

# INVESTMENT CASE

FROM AN INVESTOR PERSPECTIVE, TONGAAT HULETT'S STRATEGIC POSITIONING AND OBJECTIVES FOCUS ON THE FOLLOWING KEY POINTS:

## STARCH AND GLUCOSE - ENHANCED SALES AND PRODUCT MIX

- Growing sales of more attractive products, supplied from existing available wet-milling capacity, through customer growth in local, African and other export markets and by replacing imports.

## RECOVERING AND INCREASING RETURNS FROM THE EXISTING SUGAR ASSET BASE

- Better cane yields leading to higher sugar production, from the current low point, with substantially reduced unit costs.
  - Primary focus is on increasing cane supplies through higher yields from existing hectares under cane, benefitting when there are better growing conditions and improving the sugar content/extraction, leading to additional sugar production which typically has a low incremental cost of 4 to 6 US c/lb (compared to a world sugar price that has essentially varied between 10 and 30 US c/lb over the past decade), as milling and agricultural costs per hectare are mostly fixed.
- Weather and growing conditions in the past summer have masked the progress being made with the intensive agricultural improvement programmes. Current annual sugar production is approximately 1 million tons (2 years ago production was already at 1,4 million tons, with more land under cane subsequently becoming available to harvest).
- Tongaat Hulett has more than 2,1 million tons of installed milling capacity and requires little capital expenditure to use the additional available capacity which has a replacement cost of more than R20 billion.
- Concerted cost reduction processes are underway, with substantial reductions in the cost base already achieved over the past three years. There is scope for further reduction in the flexible and non-value-add activities, eliminating waste, and to challenge paradigms on costs that have traditionally been seen as fixed. Unit costs of sugar production will benefit substantially from future volume increases.
- Increasing stability in future water supply with new dams and diversified water catchment areas, particularly in Mozambique (Xinavane) and Zimbabwe.
- Multiple strong sugar market positions with protected, growing domestic markets.
  - Multiple market positions, strong brands, distribution, packing and market opportunities - local, regional, African, EU and other international markets.
  - Domestic markets, where Tongaat Hulett produces sugar, are the primary focus, with growing consumption-driven demand. They are increasingly protected, in line with world norms.
  - Flexibility to adjust export destinations and market positions outside the domestic markets - which are world price linked and earn a premium - realigning positions in both the EU (on-going duty free access) and Africa. Sub-Saharan Africa deficit market opportunities are increasing as consumption grows in the region. The region's demand currently exceeds production by nearly 1 million tons per annum.

## LAND CONVERSION - SUBSTANTIAL VALUE CREATION

- Unique land portfolio and well established development platform in the fastest growing area of KwaZulu-Natal.
- Increasing momentum and pace of land conversion, with a substantial step-up in value being unlocked, with corresponding cash generation.
- Positive, constructive and inextricable link to sugarcane farming activities and rural socio-economic development.

## LEADERSHIP AND STRENGTH OF MANAGEMENT TEAM

- Ability and track record - multiple advanced core competencies, good governance, strong executive and Board leadership.

## SOCIO-ECONOMIC POSITIONING AND CONSTRUCTIVE INTERFACES WITH GOVERNMENTS AND SOCIETY

- Strategic positioning in the region is underpinned by the fundamental link between agriculture, sugar production, rural jobs and community development, government and local authorities, unlocking infrastructure investment, and the conversion of cane land to development.

## SOUND SUSTAINABILITY STRATEGY AND TRACK RECORD

- From environmental stewardship through to the specifics of safety at each and every operation.

## STRONG BALANCE SHEET WITH HIGH QUALITY ASSETS

## FOCUS ON INCREASING EARNINGS AND CASH FLOWS

- Leading to higher dividends.

## ADDITIONAL FUTURE GROWTH OPPORTUNITIES

- Platform for future downstream brownfield/greenfield sugar and starch regional expansions, to be the partner of choice for countries growing their local markets and industries.
- Ethanol production - to replace export sugar.
- Electricity generation - to generate more electricity from sugarcane fibre than at present, using modern technology.

