

# FINANCIAL RESULTS PRESENTATION



**OMNIA**

**YEAR ENDED  
31 MARCH 2019**



# Contents

**Omnia Chairman**

**Introduction**

**Balance Sheet Journey**

**Business update**

**Financial results**

**Q&A**

# Leadership



Refreshed



Improved independence



Ensured continuity & institutional memory



Retained skills

## Independence & Institutional memory

- Independent chairman
- Two new independent non-executive directors
- Long-serving non-execs on rotation for re-election:
  - Diverse competency
  - Institutional memory

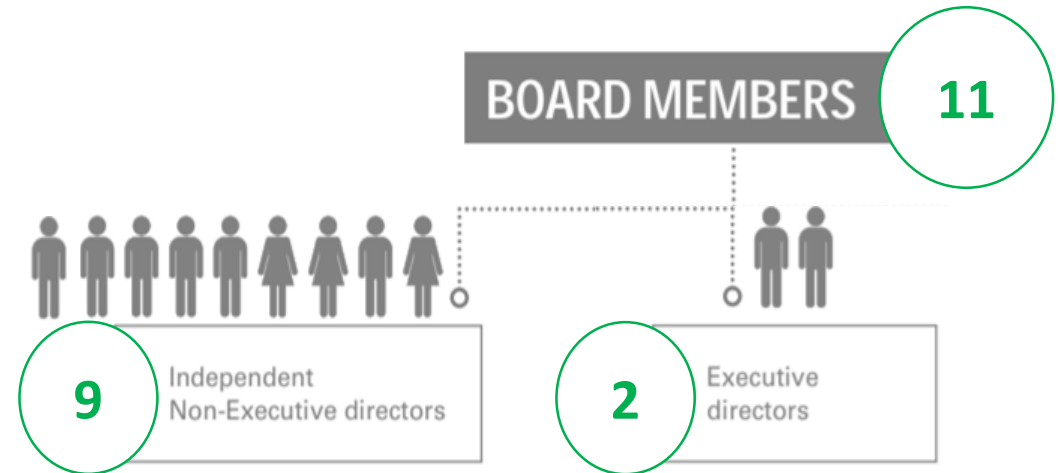
## Expertise & Succession

### Financial, investment & risk

- Mr Gobalsamy first appointed as non-exec then as Group FD
  - Specific skills set for this business phase
- Search for appropriate non-exec successor
- Enhance finance function

### Engineering:

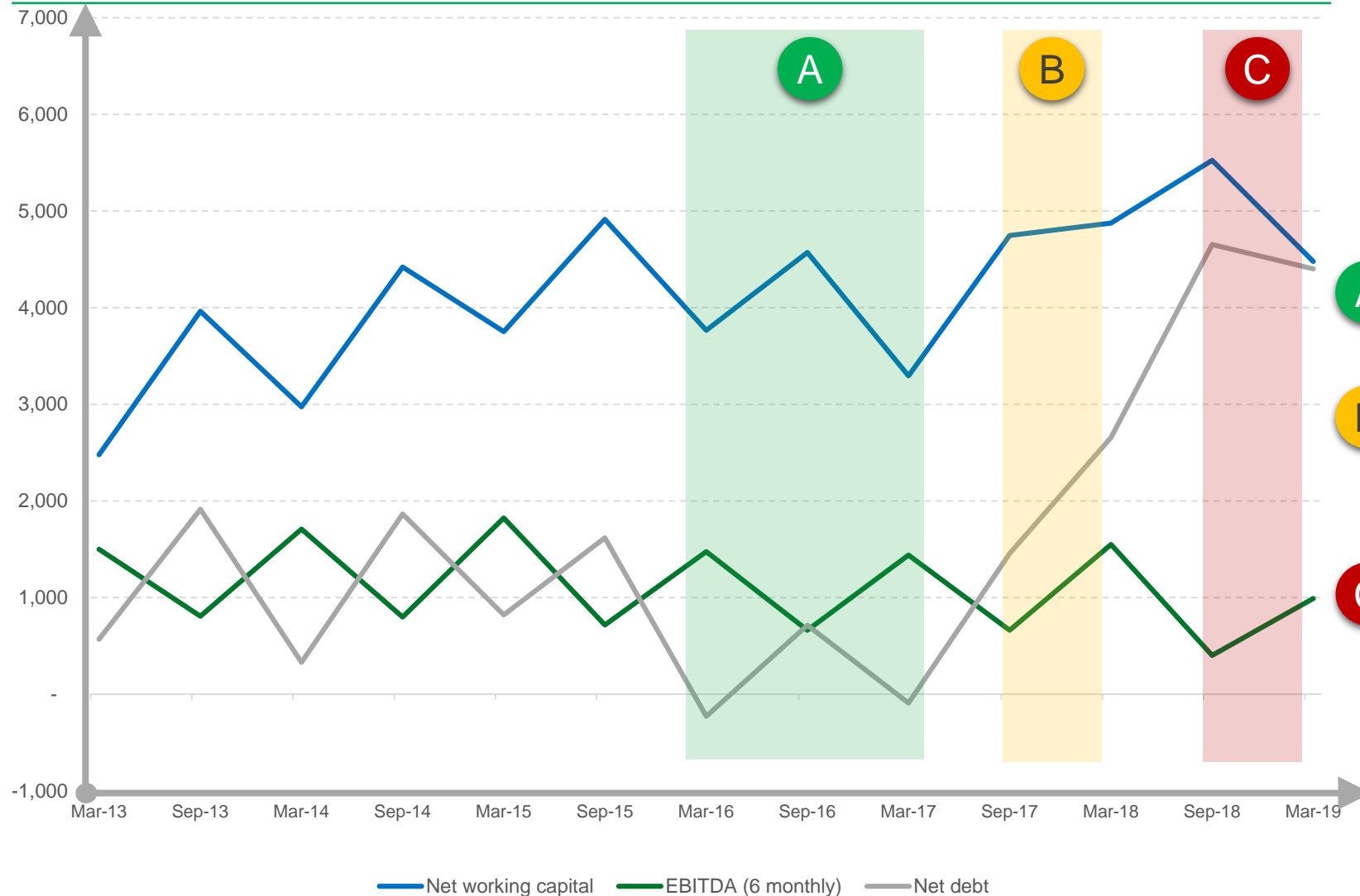
- Specific expertise sits with long-serving board members
- Searching for appropriate successors



**More work is being done to enhance skills and independence with an overlay of addressing diversity**

# Balance Sheet journey

Net debt, NWC, EBITDA  
R millions



Significant increase in debt as a result of:

- Organic expansion
- Inorganic growth
- Capex investment

A

- Relatively unleveraged position
- Decision base to leverage balance sheet to support growth

B

- Umongo Petroleum & Oro Agri acquisitions payments
- Microsoft Dynamics AX (ERP) purchase
- Nitrophosphate plant construction
- BME International expansion (organically)

C

- **Increased working capital funding due to:**
  - Agriculture Trading segment
  - Acquisitions / Peak debtor season

• **SENS announcements:**

- 20 Mar – Trading statement for FY19
- 23 Apr – Collaborative engagement with debt providers
- 30 May – Update on collaborative engagement with debt providers
- 6 Jun – Change of chairman
- 14 Jun – Further trading statement for FY19

# Plan to address debt



**Focus on delivery**

# A Short-term liquidity – Bridge loan

## Overview of Bridge loan

- The objective of the R6.8bn 12-month bridge facility is to take out Omnia's existing debt facilities
- The following banks will participate in the Bridge loan on an equal basis, notwithstanding their current exposures:
  - RMB;
  - Standard Bank;
  - Investec; and
  - ABSA
- The abovementioned banks will temporarily increase their respective exposures under the Bridge loan given the intention to take out institutional lenders who have limited flexibility
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- Drawdown of facility: 24 June 2019
- The Bridge loan will be partly repaid by the R2bn proceeds from the Rights Offer
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## Terms of Bridge loan

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  - Bridge loan: 12-months bullet term loan of R5bn
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## Facilities\* profile as at 31 March 2019

Current facilities – pre bridge	R'm	Drawn	Available	Total
	Short term		2 569	1 201
Long term		2 570	0	2 570
<b>Total</b>		<b>5 139</b>	<b>1 201</b>	<b>6 340</b>

Post Rights Offer facilities	R'm	Drawn	Available	Total
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\*South Africa only

# B R2bn new capital injection

## Rationale for the Rights Offer

- As at 31 March 2019 the reported net debt / EBITDA of Omnia was c.3.9x
- The leverage position is as a result of a combination of:
  - headwinds faced by Omnia's core businesses;
  - acquisitions, plant construction and associated working capital requirements; and
  - investment in overheads and working capital into new jurisdictions
- In order to ensure the Group's long-term sustainability, Omnia is proposing a prompt solution to de-risk its capital structure
- Why the Rights Offer is targeting R2 billion?
  - Debt levels post the rights offer would be within debt capacity
  - Provide the Group with adequate headroom in its debt facilities
  - Capital structure more closely aligned to peers
  - Improved cost of capital

## Terms of the Rights Offer

### Rights Offer

- **Amount:** R2bn
- **Underwriting:**
  - Stand-by volume underwrite from banks
  - Terms of hard underwrite to be finalised

## Pro-forma metrics

### Current metrics

Net debt	<b>R4,403</b>
Net debt / EBITDA	<b>3.9x</b>
Interest cover ratio	<b>2.4x</b>
Gearing	<b>61%</b>

### Pro forma metrics

Net debt	<b>R2,403</b>
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# Business update

responders  
5\$ each

8.4% conversion rate

costs :  $\frac{\$42,000}{8,843 / \text{buyer}}$

89%

Upcoming Campaign

Audience Size 1500

Response Rate  $\rightarrow$  10%  
(expect, how?)

Conversion Rate  $\rightarrow$  5.3%

average buyer purchase  $\rightarrow$  \$14,000

# Omnia context

## Business model change

“Creating customer wealth through knowledge”, backed by differentiated products and scientific research

Early 1990



2005



## Rapid growth

in mining and agriculture, hampered by a shortage of nitric acid and ammonium nitrate, resulting in investment in nitric acid complex, downstream plant and logistics renewal

## Omnia invested in RSA and region

and became asset heavy and dependent on the regional markets

2010



## Expand international footprint and grow core capabilities

Omnia invested in capabilities to solve for its customers CIP-based solutions. International expansion pursuit (now in 48 countries). Looking at various potential acquisition to diversify within current business lines

2016 -17



2018/9



## Economic and Climate Headwinds

After acquisitions and construction start Affected Omnia and its customers local and international, causing cost-conscious customer under financial pressure

# Omnia portfolio

With its vision of leaving a **better world** as a footprint, the Group's solutions promote the responsible use of chemicals for health, safety and a lower environmental impact → shift towards cleaner technologies



## Agriculture (c.44% Revenue)



## Mining (c.26% Revenue)



## Chemicals (c.28% Revenue)



<p>Main Portfolio</p>	<p><b>Omnia Nutriology:</b> ammonium nitrate-based fertilizer (granular, liquid, direct application), specialty fertilizers, AgriBio products, Farming R&amp;D and retail</p> <p><b>Oro Agri:</b> biostimulants, adjuvants, crop protection products, liquid foliar</p> <p><b>Innofert:</b> trading</p> <p><b>Axioteq:</b> consulting, analytics services</p>	<p><b>BME:</b></p> <p>Bulk emulsion, packaged explosive, initiating systems, blasting accessories, detonators</p> <p><b>Protea Mining Chemicals:</b></p> <p>Chemicals for Mining industry, value-added services</p>	<p><b>Protea Chemicals:</b></p> <p>Chemicals supply chain management (representing global companies in South Africa and Africa); Specialty chemicals</p> <p><b>Umongo Petroleum:</b></p> <ul style="list-style-type: none"> <li>• Lubricants, additives, base &amp; process oils</li> <li>• Distribution partner to global oil companies</li> <li>• Advanced technology through Chevron</li> </ul>
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Ammonium Nitrate:



