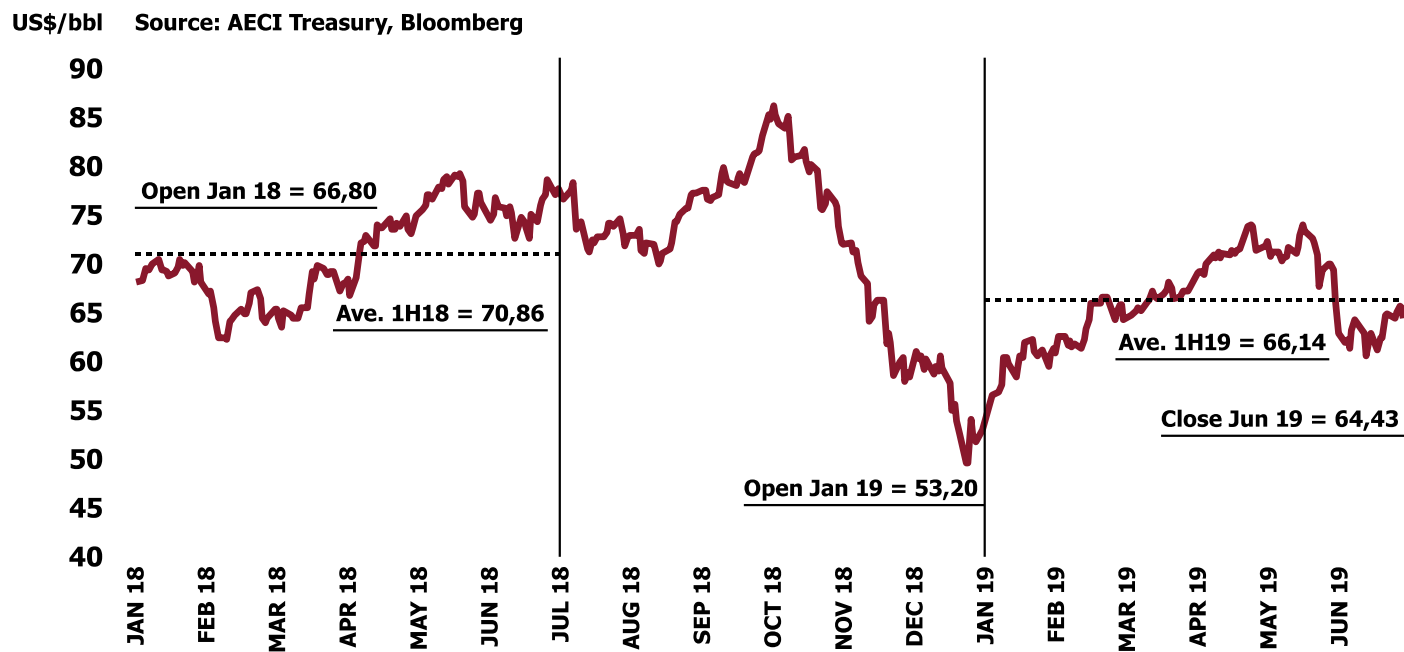
# BUSINESS DRIVERS

## AMMONIA



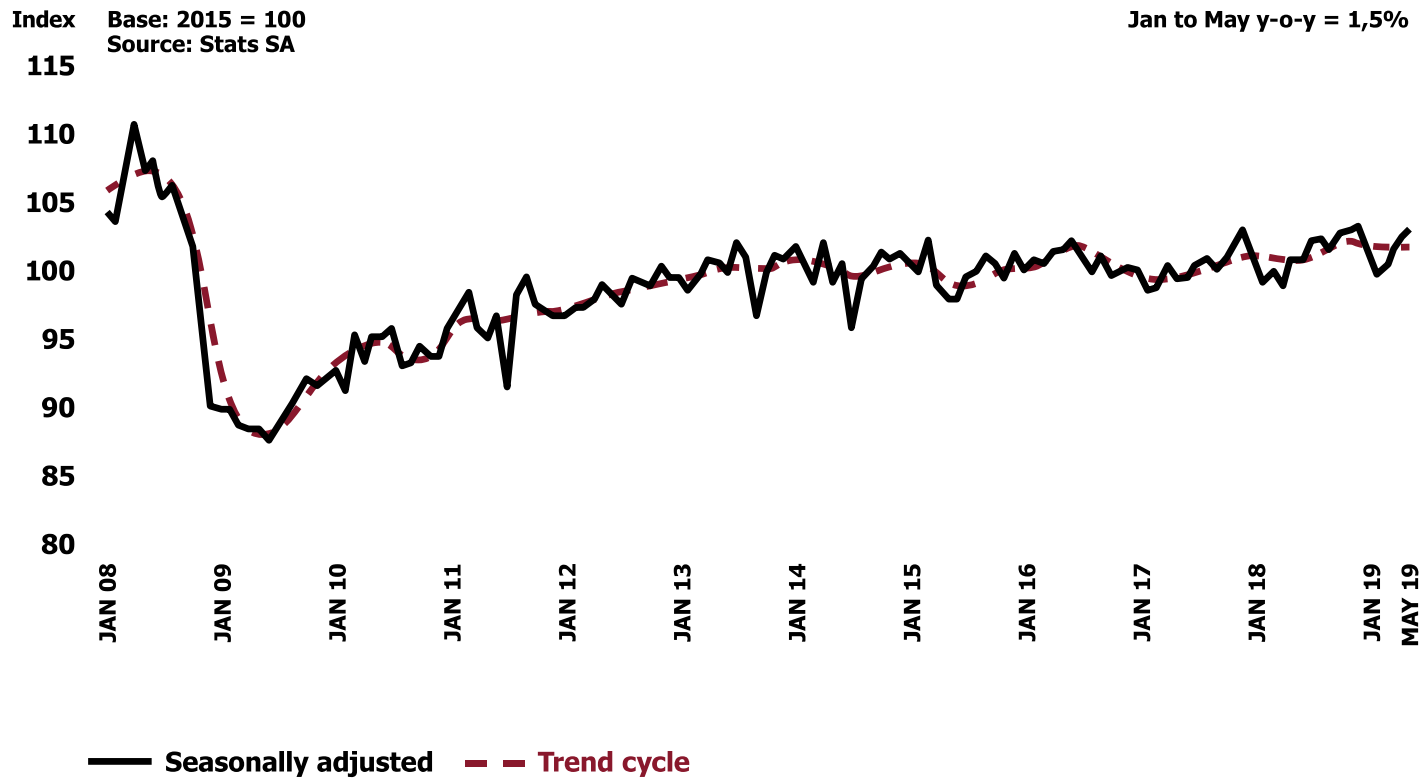
## BUSINESS DRIVERS

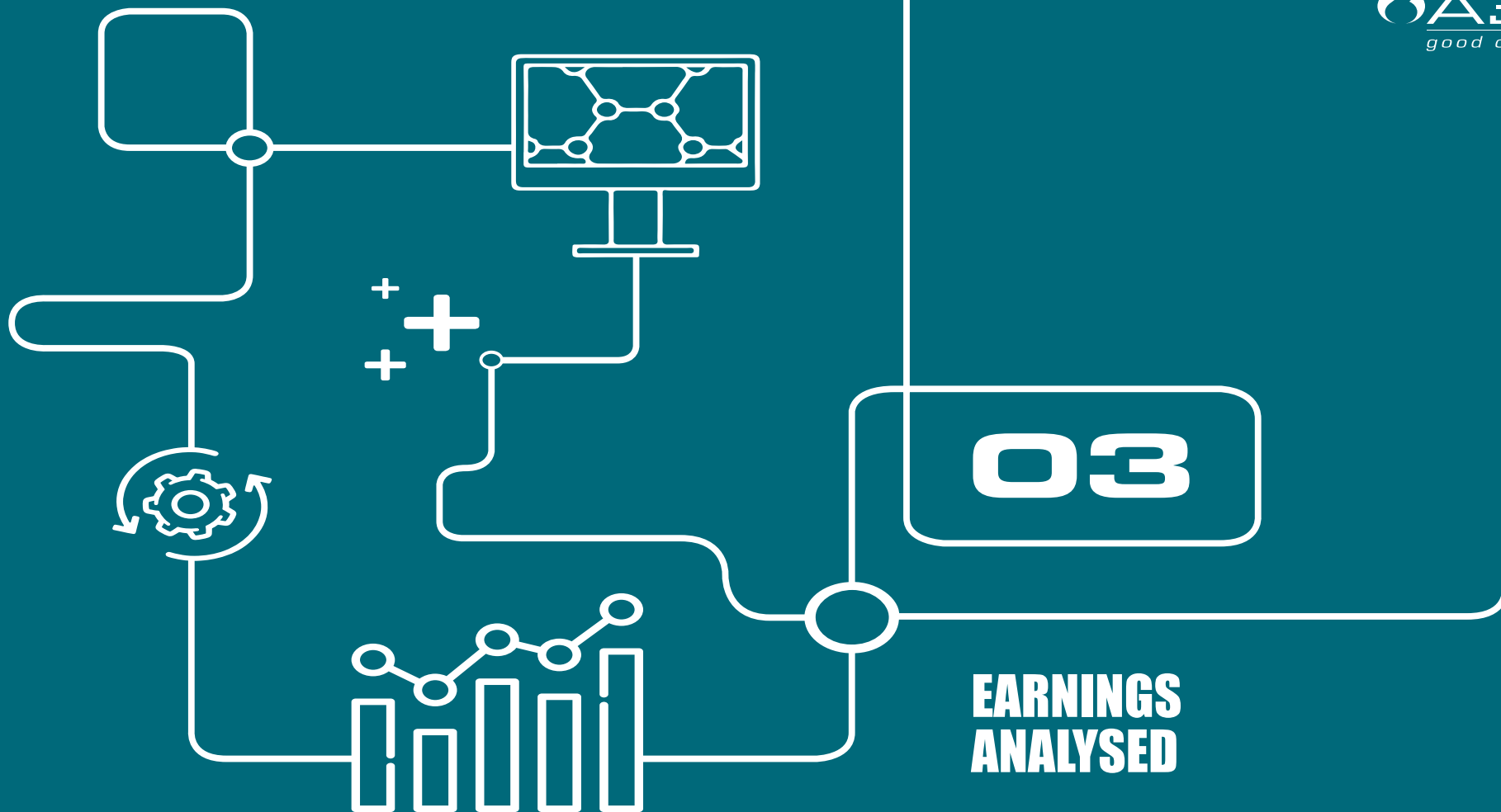
### BRENT CRUDE OIL



## BUSINESS DRIVERS

### SA MANUFACTURING VOLUMES

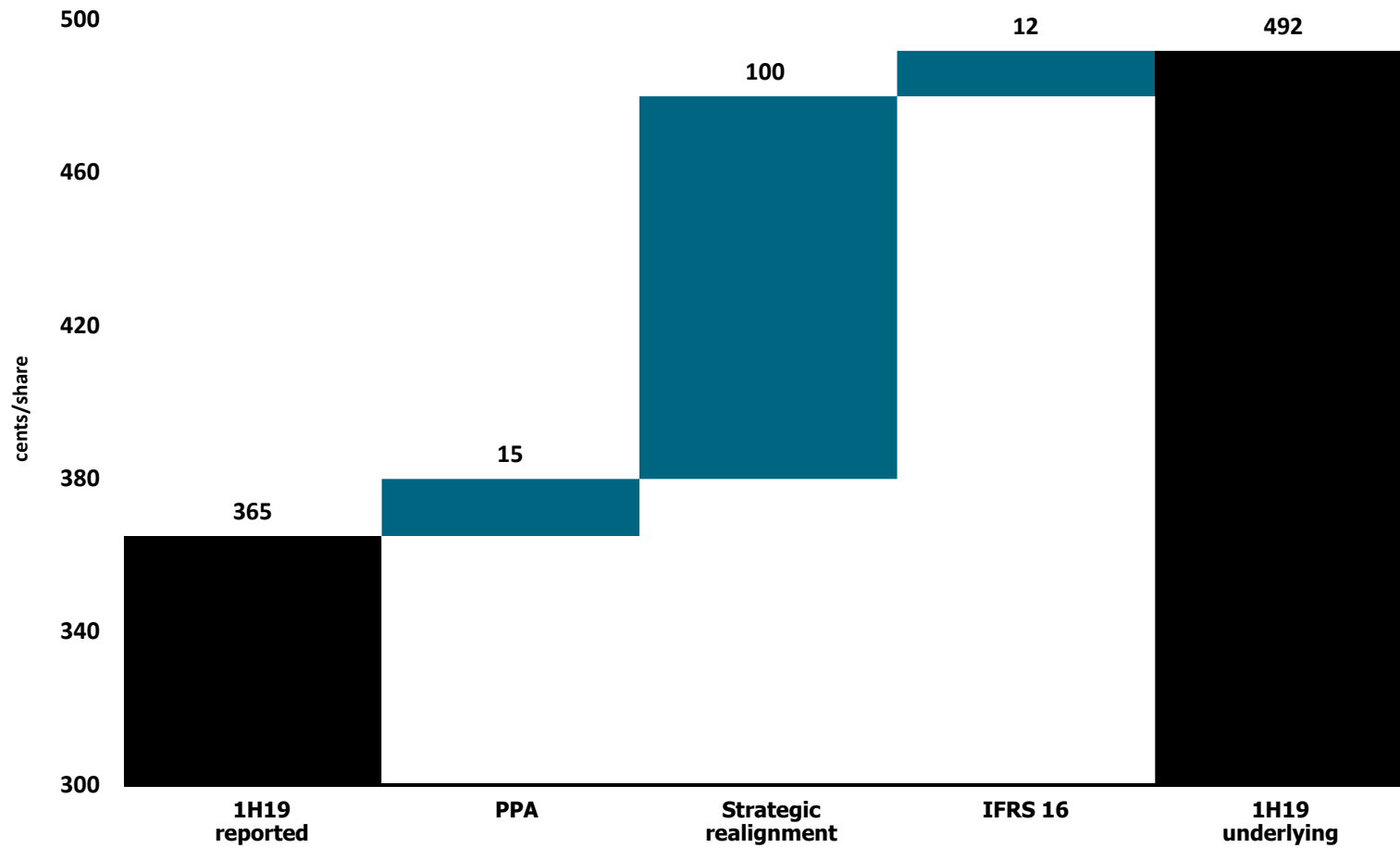




	1H19		1H18		% Change	
	Profit from ops Rm	HEPS cents	Profit from ops Rm	HEPS cents	Profit from ops	HEPS
Reported	<b>826</b>	<b>365</b>	911	458	(9,3)	(20,3)
Strategic realignment	<b>156</b>	<b>100</b>	–	–		
PPA	<b>23</b>	<b>15</b>	–	–		
IFRS 16	<b>(13)</b>	<b>12</b>	–	–		
<b>Underlying</b>	<b>992</b>	<b>492</b>	<b>911</b>	<b>458</b>	<b>8,9</b>	<b>7,4</b>