Fertilizer requires the Nitrate

Explosives requires the Oxidiser

# Emerging trends and strategy

## Global emerging trends

- Environmental and health consciousness
  - Nutrient use efficiency (NUE)
  - Water use efficiency (WUE)
  - Regulation and cost of emissions
  - Resistance to toxic chemicals
- 4<sup>th</sup> Industrial revolution and 2<sup>nd</sup> green revolution
- Safety focus
- Global over-capacity of production resulting in over-supply

## Revision of Omnia strategy

### Trusted performance & Innovative solutions for a Better World

1. Operational efficiency – to compete with imports in existing markets
2. Create growth opportunities through global expansion
3. Commercialisation of Innovative solutions – asset light, based on intellectual property; to break out of current geographical boundaries

## Investments made for competitive advantage

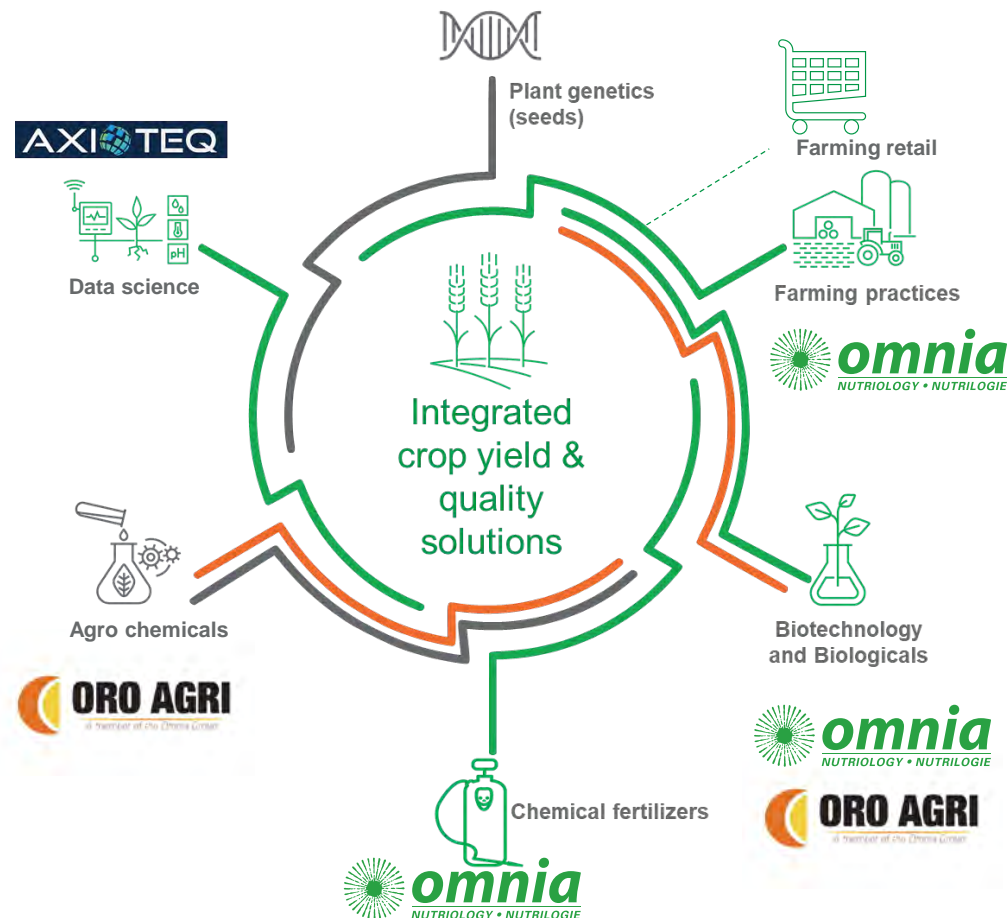
- **Microsoft Dynamics AX:** Operation efficiency, improved control environment & platform for global growth
- **Nitrophosphate plant:** Competitiveness with imports, supplier independence, lower impact on environment & further differentiation
- **Umongo Petroleum:** Growth in the chemicals sector on the back of a move to cleaner base oil technology
- **Oro Agri:** International expansion based on emerging trends & regulations in global markets; IP based
- **AXXIS™:** electronic detonator & modular production assembly technology to allow global expansion of BME

All IP based, with capital light business model | Ability to develop new global markets  
Investments being bedded down and represent a large cultural shift for Omnia and its stakeholders which will take time to mature

# Agriculture – our unique positioning

Omnia's brand is globally known for improving yield and providing state-of-the-art agriculture solutions  
 Growth opportunities exist in Africa (low fertilizer use compared to rest of world) and Rest of the world due to fears on health and a lower environmental impact

1 Omnia provides farmers with integrated solutions for sustainable and responsible food production



2 Omnia is the only provider of granulated fertilizer in Africa – now at lower cost

**Chemically Granulated**

- Each granule contains the same nutrients
- Uniform, predictable distribution
- Reduces risk

**Benefit on Farm**

**Bulk Blends**

- Difference in size, shape and density
- Granules segregate
- Uneven distribution of nutrients
- Increases risk

3 The integration of Omnia and Oro Agri provides both businesses with expanded market reach

High potential globally in AgriBio and Agro Chemical products – a 12%-18% growth market with no dominant player at the moment

# Mining – BME market positioning

BME has operations across 20 African countries, as well as Australia, South-East Asia and South America  
Recently secured operating licenses for USA & Canada

## 1 Complete range of high-quality blasting products & services with a focus on lower ‘total cost of ownership’ than competitors

- Highly stable & re-pumpable emulsion formulations allow for specialised use (e.g. larger sleep time)
- Modular automation plants and remote emulsion manufacturing facilities offer clients security & continuity of supply

## 2 New state-of-the-art detonators to be launched in FY2020 AXXIS™ Titanium

- AXXIS™ Titanium is built on the latest technology, which represents a step change in terms of utility & safety for users & adaptability to further developments in technology & digital solutions at a cheaper cost of production vs. existing products
- AXXIS™ Titanium technology is adaptable to new developments such as wireless

## 3 International expansion to key markets largely completed

- Product registrations obtained
- International distribution channels: have been developed
- Competing in DRC & Indonesia with secured local partnerships
- In Africa, Nitrophos plant reduced input cost will allow for higher margins & Omnia is only one with excess capacity of nitric acid
  - Positioned for new customers growth & market upturn



# Entrenched Market position

## Protea Chemicals key differentiators:

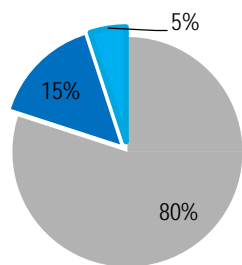
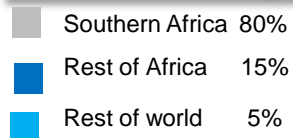
- Large portfolio of products & technical expertise = **proven strategic partner to customers and suppliers** (distribution & sales for suppliers)
- Distribution network – closer to customers than competitors & valued for its supply chain efficiencies, e.g. offer turnkey solutions for customers

Strategic fit – common competency & markets

## Umongo Petroleum key differentiators:

- Established & respected brand
- Formulation & design of lubricants, base oils and specialities
- Unique distribution network for additives & base oil products opportunities to further grow into Africa
- Strategic partnerships with Chevron & other large base product suppliers
  - Chevron offers access to Grade 2 base oils which is cleaner technology for modern & environmentally friendlier vehicles
  - Umongo will benefit from access to Grade 2 base oils as demand shifts from grade 1 to grade 2

### Space to grow internationally



### Strong supply partnerships

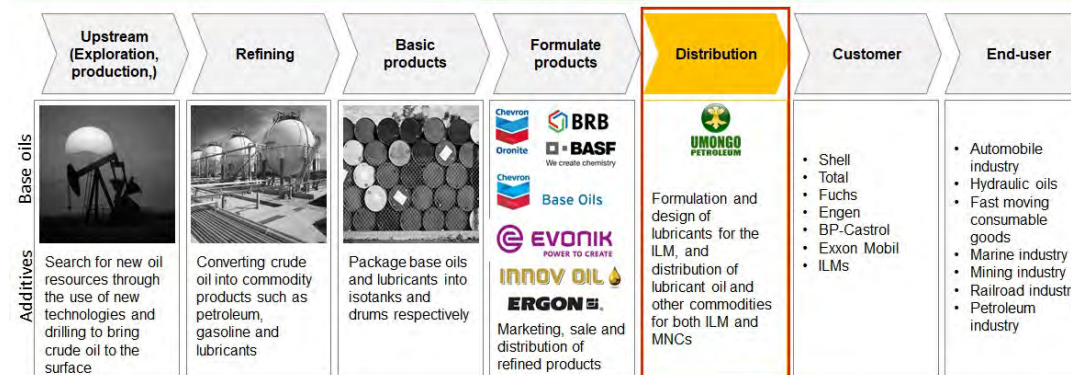


### Sticky large customers



Strategic fit – common partnerships create extended relationship


### Petrochemical Value Chain





# Financial results




# SNAPSHOT OF FY2019


 **REVENUE INCREASED**  
BY 7% FROM R17.4 BILLION  
TO R18.6 BILLION

 **OPERATING PROFIT DOWN**  
98% FROM R1 156 MILLION  
TO R24 MILLION

 **LOSS BEFORE TAX**  
FROM R886 MILLION PROFIT  
TO R414 MILLION LOSS

 **LOSS AFTER TAX**  
FROM R664 MILLION PROFIT  
TO R407 MILLION LOSS

 **EARNINGS PER SHARE**  
DOWN FROM 985 CENTS  
PROFIT TO (609) CENTS LOSS

 **HEADLINE EARNINGS  
PER SHARE DECREASED**  
FROM 991 CENTS PROFIT TO  
(112) CENTS LOSS

 **CAPITAL RESTRUCTURE**  
AND R2 BILLION RIGHTS ISSUE  
ON TRACK



**RECORDABLE CASE RATE**  
OF **0.36**  
IMPROVED FROM 0.47  
IN PRIOR YEAR



**NITROPHOSPHATE  
PLANT AT SASOLBURG**  
**COMMISSIONED**  
**24 MARCH 2019**



**ACQUISITION OF  
ORO AGRI FOR**  
**USD100 million**  
COMPLETED 1 MAY 2018



**BBEE RATING**  
**LEVEL 3**

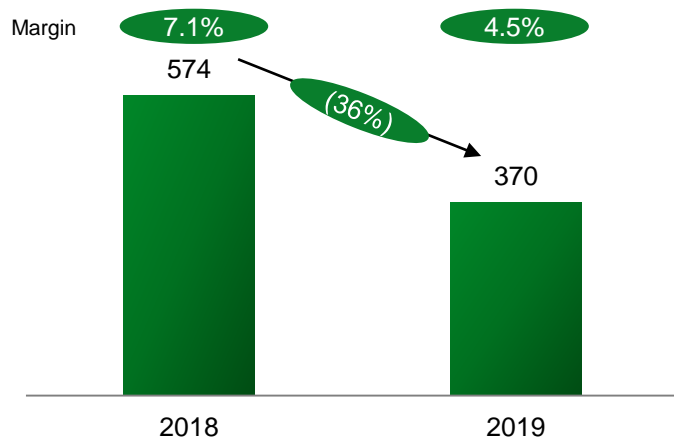
# Macro environment has impacted operational performance

Over the last 5 years earnings have been impacted by commodity price fluctuations, economic stagnation and a volatile Rand

## Agriculture

- ✗ Low prices for key agricultural commodities has reduced fertilizer demand
- ✗ Impact of drought and adverse weather patterns on planting patterns
- ✗ Agriculture earnings profile has also been impacted by ammonia/urea prices and Dollar exchange rate
- ✓ Increasing use of technology to maintain and increase crop yield

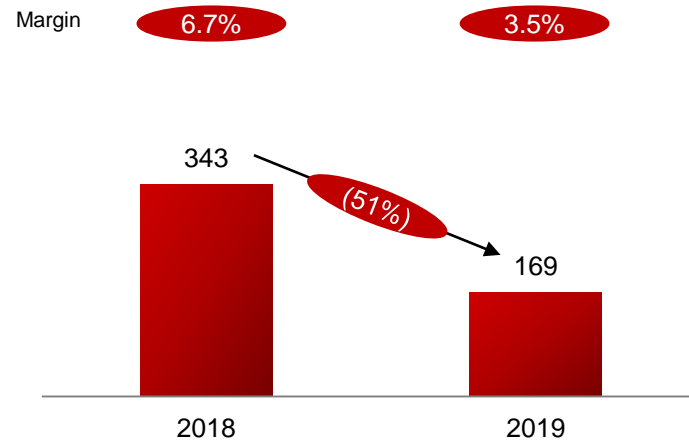
### Operating profit (Rm)



## Mining

- ✗ BME's core operations impacted by exogenous factors including economic downturn, political uncertainties and regulatory pressures
- ✗ Cost inflation due to rising raw material and energy costs resulting in margin erosion
- ✗ Increased competition and oversupply of explosives, leading to local margin pressure
- ✗ Price pressure on all mining supplies as a direct result of cost cutting activities in mining sector

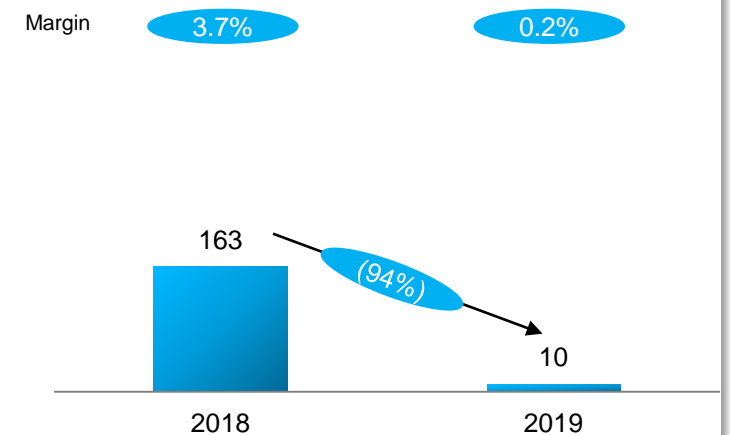
### Operating profit (Rm)



## Chemicals

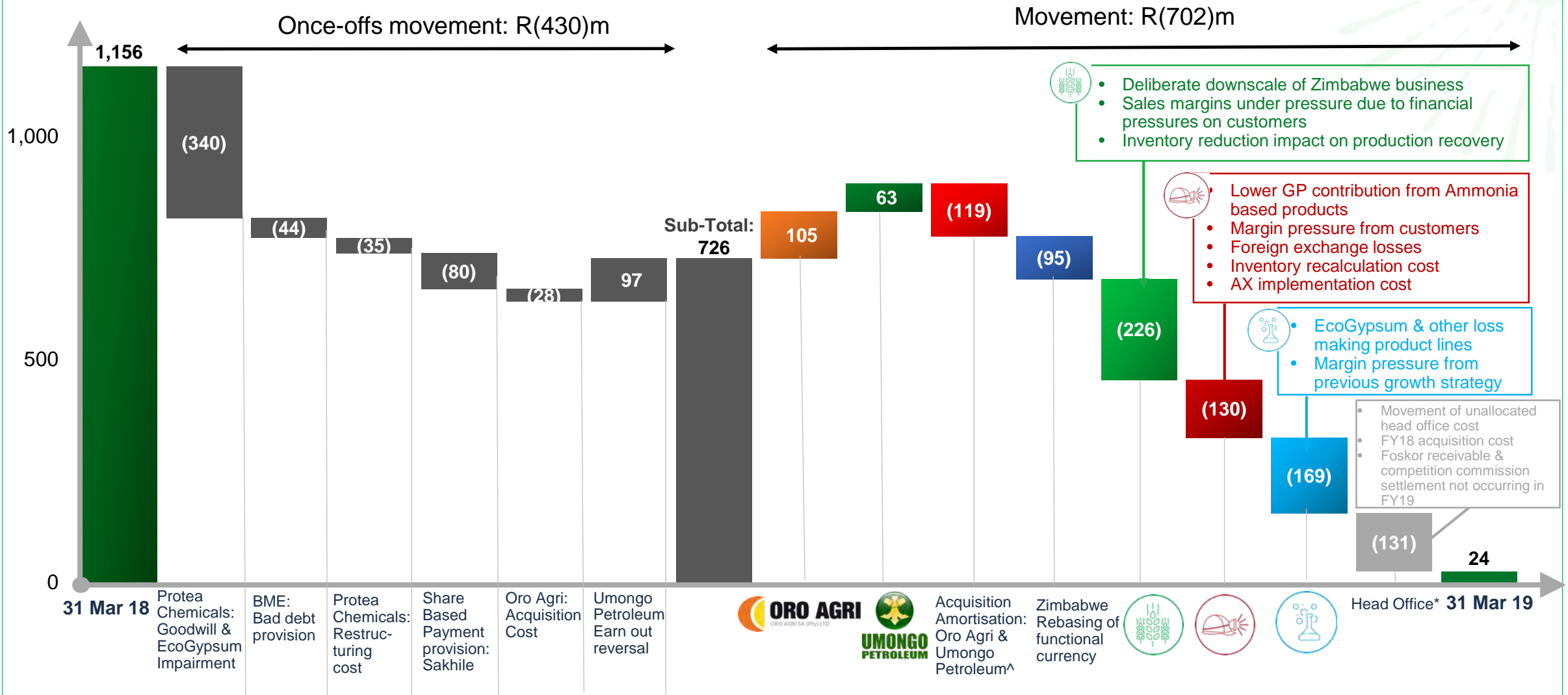
- ✗ SA manufacturing sector stagnation has suppressed chemical demand
- ✗ Low oil price filtering through into reduced pricing on oil-based products
- ✗ Chemicals users demand more value from suppliers, pushing costs towards suppliers
- ✓ Increased demand for specialised product and service solutions across various sectors including food, oil and gas

### Operating profit (Rm)



Note that the difference between the reported segmental operating profit and Group operating profit is attributable to unallocated Head-Office costs. Refer to slide 30 for unpacking of movement relating to Head-Office operating loss reported of R525m

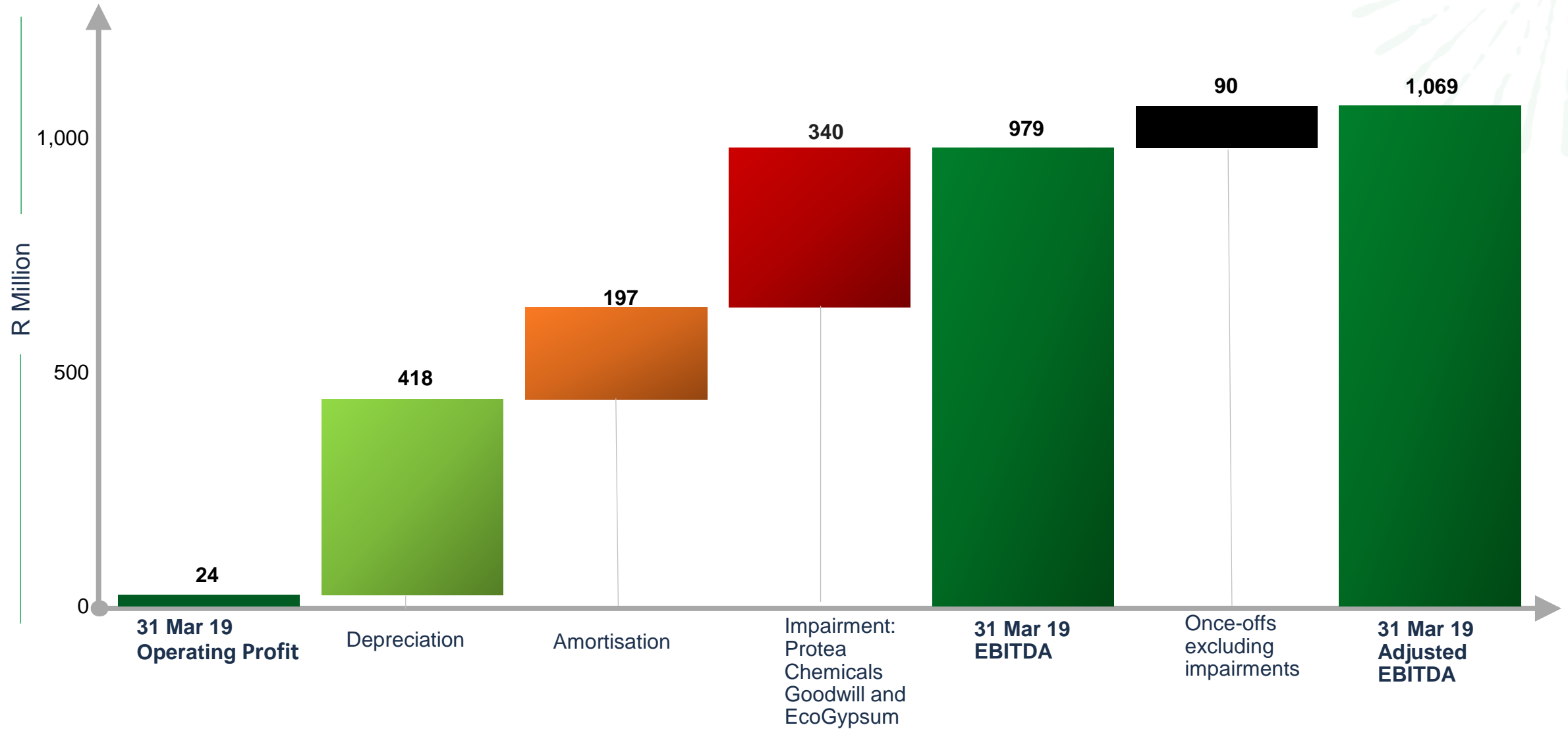
# Movement in operating profit



\* Refer to annexure for unpacking of Head-Office movement relating to Group operating profit reported of R24m

<sup>^</sup> Representing the movement in the amortisation relating to the acquisitions (FY18: R16m and FY19: R135m)