## HEADLINE EARNINGS PER SHARE



## UNDERLYING PERFORMANCE

### INCOME STATEMENT

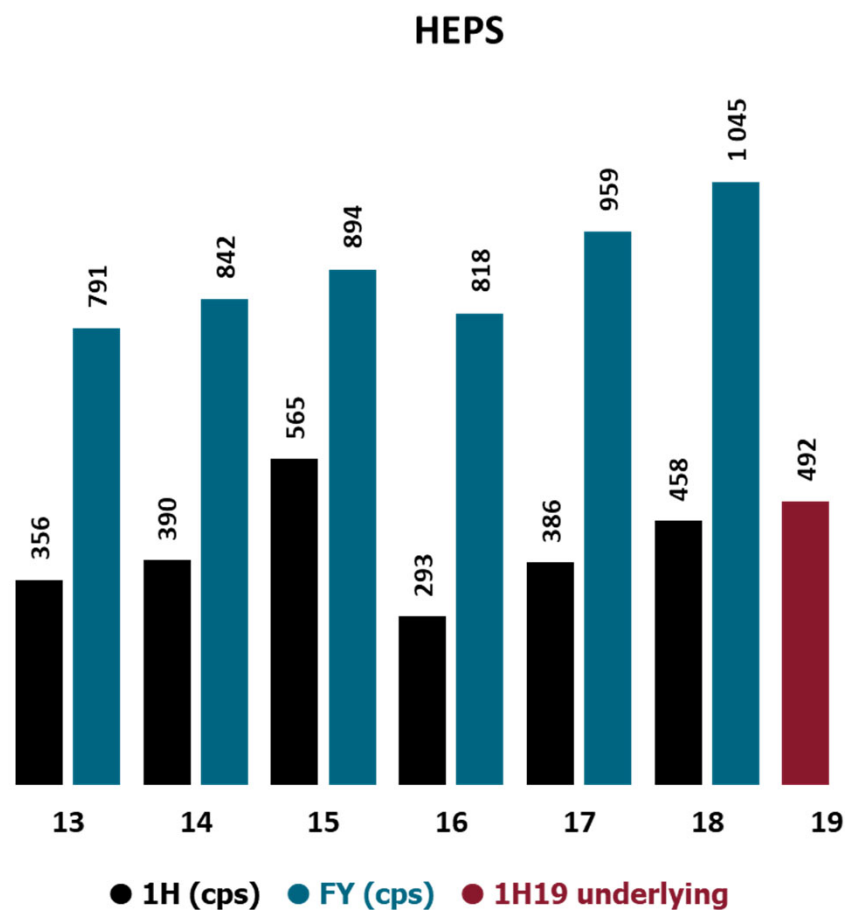
R millions	% change	1H18	1H19	PPA	IFRS 16	Strategic realignment	<b>1H19 underlying</b>
Revenue	14,3	10 473	11 972	–	–	–	<b>11 972</b>
Trading profit	(9,3)	911	826	23	(13)	156	<b>992</b>
Trading margin (%)	(20,7)	8,7	6,9	0,2	(0,1)	1,3	<b>8,3</b>
Share of profits	(11,8)	17	15	–	1	–	<b>16</b>
Finance costs	50,3	(161)	(242)	–	30	–	<b>(212)</b>
Tax	(27,0)	(263)	(192)	(7)	(6)	(50)	<b>(255)</b>
Profit after tax	(19,2)	504	407	16	12	106	<b>541</b>
HEPS	(20,3)	458	365	15	12	100	<b>492</b>
EBITDA	7,0	1 258	1 346	–	(111)	156	<b>1 391</b>