# Adjusted EBITDA of c.R1.1bn



# Income statement

Rm	31 Mar 2019*	%	31 Mar 2018	Comments
Revenue	18 628	7	17 372	First-time inclusion of Oro Agri and a full year Umongo Petroleum
Cost of sales	(14 495)	(8)	(13 462)	
<b>Gross profit</b>	<b>4 133</b>	<b>6</b>	<b>3 910</b>	
Distribution expense	(2 140)	(18)	(1 815)	Excluding the acquisitions movement year on year of R230m, increased by 4.6% on the back of higher fuel prices
Administrative expenses	(1 500)	(22)	(1 233)	
Other operating income	325	(30)	461	R96m insurance claim, R97m reversal of the earn out provision for Umongo Petroleum. Prior year included a forex gain of R102m compared to R130 million loss in FY19. R155m Foskor debtor reinstatement in FY18
Other operating expenses	(384)	(80)	(213)	R119m additional amortisation from acquisitions
Impairment losses on non-financial assets	(340)	>(100)	-	R324m goodwill impairment, R16m asset impairment
Impairment losses on financial assets	(97)	>(100)	-	
Share of net profit of investments: equity method	27	(41)	46	
<b>Operating profit</b>	<b>24</b>	<b>(98)</b>	<b>1 156</b>	Impact from Zimbabwe functional currency change of R95m
Net finance charge/(expense)	(438)	(62)	(270)	Higher debt with two acquisitions and R80m capitalised for nitrophosphate plant in the current year
<b>(Loss)/profit before taxation</b>	<b>(414)</b>	<b>&gt;(100)</b>	<b>886</b>	
Income tax expense	7	>100	(222)	R55 million tax incentive accounted for the nitrophosphate plant
<b>(Loss)/profit for the period</b>	<b>(407)</b>	<b>&gt;(100)</b>	<b>664</b>	
<b>Operating margin</b>	<b>0.1%</b>		<b>6.7%</b>	

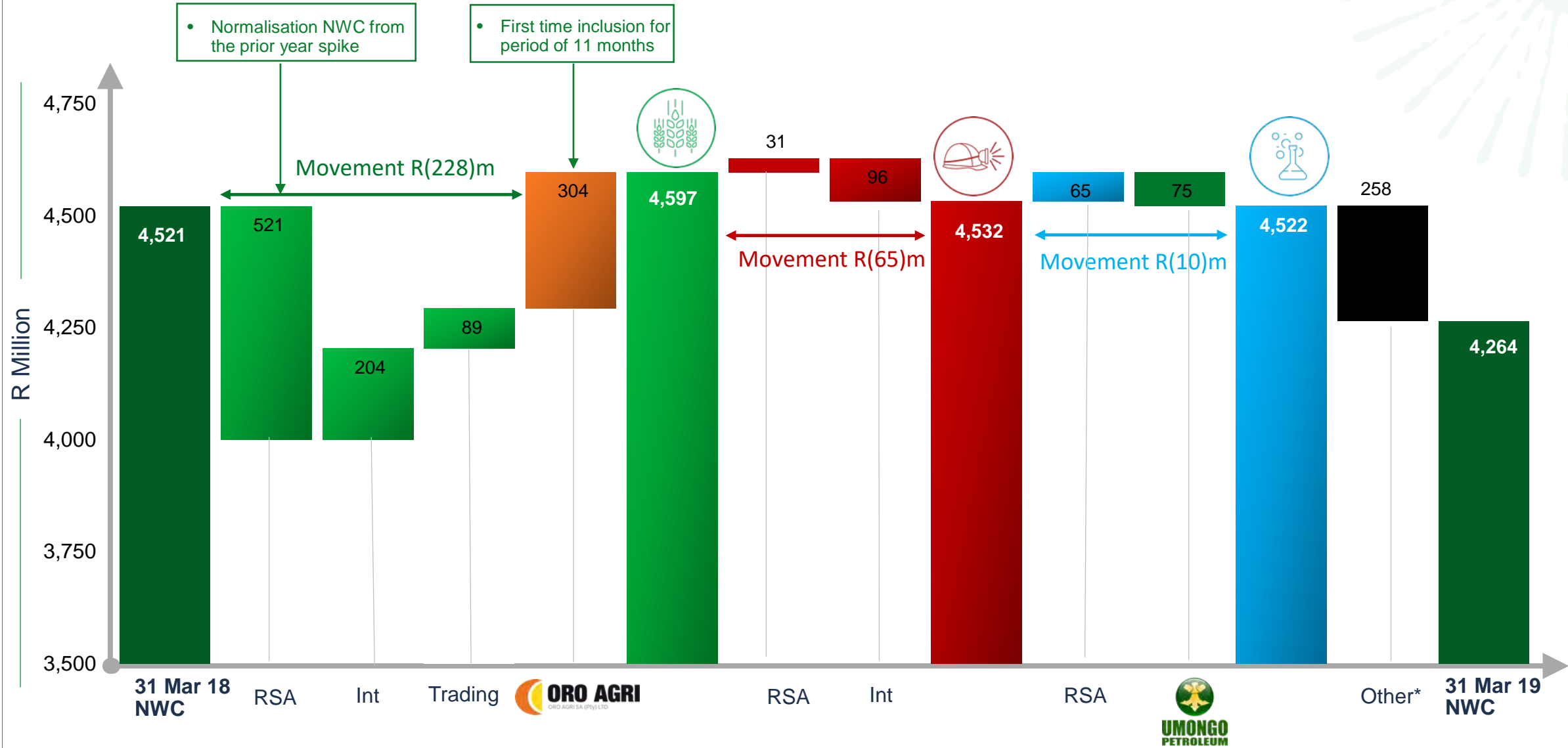
\* Movement also due to: Umongo Petroleum included for period of 12 months (FY18: 4 months); Oro Agri for a period of 11 months (FY18: nil months)

# Balance sheet

Rm	31 Mar 2019*	%	31 Mar 2018	Comments
<b>Non-current assets</b>	<b>8 140</b>	<b>32</b>	<b>6 181</b>	Acquisition of Umongo Petroleum and Oro Agri; construction of Nitrophosphate plant (commissioned in March 2019) and the implementation of Microsoft Dynamics AX
<b>Current assets</b>	<b>8 507</b>	<b>(8)</b>	<b>9 221</b>	
Inventories	3 883	(7)	4 190	A reduction despite the first time inclusion of Oro Agri
Trade and other receivables	3 838	4	3 686	First time inclusion of Oro Agri
Other current assets	142	(39)	234	
Cash and cash equivalents	644	(42)	1 111	Utilised cash from various jurisdictions to reduce debt and devaluation in Zimbabwe
<b>Total assets</b>	<b>16 647</b>	<b>8</b>	<b>15 402</b>	
<b>Total equity</b>	<b>7 225</b>	<b>(4)</b>	<b>7 483</b>	
Deferred tax	733	10	666	Acquisition of Umongo Petroleum and Oro Agri
Trade and other payables	3 613	1	3 568	Excluding Oro Agri, a reduction in line with lower inventories
Other current liabilities	29	(9)	32	
Debt – short and long-term	5 047	38	3 653	Funding for construction of the Nitrophosphate plant and working capital requirements
<b>Total equity and liabilities</b>	<b>16 647</b>	<b>8</b>	<b>15 402</b>	
<b>Net debt</b>	<b>4 403</b>		<b>2 542</b>	
<b>Net working capital</b>	<b>4 264</b>		<b>4 521</b>	NWC includes provisions and non-current trade receivables, payables and derivatives

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# Movement in net working capital



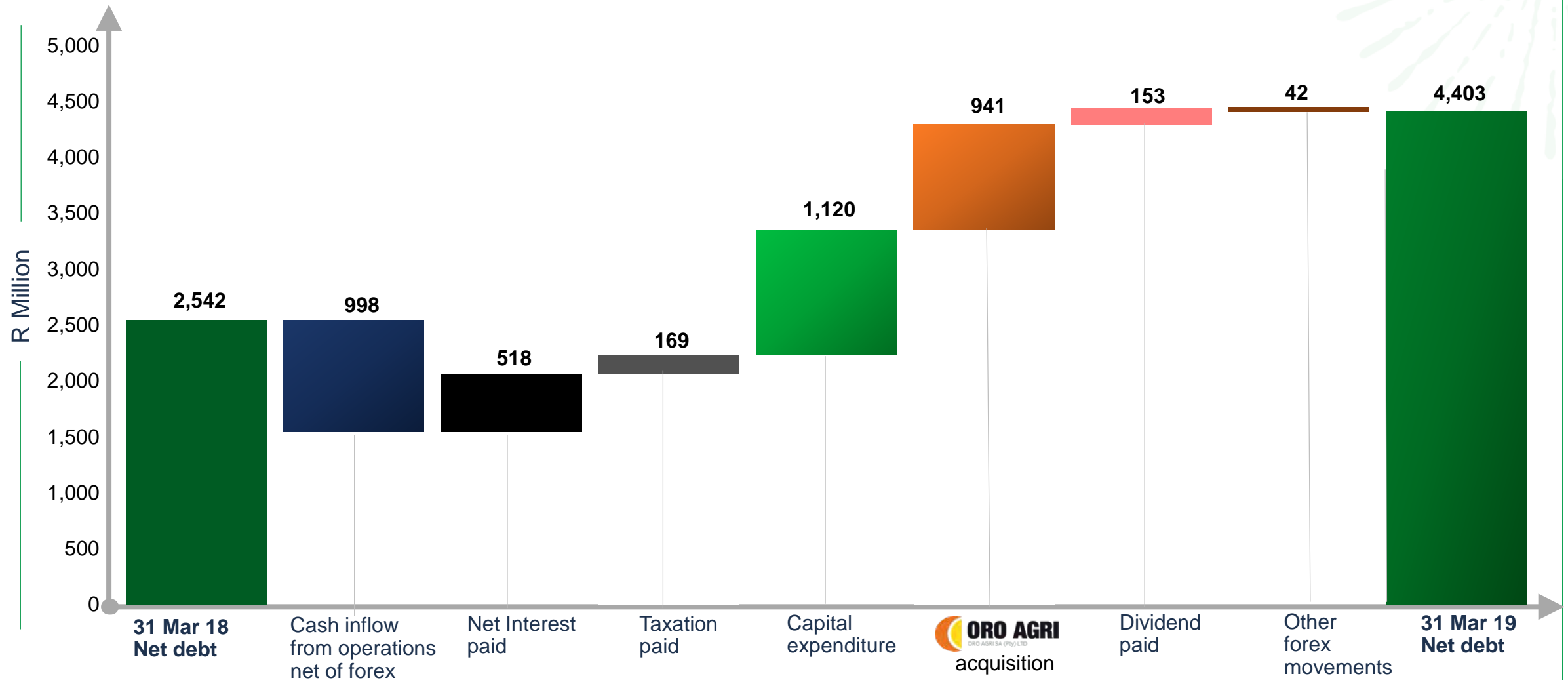
\* Including retention payable for Oro Agri

# Cashflow statement

Rm	31 Mar 2019*	31 Mar 2018	Comments
<b>Net cash (outflow)/inflow from operating activities</b>	<b>311</b>	<b>(767)</b>	
Cash (utilised by)/generated from operations	1 443	(30)	Operating cash and working capital movements
Non cash forex impact	(445)	(103)	
Interest paid	(561)	(335)	Including capitalised interest
Interest received	43	42	
Income taxes paid	(169)	(341)	
<b>Net cash outflow from investing activities</b>	<b>(2 059)</b>	<b>(1 452)</b>	
Purchase of PP&E	(977)	(721)	Purchase PPE incl. nitrophosphate plant
Proceeds on disposal of PP&E	2	13	
Additions to goodwill, intangible and other assets	(143)	(166)	Addition of intangibles incl. Microsoft Dynamics AX
Acquisition of a business	(941)	(578)	Acquisition of Oro Agri
<b>Net cash inflow from financing activities</b>	<b>1 463</b>	<b>601</b>	
Movement in treasury shares	-	(3)	
Repayment of debt	(111)	(29)	
Debt raised	1 727	940	Funding of nitrophosphate plant and working capital
Minority shareholder buyout	-	(45)	
Dividends paid	(153)	(262)	
<b>Net decrease in cash and cash equivalents</b>	<b>(285)</b>	<b>(1 618)</b>	
Net cash & cash equivalents - beginning of period	(1 459)	262	
Exchange rate movements	131	(103)	
<b>Net cash overdraft balance at end of period</b>	<b>( 1 613)</b>	<b>(1 459)</b>	
Long-term debt	(45)	(1 068)	Reclassification of long-term debt to short-term debt
Net debt	<b>(4 403)</b>	(2 542)	