## UNDERLYING PERFORMANCE

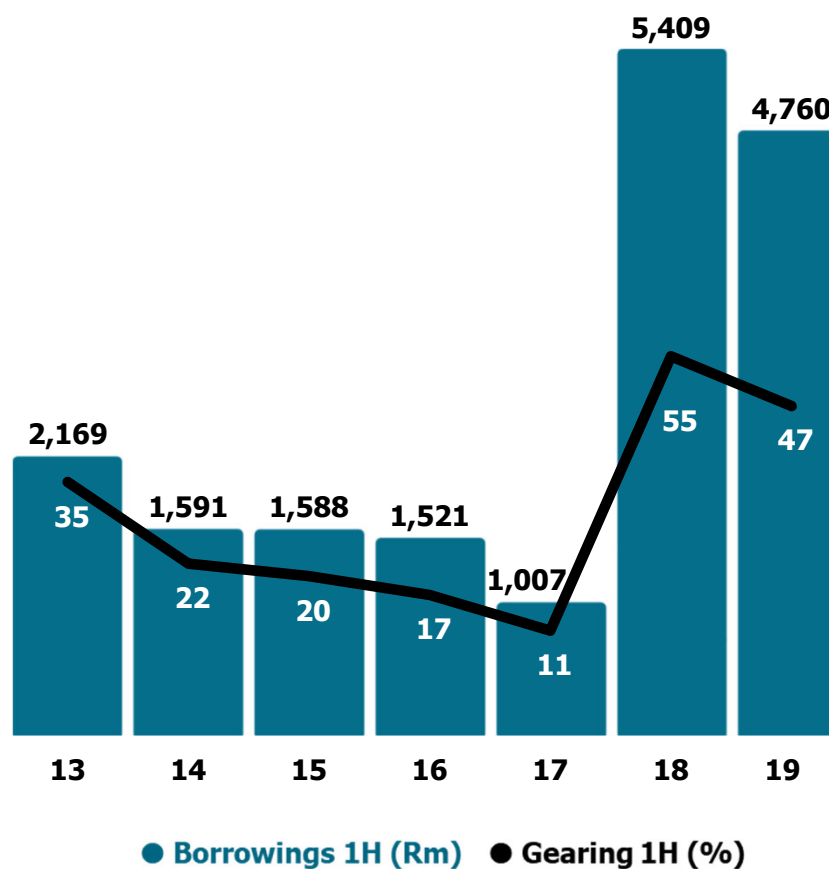
### STATEMENT OF FINANCIAL POSITION

R millions	30 Jun 18	30 Jun 19	PPA	IFRS 16	Strategic realignment	30 Jun 19 underlying
<b>Non-current assets</b>	11 493	11 800	23	(574)	–	<b>11 249</b>
Property, plant and equipment and intangible assets	5 525	5 671	23	(573)	–	<b>5 121</b>
Deferred tax	390	378	–	(1)	–	<b>377</b>
Other non-current assets	5 578	5 751	–	–	–	<b>5 751</b>
<b>Current assets</b>	9 733	10 381	–	57	–	<b>10 438</b>
Cash and cash equivalents	1 311	1 549	–	–	–	<b>1 549</b>
Other current assets	8 422	8 832	–	57	–	<b>8 889</b>
<b>Equity</b>	(9 756)	(10 085)	(16)	(4)	106	<b>(9 999)</b>
<b>Liabilities</b>	(11 470)	(12 096)	(7)	521	(106)	<b>(11 688)</b>
Lease liabilities	–	(538)	–	521	–	<b>(17)</b>
Borrowings	(6 720)	(6 309)	–	–	–	<b>(6 309)</b>
Deferred tax	(183)	(531)	(7)	–	–	<b>(538)</b>
Other non-current and current liabilities	(4 567)	(4 718)	–	–	(106)	<b>(4 824)</b>
<b>RONA (%)</b>	16,0	13,3	0,2	0,2	1,1	<b>14,8</b>

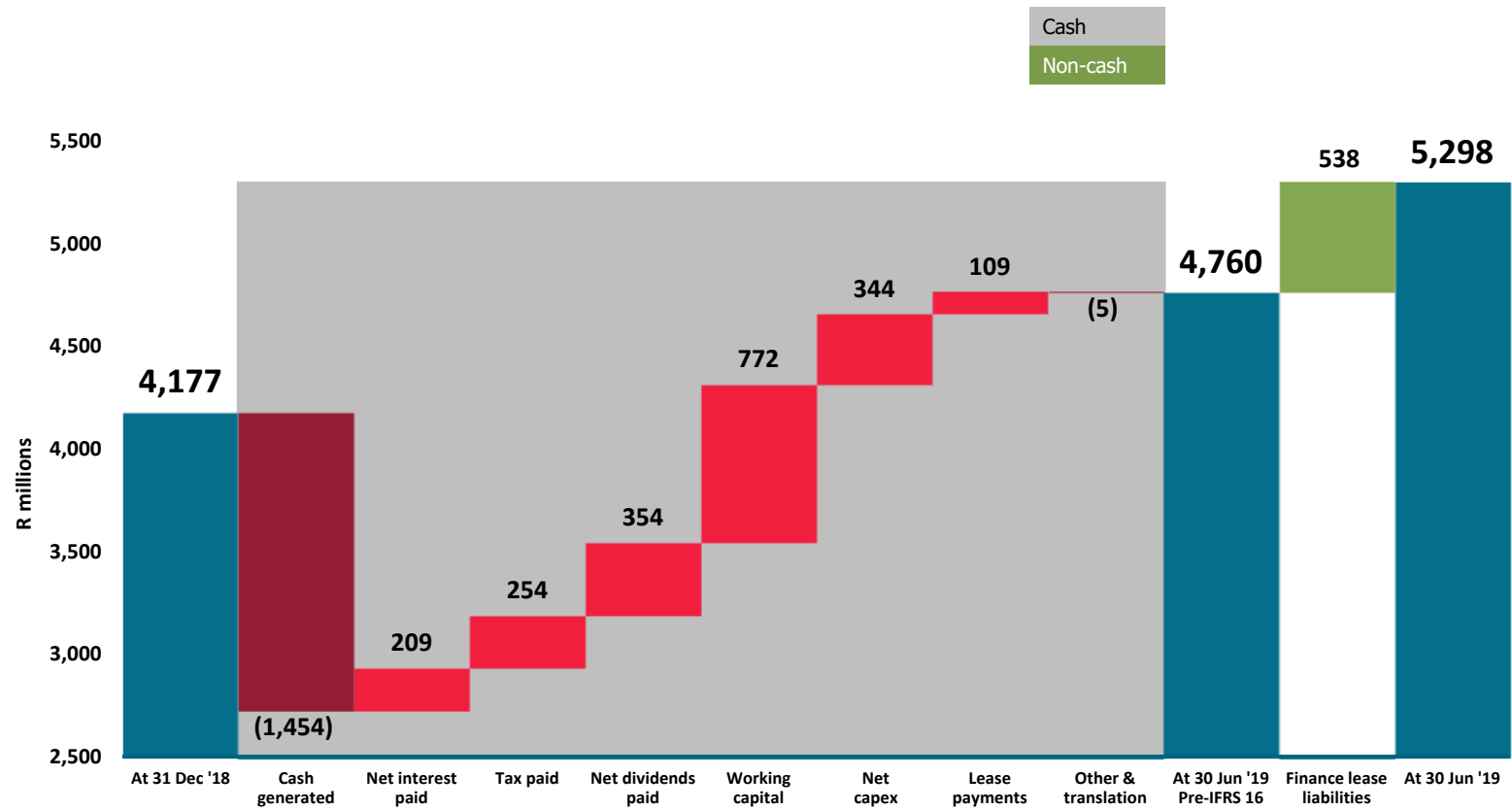
- > Profit from operations +9% to R992m
- > EBITDA +11% to R1 391m
- > HEPS +7,4% to 492c
- > Trading margin = 8,3% ('18: 8,7%)
- > RONA = 14,8% ('18: 16,0%)
- > Tax rate 32% ('18: 34%)
  - » Foreign withholding tax
  - » Foreign tax rates
- > US\$8m in cash dividends remitted from foreign jurisdictions
- > GCR rating upgraded to "A+"; stable outlook maintained



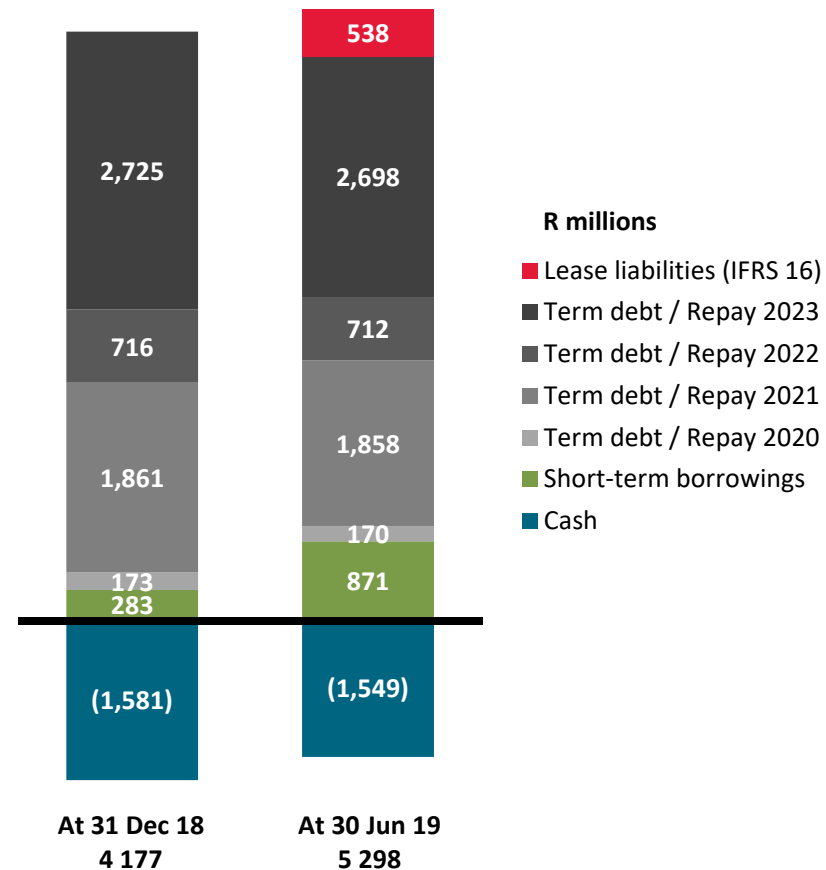
- > Capex = R358m
  - » R121m for expansion projects
  - » R237m for maintenance projects, incl. AEL, Modderfontein
    - No. 9 Nitric Acid shutdown
    - Air emissions abatement projects
- > Net WC to revenue of 17,9% (20,8% in '18)
  - » Customer terms
  - » Acquisitions for full period
- > Excl. IFRS impact
  - » Net borrowings of R4 760m
  - » Gearing at 47% (55% in '18)
  - » Cash interest cover at 6,0x
- > Interim ordinary cash dividend of 156c declared
- > Dividend cover of 2,4x for the period

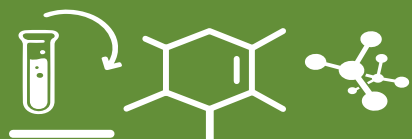


## NET DEBT AND CASH UTILISATION



- > Term debt repayable over 4 years ('20 – '23)
- > Group loan covenants:
  - » Net debt to EBITDA  $\leq$  2,5
    - 1,8
  - » EBITDA to net financing cost  $\geq$  3
    - 6,3
  - » Consolidated tangible net worth  $\geq$  R2,5bn
    - R11,8bn
- > Engaging with lenders to exclude IFRS 16 impact