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# Movement in net debt



# Plan to address debt

## IMMEDIATE FOCUS

### FY2020

Stabilise &  
Fix

- A** Short-term liquidity – Bridge loan
- B** R2bn capital injection
- C** Addressing operating leverage
- D** Reducing working capital
- E** Reduction in capex

### FY2021

Strategic  
Review

Group Strategic rejuvenation

- Group restructure implementation (Shared Services and Centers of Excellence)
- Leverage product portfolio in existing geographies
- Competency review

### FY2022

Grow

BU Geographic expansion

## Focus on delivery

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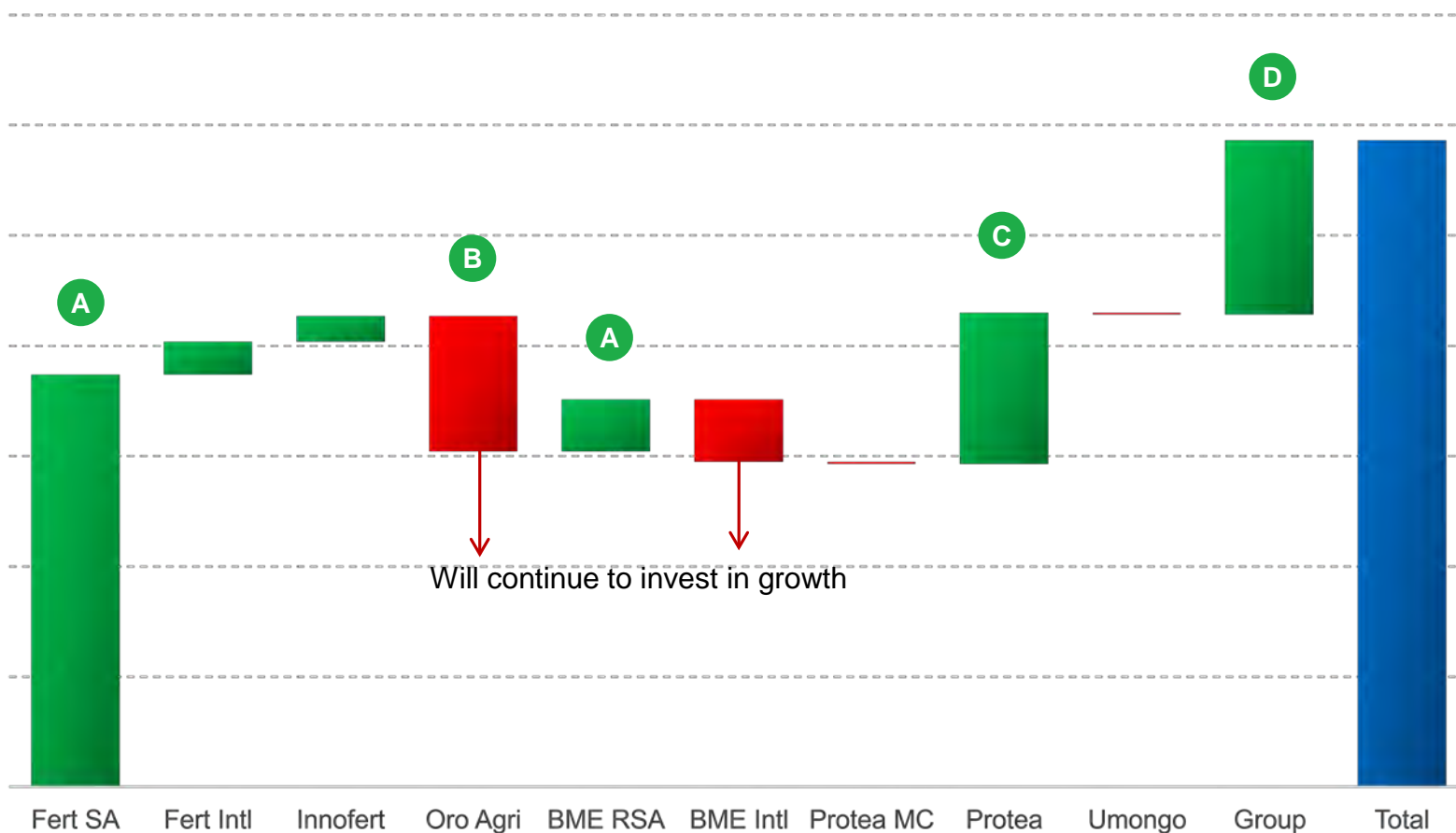
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# C Addressing operating leverage in FY2020

Targeted expense savings of R293 million (after restructuring costs)

R million



## COMMENTS

- A** Agriculture RSA and Mining RSA include restructuring plans
- B** Additional Oro Agri expenditure to support growth strategy
- C** Protea Chemicals realises savings as a result of FY19 restructure, including once-off costs
- D** Non-recurring Group costs relating to the Oro Agri acquisition and Sakhile in 2019
  - Overheads remain stable despite overall inflationary increases in the base, growth in depreciation and amortisation (c.R100m), increase of electricity and water costs (c.R70m) and staff costs (c.R80m)
  - Omnia anticipates further material cost savings of c.R200 million, not budgeted for, which can be achieved post recapitalisation, by collapsing the operating and Group structure

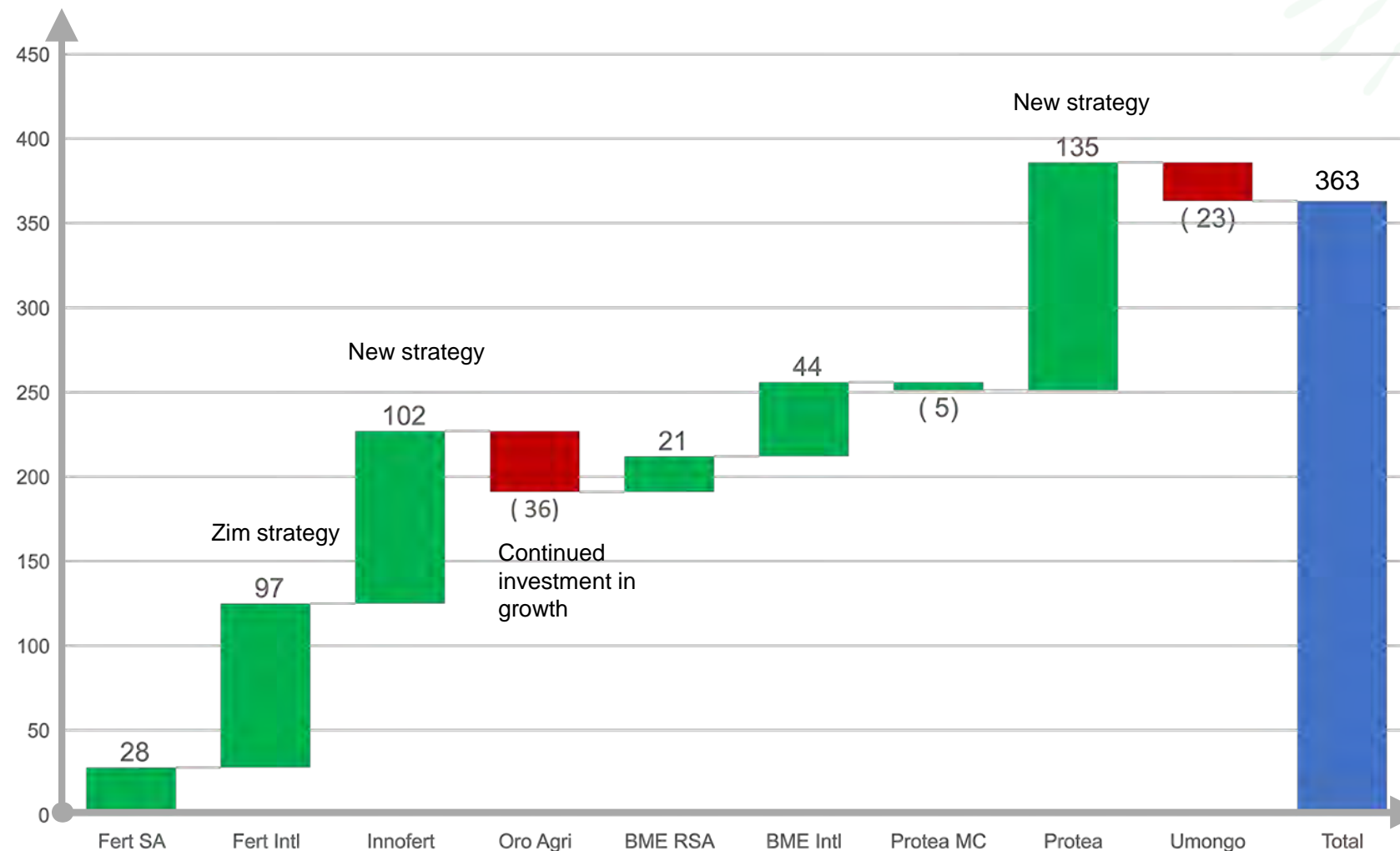
# D Reducing working capital

## Commentary

### Planned working capital reduction initiatives:

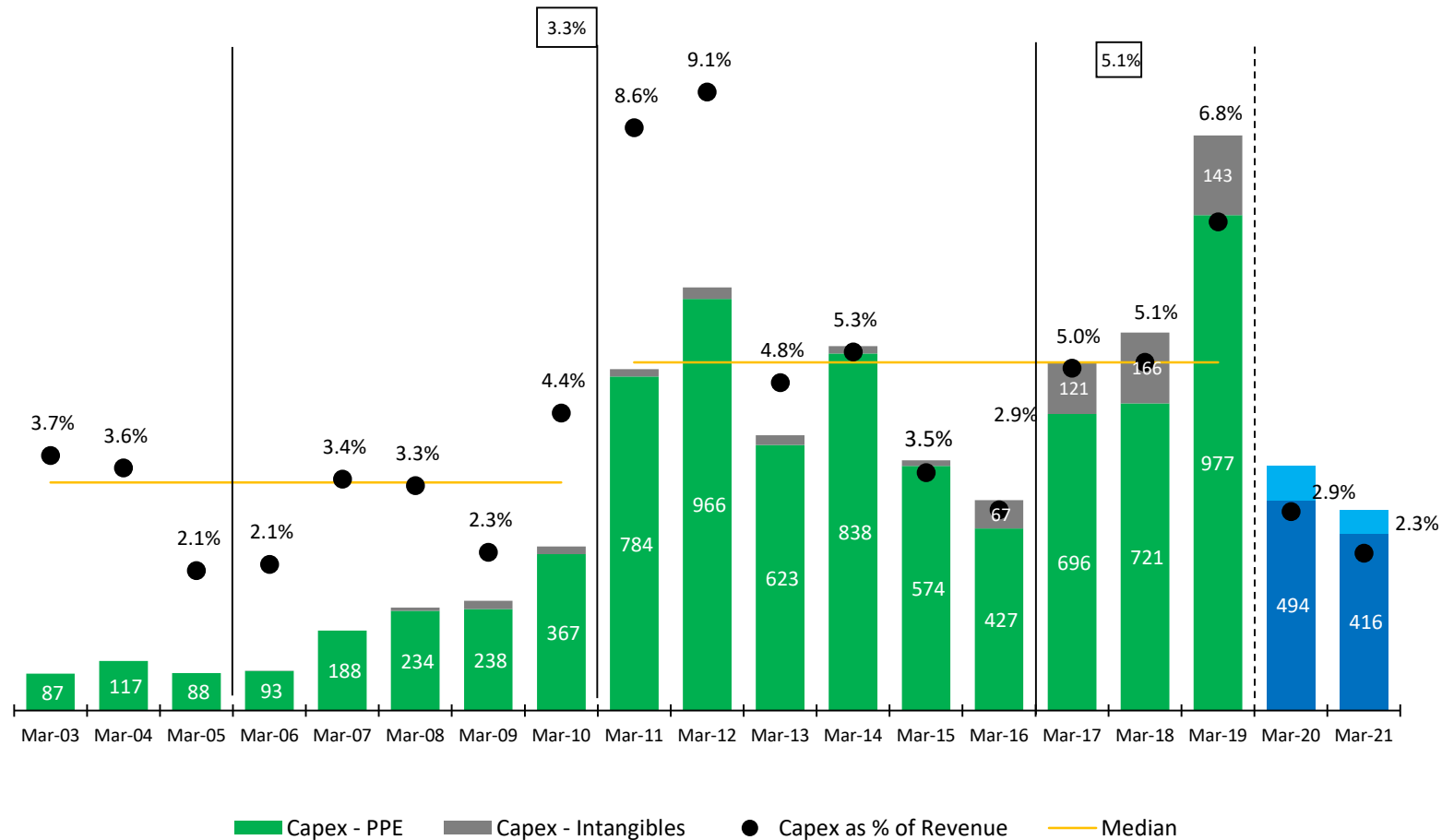
- Agriculture RSA will enter into trade sales with distributors to utilise excess capacity from Sasolburg
- Inventory reduction across Agriculture International, Agriculture Trading and Protea Chemicals
- Focus on debtor collection and terms
- Creditor terms are in the process of being re-negotiated where possible