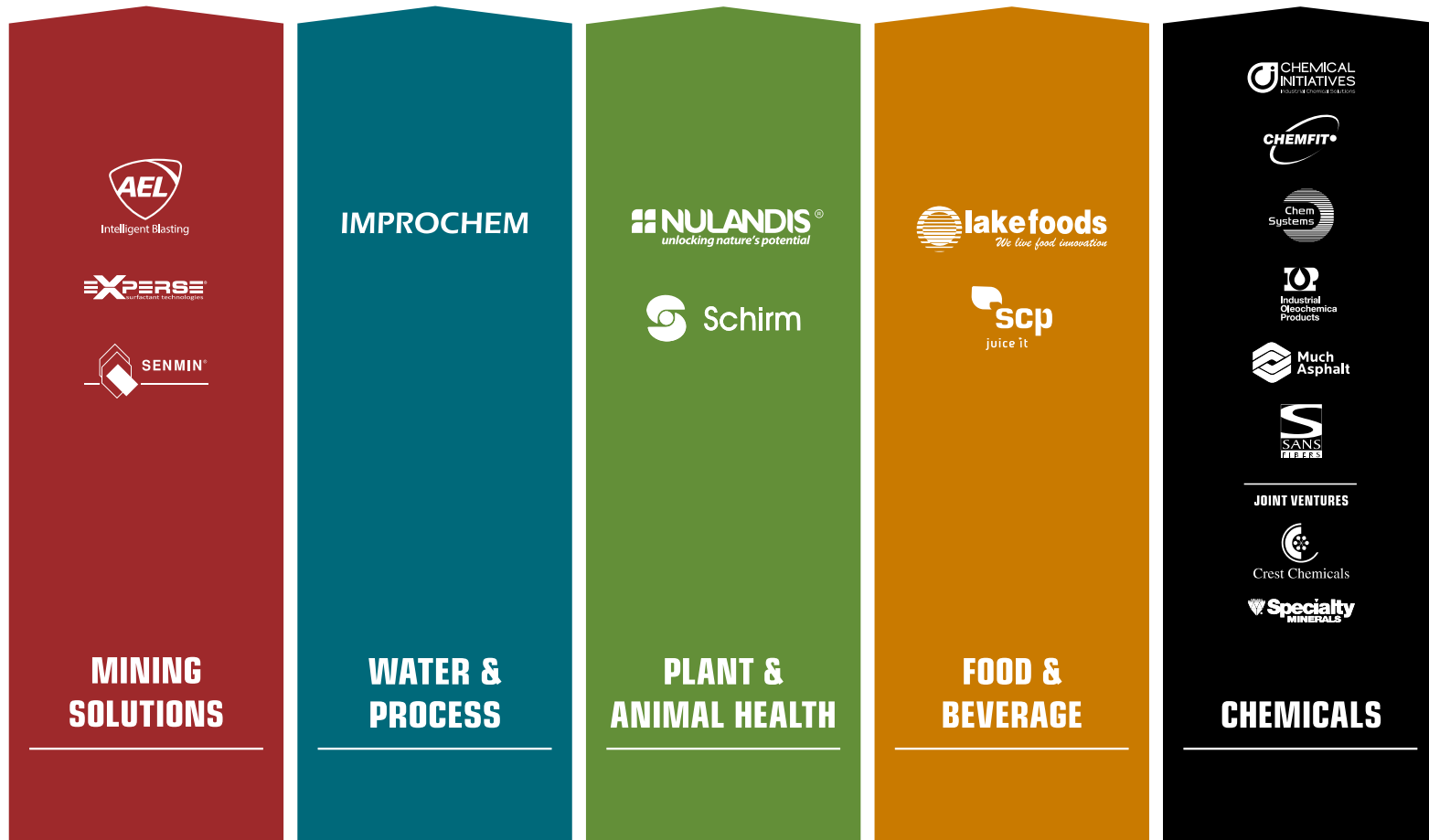




**04**

**PERFORMANCE  
BY SEGMENT**

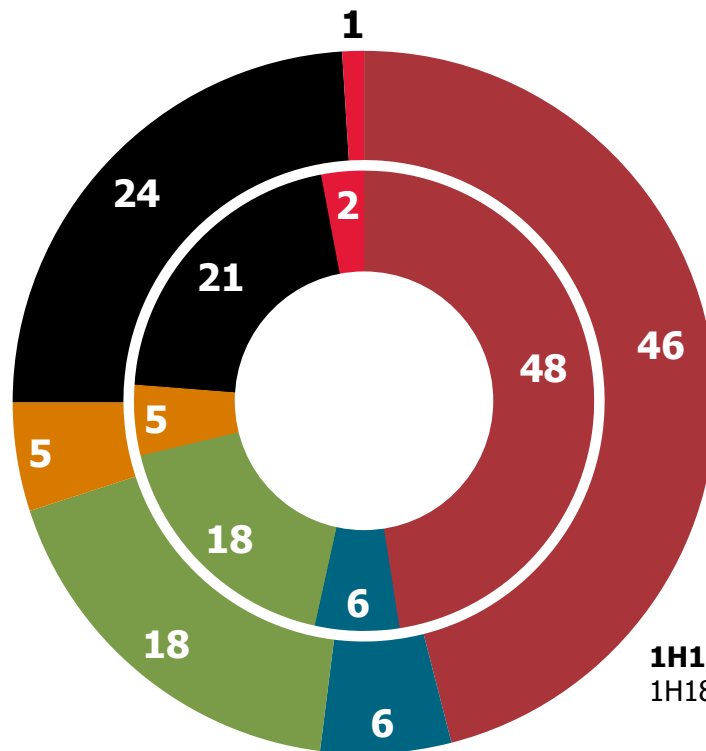




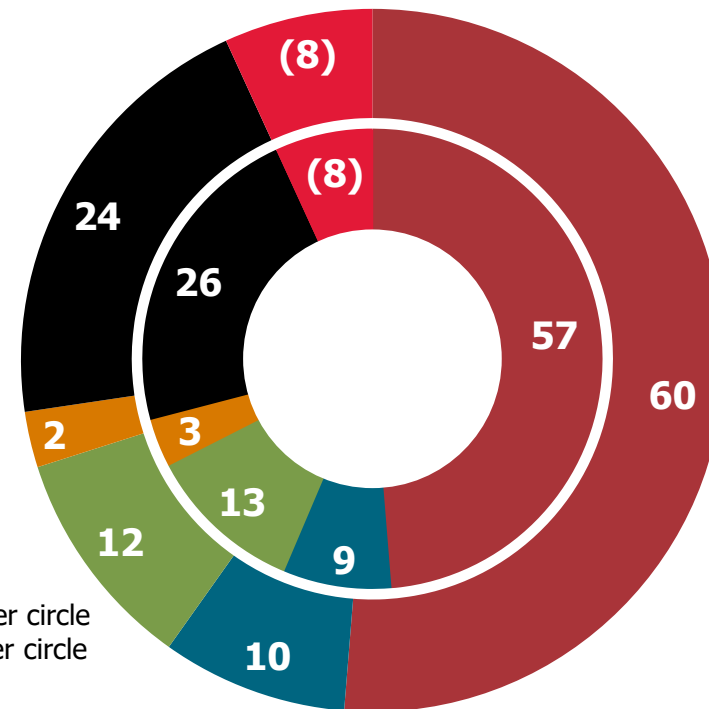
MINING SOLUTIONS	WATER & PROCESS	PLANT & ANIMAL HEALTH	FOOD & BEVERAGE	CHEMICALS	GROUP
REVENUE	REVENUE	REVENUE	REVENUE	REVENUE	REVENUE
R5 595m ▲ 11,4%	R707m ▲ 4,3%	R2 189m ▲ 16,3%	R644m ▲ 16,7%	R2 832m ▲ 21,1%	R11 972m ▲ 14,3%
PROFIT FROM OPS	PROFIT FROM OPS	PROFIT FROM OPS	PROFIT FROM OPS	PROFIT FROM OPS	PROFIT FROM OPS
R499m ▼ 4,0%	R49m ▼ 38,8%	R103m ▼ 10,4%	R27m ▼ 12,9%	R234m ▼ 2,9%	R826m ▼ 9,3%
UNDERLYING	UNDERLYING	UNDERLYING	UNDERLYING	UNDERLYING	UNDERLYING
R590m ▲ 13,5%	R101m ▲ 26,3%	R119m ▲ 3,5%	R24m ▼ 22,6%	R240m ▼ 0,4%	R992m ▲ 8,9%

## UNDERLYING CONTRIBUTION ANALYSIS BY SEGMENT (%)

### Revenue (%)



### Profit/(loss) from operations (%)



**1H19** Outer circle  
**1H18** Inner circle

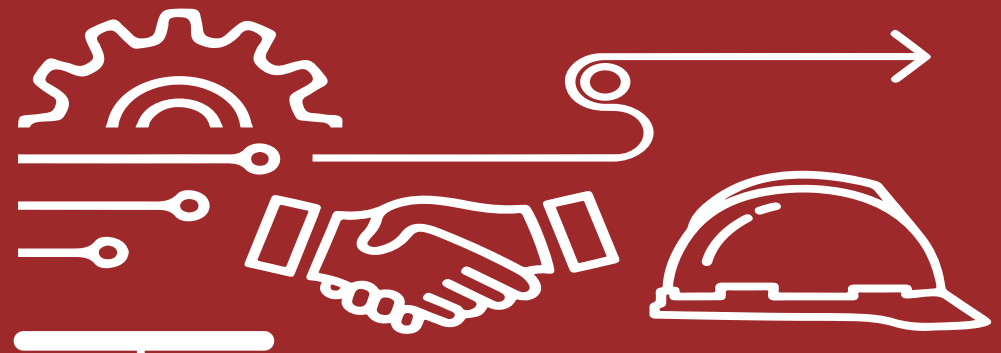
● Mining Solutions  
● Food & Beverage

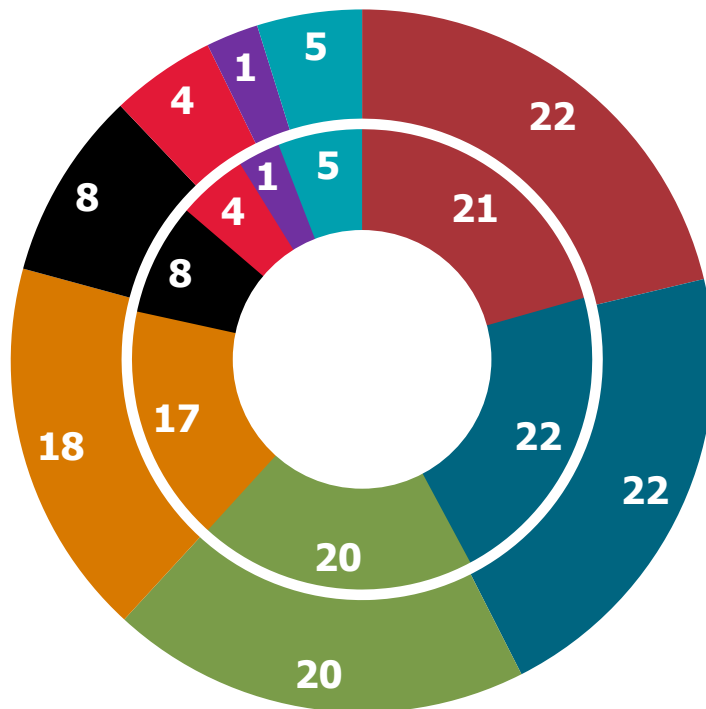
● Water & Process  
● Chemicals

● Plant & Animal Health  
● Property & Corporate



# MINING SOLUTIONS



**Revenue by mineral mined (%)**


**1H19** Outer circle  
**1H18** Inner circle



- > Strong commodity prices overall
  - » Highest-ever gold price in ZAR terms
- > Higher ammonia price in ZAR terms
- > Volume decline continues in SA mining sector
- > Benefits of portfolio and geographic diversity