Inventory reductions  
R million



# E Reduction in capex

Significant reduction in capex  
R million



## Commentary

- Omnia has reached the end of its recent capex programme
- Historical capex spend attributable to:
  - Nitric acid plant
  - Nitrophosphate plant
  - Microsoft dynamics AX system
  - Facilities upgrade
  - Environmental upgrades
  - BME expansion
- Maintenance capex of c.R250m expected to continue in the medium term
  - Largest recurring maintenance capex relates to Sasolburg manufacturing facilities



# The way forward



## INITIATIVES

### **ADDITIONAL VOLUMES**

- Cross selling of Omnia & Oro Agri products across a growing distribution platform and leveraging Oro Agri's proven track record in patents and trademark registrations and R&D
- Trade sales to fertilizer and explosives market resulting in higher volumes through factories and the resultant reduction in unit cost



### **IMPACT OF NITROPHOSPHATE**

- Reduction of input costs attributable to nitrophosphate plant will provide Omnia with a fundamental advantage over competitors from a price and market differentiation perspective



### **CAPITAL LIGHT MODEL**

- Focus on growing capital light business which leverages off existing marketing and distribution channels and Omnia's intellectual property

## OUTLOOK



### **SOUTH AFRICA**

- Customer base remains stable
- Exiting capex investment cycle
- Largest South African nitric acid manufacturer with a competitive advantage as a result of investment in abatement technology and upgrade of manufacturing facilities to meet world class standards:
  - Negligible exposure to carbon tax
  - Spare capacity allows for growth when market returns and expected reduction in South African supply
  - Youngest plants resulting in efficient conversion and lower cost per ton produced
- Forecasted ammonia and urea price ratio is expected to support margins

## INITIATIVES

### + ADDITIONAL VOLUMES

- K-Humate (high margin & low working capital) increased production capacity (Australia) & Oro Agri distribution channels
- Oro Agri (high margin & low working capital)
  - registration of new products
  - extended labels for increased market reach
  - new distribution channels into high growth markets for organic products
    - supported by a general market transition to environmentally friendly
    - health-promoting products
    - high cost of developing & registering traditional molecules
- Cross selling of Omnia & Oro Agri products across a growing distribution platform
- Leveraging Oro Agri's proven track record in patents & trademark registrations and R&D

## OUTLOOK



### INTERNATIONAL

- Portugal platform creates:
  - lower friction R&D & registrations
  - low cost entry point into EU and associated countries
  - reduced cost of production
- Positive outlook for Agri Bio market
- Vivagro settlement
- Reduction in Zimbabwean volumes expected
  - wait and see approach with focus on liquidating cash from Zimbabwe

## INITIATIVES



### STRATEGIC RESPONSE

- Traditionally operated with an expense base structured to support aggressively growing sales & quick mobilisation to take advantage of opportunities
- Mining activity been muted in established jurisdictions & higher growth jurisdictions, such as West Africa, have proved to be subscale with high operating costs
- Increased weighted average distance between RSA & point of sale resulted in lower margins being achieved & increased working capital requirements due to length of supply chain
- In process of restructuring to eliminate overheads that relate to earnings streams that do not deliver an appropriate return on capital whilst rightsizing in line with the muted short term growth opportunities
- Renegotiation of contracts & aligning operations where there is a misalignment between contracted services and mine requirements to improve operating margins
- A review of jurisdictions and mining activities is in process



### AXXIS™ Titanium

- Existing detonator options available to the market are highly commoditised
- AXXIS™ Titanium is built on the latest technology, which represents a step change in terms of utility and safety for users as well as being adaptable to further developments in technology and digital solutions in higher demand by mining customers
- Cheaper cost of production vs. existing products
- Own developed modular automated assembly lines allows for flexibility and scalability

## OUTLOOK



### TRADING

- Volumes in excess of expectations



### SOUTH AFRICA

- Customer retention remains stable and volumes trending up
- Awarded new iron ore contracts in Northern Cape
- Negligible exposure to carbon tax



### INTERNATIONAL

- Licence and business acquired in the DRC
- Mali's Fekola mine has hit hard rock which will drive increased sales
- New deal concluded in Indonesia for blasting services, detonators and emulsion; a breakthrough for BME in Indonesia and a base for further growth
- North American business has gained traction and is generating positive cash flows
- Zambia used oil facility lowers cost of servicing local market
- Australian outlook is challenging as a result of detonator only product suite



### SAFETY AND TECHNOLOGY

- Safety track record and technology supported by AXXIS™ is increasingly a competitive advantage in securing contracts

## Protea Chemicals

- New management & strategy in place
- Strategic focus on key suppliers and customers of various sizes, reached through an extensive distribution network and established brand, to
  - provide services and solutions for a lower environmental impact and improved safety
  - unlock productivity improvements
  - drive continuous improvement for customers
  - grow together with expanding customers
- Implementation of flexible business model reduce cost to serve smaller customers by 20%
- Targeted savings of R75m implemented in FY2019 with further savings of R25m targeted for FY2020
- Potential for higher margins and more stability in speciality chemical segments
- Exiting EcoGypsum market and other loss making products
- Recovery in sales margins realising
- Reduction in inventory planned in line with new strategy



## Umongo Petroleum

- Expense base has been reduced
- Integration with Protea Chemicals has progressed i.e. clearing and forwarding and warehousing
- Established & respected brand
- Formulation & design of lubricants, base oils and specialities
- Unique distribution network for additives & base oil products
- Strategic partnerships with Chevron & other large base product suppliers
  - Chevron offers access to Grade 2 base oils which is cleaner technology for modern & environmentally friendlier vehicles
  - Umongo Petroleum will benefit from access to Grade 2 base oils as demand shifts from grade 1 to grade 2





# Conclusion



# Strategic outlook summary



- Cost reduction RSA
- Nitrophosphate plant benefits
- Grow Fertilizer International and Oro Agri
- New trading strategy (Innofert) reducing NWC significantly



- Grow in new markets
- Launch AXXIS™ Titanium to increase competitive advantage
- Increase margins by reducing input cost and efficiency gain in international markets
- Nitrophosphate plant benefit



- Restructure complete
- Integration of division creating higher supply chain efficiencies
- Grow key relationships
- New strategy implementation with further cost saving
- Cutting low return product lines



## OMNIA

- New operating model
- Realise synergies across the Group
- Drive efficiency



- Significant NWC reduction
- Capex reduction (end of cycle)
- Volume growth through leverage of our competitive advantages built
- Capital restructure

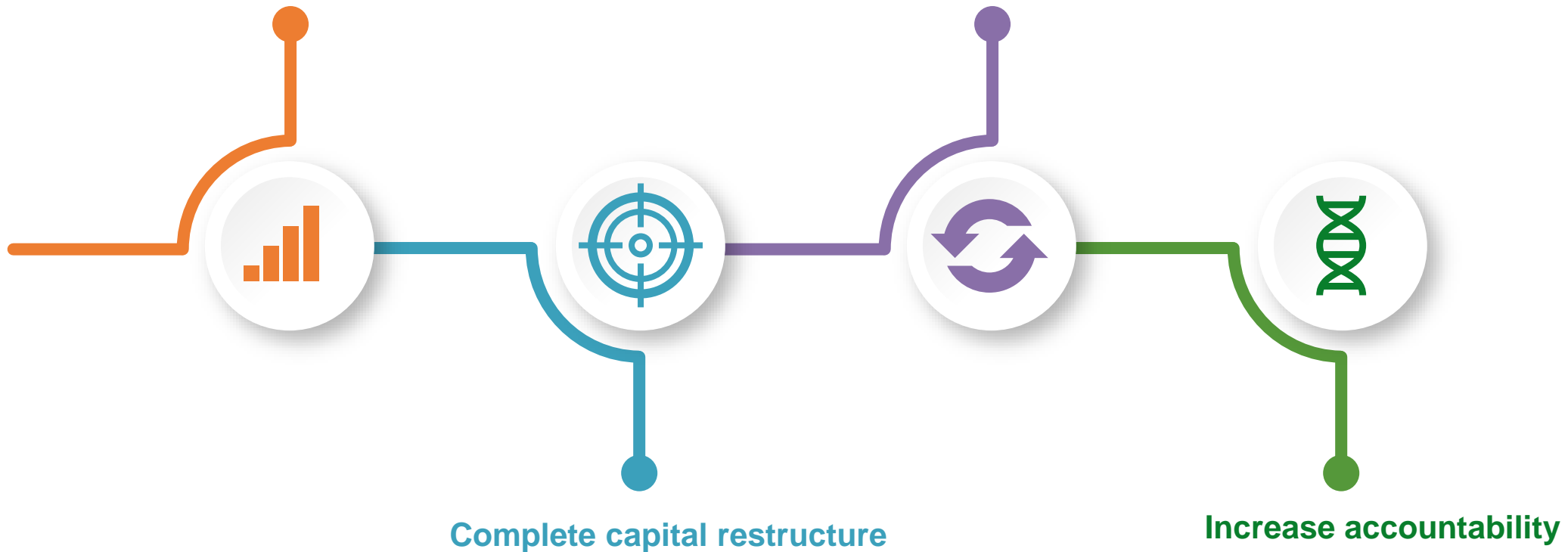
Increased free cashflow & Return on Invested Capital

# Conclusion

## Focus on execution

### Focus on cash generation

- Reduce operating leverage
- Manage working capital
- Capex expenses



**OMNIA IS A SOUND BUSINESS WITH A GOOD INVESTMENT CASE**



# Questions



# Forward looking statements

Throughout this report there are certain statements made that are 'forward-looking statements'. Any statements preceded or followed by, or that include the words 'forecasts', 'believes', 'expects', 'intends', 'plans', 'predictions', 'will', 'may', 'should', 'could', 'anticipates', 'estimates', 'seeks', 'continues', or similar expression or the negative thereof, are forward-looking statements. By their nature, forward-looking statements are speculative and allude to known and unknown risks, opportunities, macroeconomic issues and any factors that could cause the actual results, performance or achievements of the Group to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and reflect the Group's view at the date of publication of this report. The Group is not obliged to publicly update or revise these forward-looking statements for events or circumstances occurring after the date of publication of this report. Any forward looking statement contained herein based on current trends and/or activities of the Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Forward-looking statements should not be relied on because they involve uncertainties and known and unknown risks which risk factors are described throughout the commentary in this report, and include economic, business and political conditions in South Africa and elsewhere.



Comprehensive additional information is available on our website: [www.omnia.co.za](http://www.omnia.co.za)

Or email queries: [omnialR@omnia.co.za](mailto:omnialR@omnia.co.za)



# Annexures



# Delivering against strategy

AXXIS™ Titanium detonators to be launched

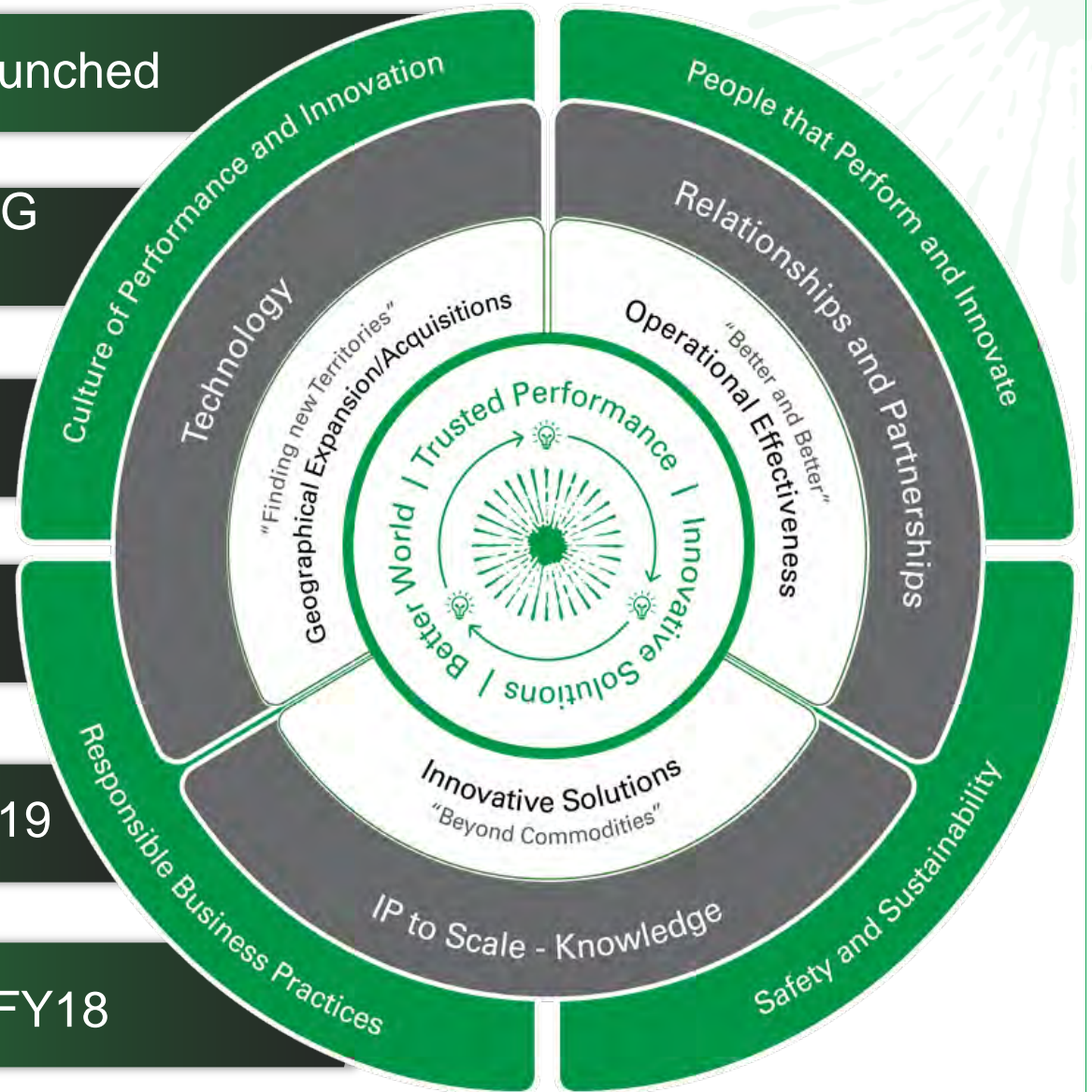
Climate Change Mitigation Strategy – GHG Abatement

Oro Agri & Umongo Petroleum acquisition

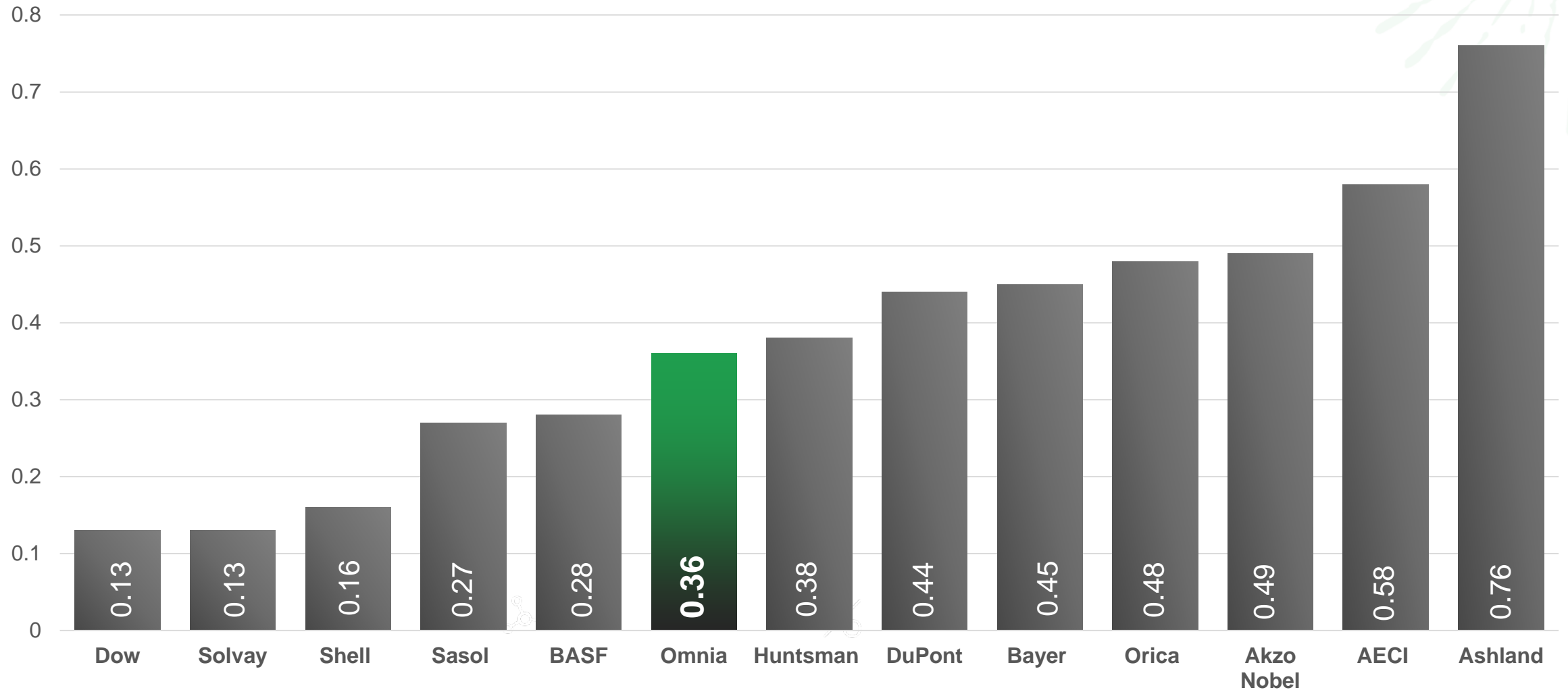
RCR of 0.36 (FY18: 0.47)

Nitrophosphate plant start-up 24 March 2019

Level 3 BBBEE unchanged from FY18



# RCR – Safety performance benchmarked against industry performance

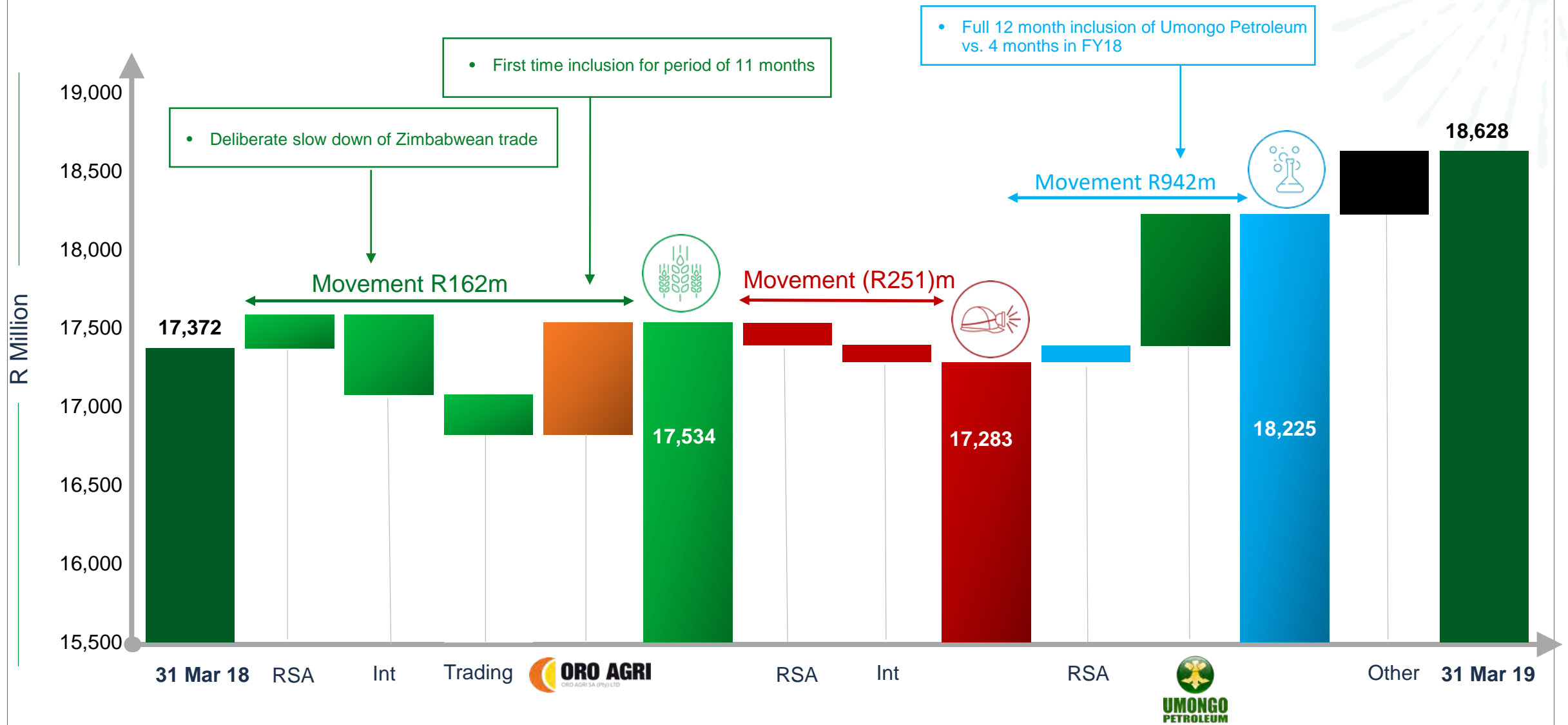


\* The RCR rates relate to the 2018 and 2019 years for companies, depending on when the RCR rate was published; Omnia rate as at 31 March 2019