REVENUE R5 595m

▲ 11,4%

PROFIT  
FROM OPS R499m

▼ 4,0%

UNDERLYING R590m

▲ 13,5%

MARGIN 8,9%

UNDERLYING 10,5%

1H18 10,3%

TRADE WC 17,3%

1H18 21,3%

- > Good safety performance
- > Revenue increase in Explosives and Chemicals
  - » Growth on African continent, especially in West Africa
  - » Improved plant utilisation rates and sales in Chemicals
- > Growth in foreign revenue
  - » 59% of total revenue
- > Profit from operations
  - » Good cost control
  - » Forex effects
  - » Customer mix benefit
- > Capex
  - » Focus on air emissions abatement/environmental compliance projects
- > Renewed focus on WC capital management
- > Social, political and currency challenges in some countries

- > Excellent underlying trading profit improvement
- > Overall bulk explosives volumes -3%
  - » SA -7,6%
  - » Rest of Africa +14,7%
    - New contracts serviced
    - Investment returns to expectations
  - » Asia Pacific -7,7%
    - Lower opportunistic sales in Australia
    - However, secured fixed contracts with additional investment in MPUs
- > Initiating systems volumes -8,2%
  - » Protracted strike action in gold mining sector
    - Subsequent recovery
- > Strategic realignment project for narrow reef business executed
- > Tender processes at customers in progress
- > Dinacon acquisition, Brazil
  - » Investment still in escrow account
  - » Company registration completed
  - » Transfer of 8 key licences in progress



- > Review of SA narrow reef mining market undertaken
- > Objective: AEL to remain a sustainable and responsible local supplier to the SA mining industry and aligned to new Mining Charter
- > “Get Healthy”, “Get Strong” and “Get Business” phases
  - » Leaner organisational structure
    - Fewer executives and managers
    - Streamlined support functions
    - Resized manufacturing complement
  - » Once-off customer engagements for sustainability support
  - » Higher plant utilisation rates and reduced buy-ins
  - » Fit-for-purpose logistics and distribution channels
  - » Future consolidation of AECI Mining Solutions back offices
- > Project payback target = FY19
- > Annualised benefits of at least R200m anticipated in future years



- > Marked improvement in specialty collector sales
- > Increases also in flocculants
  - » Benefits of direct exports strategy (Ghana and Zambia)
  - » Sales to Madagascar resumed
- > Local sales of liquid xanthate declined
  - » Reduced demand
  - » Electricity supply constraints in 1Q
- > Xanthate expansion project
  - » Enabled higher sales of solid xanthate
  - » Plant now running at 80% of capacity
    - Current customer demand higher than current capacity for solid xanthate
    - Debottlenecking and optimisation options being assessed
- > Good 1H19 for surfactants business



MINING CHARTER REQUIREMENTS	AECI SCORE
Level 4 Contributor	Level 2 Contributor
HDP Owned and Controlled 51%	HDP Owned and Controlled 53,95%
Local Content 60%	Local Content >60% (verification underway)

**EMPOWERLOGIC**  
Your Logical Empowerment Solution

**Broad Based Black Economic Empowerment Verification Certificate**

A Consolidated Verification Certificate issued to

**AECI Limited and Subsidiaries**

**Level 2 Contributor**

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**Measured Entity**

<b>Company Name</b>	AECI Limited and Subsidiaries
<b>Registration Number</b>	1924/002590/06
<b>VAT Number</b>	4350103539
<b>Address</b>	24 The Woodlands Woodlands Drive Woodmead Sandton

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B-BBEE Status	
<b>B-BBEE Status Level</b>	Level 2
<b>Element Points Obtained</b>	EQ: 25 points; MC: 11.36 points; SD: 18.2 points; ESD: 35.45 points; SED: 5 points
<b>Discounting Principle Applied</b>	No
<b>Empowering Supplier</b>	Yes

<small>*Black Owned - 25% and 50 points for Net Value</small>	<small>*Black Women Owned - 20% and 10 points for Net Value</small>
<b>Black Voting Rights</b> 62.64%	<b>Black Women Voting Rights</b> 20.33%
<b>Black Economic Interest</b> 55.30%	<b>Black Women Economic Interest</b> 24.52%
<b>51% Black Owned *</b> Yes	<b>30% Black Women Owned *</b> No
<b>Black Designated Group Supplier</b> Yes	<b>Modified Flow Through Principle Applied</b>

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<b>Issue Date</b>	29/03/2019
<b>Expiry Date</b>	28/03/2020
<b>Certificate Number</b>	ELC8516RGENBB
<b>Version</b>	Final
<b>Applicable Scorecard</b>	Amended Codes - Generic
<b>Applicable BBEE Codes</b>	Amended Generic Codes Gazetted on 11 October 2013

SANAS Accredited  
BVA018

Per T Lombard  
Member - Verification Committee

EmpowerLogic (Pty) Ltd  
Reg. No. : 1985/000523/07  
BBEE Verification Agency

Level	Qualification	%
1	≥ 100 Points	135%
2	≥ 95 but < 100	125%
3	≥ 90 but < 95	110%
4	≥ 80 but < 90	100%
5	≥ 75 but < 80	80%
6	≥ 70 but < 75	60%
7	≥ 55 but < 70	60%
8	≥ 40 but < 55	10%
Non Compliant		<40 0%

EmpowerLogic (Pty) Ltd  
Reg. No. : 1985/000523/07  
www.empowerlogic.co.za

This certificate supersedes any previous certificates issued to the Measured entity. This certificate is the result of an independent and impartial verification of the BBEE status of the measured entity measured against the Code of Good Practice on Broad Based Black Economic Empowerment. This certificate has been issued in accordance with the EmpowerLogic Verification Certificate Policy. EmpowerLogic uses the Law Trust advanced electronic signature system (AeSign) which is compliant with the Electronic Communications and Transactions Act no 25 of 2002. The validity of the certificate is ensured as long as the digital signature details corresponds with the Technical Signatory's details as displayed on the certificate.

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# PLANT & ANIMAL HEALTH



VOLUME ▲ 13,7%

REVENUE R2 189m  
▲ 16,3%

PROFIT  
FROM OPS R103m  
▼ 10,4%  
UNDERLYING R119m  
▲ 3,5%

MARGIN 4,7%  
UNDERLYING 5,4%  
1H18 6,1%

TRADE WC 18,2%  
1H18 22,2%

- > Performance included 6 months of Schirm ('18: 5 months)
- > Amortisation of intangible assets
  - » PPA = R17m ('18: nil)

### Nulandis

- > Improvements in both revenue and profit
  - » Late onset of summer rains boosted performance in 1Q
  - » Higher sales of in-house products improved profitability
  - » Footprint expanded – new agents appointed
- > SupPlant project roll-out commenced

## Schirm

- › Lower demand for fungicides and herbicides from major customers in Europe
- › Higher costs
  - » New plant not adequately loaded - delayed registration of key product and customer
- › Equivalence report/registration received from EU authority in June
  - » Registrations in 20 EU countries, by customer, expected to be completed in 1Q20
- › Good progress in shifting volumes to fine chemicals
- › Solid performance from US business, with good cash generation



VOLUME ▲ 0,8%

REVENUE R707m  
▲ 4,3%

PROFIT  
FROM OPS R49m  
▼ 38,8%  
UNDERLYING R101m  
▲ 26,3%

MARGIN 6,9%  
UNDERLYING 14,3%  
1H18 11,8%

TRADE WC 18,4%  
1H18 22,9%

### Underlying performance

- > TP up 26%
  - » Improved quality of business with lower cost to serve
  - » Cost control initiatives
  - » Realignment project benefits
  - » Recovery of outstanding debt

### South Africa

- > Overall good performance
  - » Market share gains
  - » Volume recovery as drought effects dissipated

### Exports

- > Volume growth >30%
  - » Ghana tender awarded and deliveries commenced
  - » Increase in exports to Uganda
  - » Exports to Tanzania still on hold

- > Objective: realign go-to-market model to enhance capabilities and improve service delivery and efficiencies
- > “Get Healthy”, “Get Strong” and “Get Business” phases
  - » Total impact of R52m on TP in 1H19
    - Cost neutral for FY19
  - » Market optimisation
    - New go-to-market model in SA
    - Enhanced internal capabilities
      - Improved service delivery
      - Efficiencies throughout supply chain
    - Export route to market optimisation
  - » Internal cost optimisation
- > Annualised benefits of at least R100m anticipated in future years





# FOOD & BEVERAGE



VOLUME ▲ 32,6%

REVENUE R664m

▲ 16,7%

PROFIT  
FROM OPS R27m

▼ 12,9%

UNDERLYING R24m

▼ 22,6%

MARGIN 4,1%

1H18 5,5%

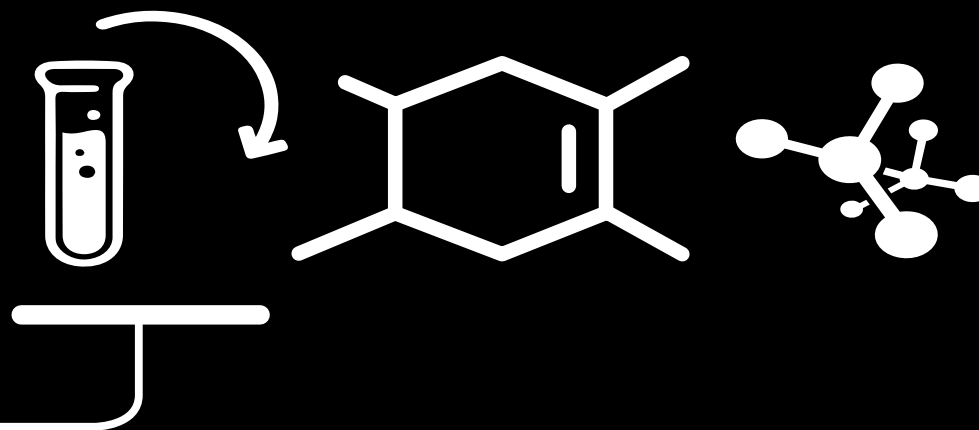
TRADE WC 23,4%

1H18 21,6%

- > Revenue growth in commodities, juice concentrates, bakery, sauces and dairy categories
  - » Notwithstanding very weak consumer trading environment
- > Margins under pressure as competition to maintain volumes increased
- > Export sales negatively impacted by hard currency availability issues in Zimbabwe

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CHEMICALS



REVENUE R2 832m  
 ▲ 21,1%

PROFIT  
 FROM OPS R234m  
 ▼ 2,9%

UNDERLYING R240m  
 ▼ 0,4%

MARGIN 8,3%  
 UNDERLYING 8,5%  
 1H18 10,3%

TRADE WC 12,9%  
 1H18 20,6%

### Base business

- > Poor market sentiment and production rationalisation/closures at customers
- > Volumes flat
  - » Lower sulphur sales and sulphuric acid exports
- > Revenue +2%
- > TP -11,7%
  - » Margins under pressure
  - » Less favourable product and customer mix
- > Significant improvement in working capital control
- > Good cash generation by operations

### Much Asphalt

- > Overall performance above expectations
- > Continued strong performance in Western Cape
- > SANRAL delays in projects continued
- > Upturn in DoT and Metro work
  - » Albeit with pressure on margins
- > Working capital well below 10%
- > Level 1 B-BBEE Contributor status maintained



**OBJECTIVES  
AND OUTLOOK**

### Zero Harm

- » Rolled out Group-wide and progress made against 2020 milestones
- » Improved performances at Schirm and Much Asphalt

### Delivery of Schirm and Much Asphalt to expectations

- » Much Asphalt ahead of expectations in 1H19
- » Product registrations at Schirm

### Integration and delivery to expectation of Dinacon, Brazil

- » Awaiting transfers of key licences

### Delivery of capex projects

- » Explosives (incl. compliance-related): on track for completion per schedule
- » Mining chemicals: xanthate production nearing capacity
- » SANS single stage polyester fibre plant: ramping up and commercial production commenced in July

### Execution of AEL and ImproChem realignment projects

- » On target

### Diligent cash management

- » Good WC discipline overall
- » Good cash generation

### **Mining Solutions**

- » Good performance expected to be sustained in Explosives and Chemicals
- » Value creation from realignment project
- » Stronger sales of xanthate pellets anticipated

### **Water & Process**

- » Outlook more positive, including benefits of business realignment
- » Good momentum established in export sales
- » Water Security for Africa project initiated

### **Plant & Animal Health**

#### Nulandis

- » Outlook for Western Cape promising, given rainfall so far this season

#### Schirm

- » Product registrations in progress by customer and new contracts secured for new season



### Food & Beverage

- » Trading environment, including retail sector, expected to remain difficult
- » Agreements signed with major customer for significant volume offtake

### Chemicals

- » Growth in SA's manufacturing sector remains subdued and customers are under pressure
- » Outlook for Much Asphalt is more promising, into '20

- » Historically, stronger 2H for Group as a whole
- » Maintain focus on cost efficiencies and diligent cash management, including WC claw-back
- » Ongoing portfolio management in context of business environment

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