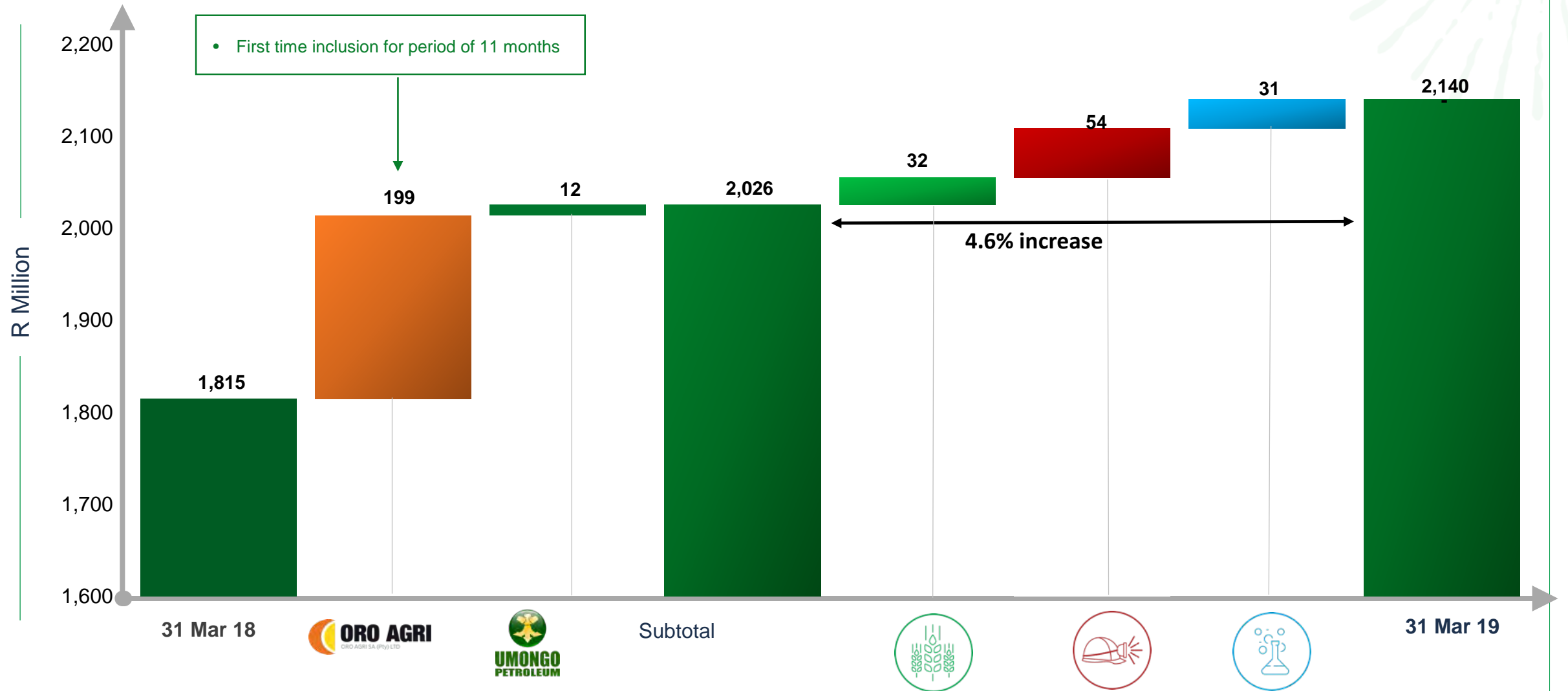
# Finance annexures



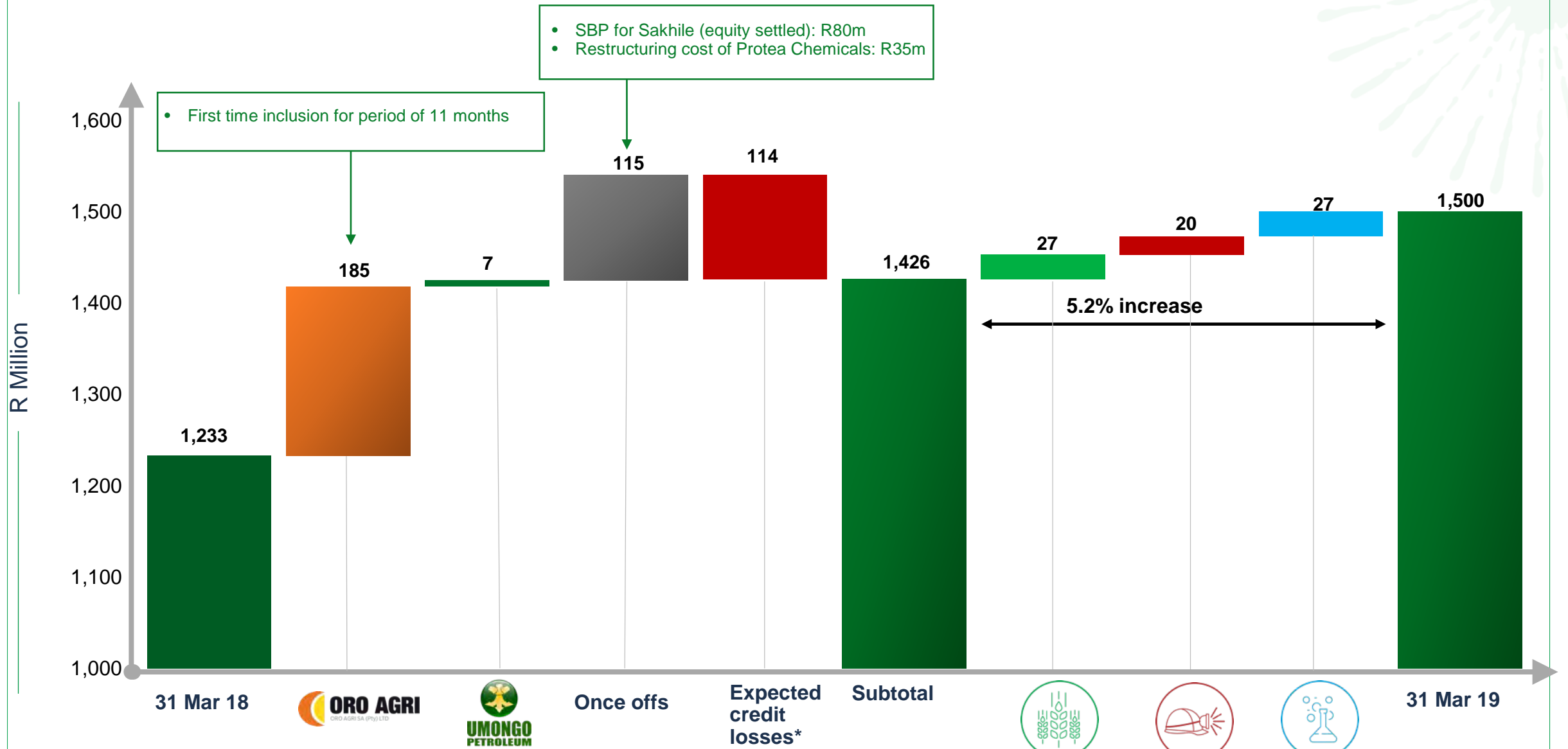
# Movement in revenue



# Movement in distribution expense

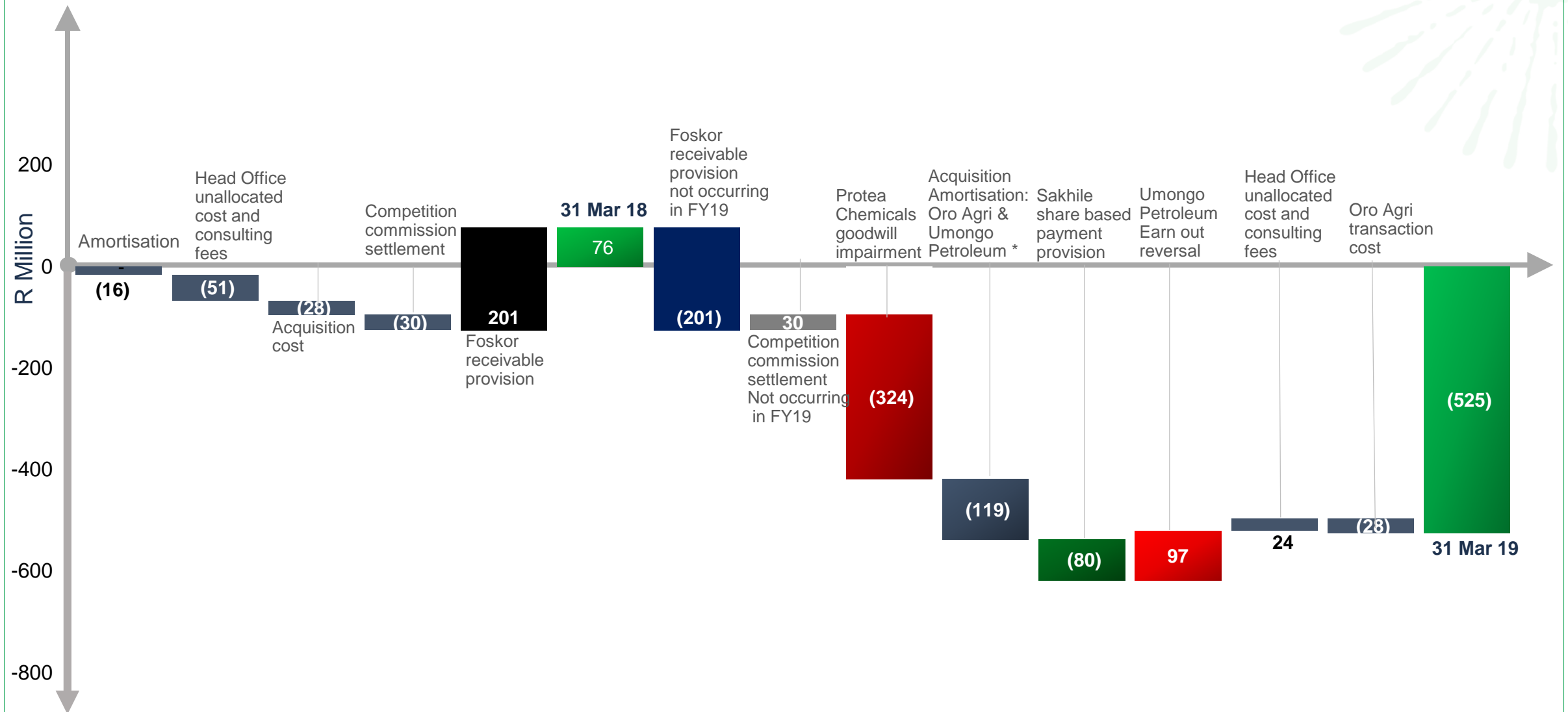


# Movement in administrative expense



\* The movement relates to FY18 where it formed part of bad debts. FY19 it is disclosed as a separate line item

# HO & reconciling items segment of operating profit

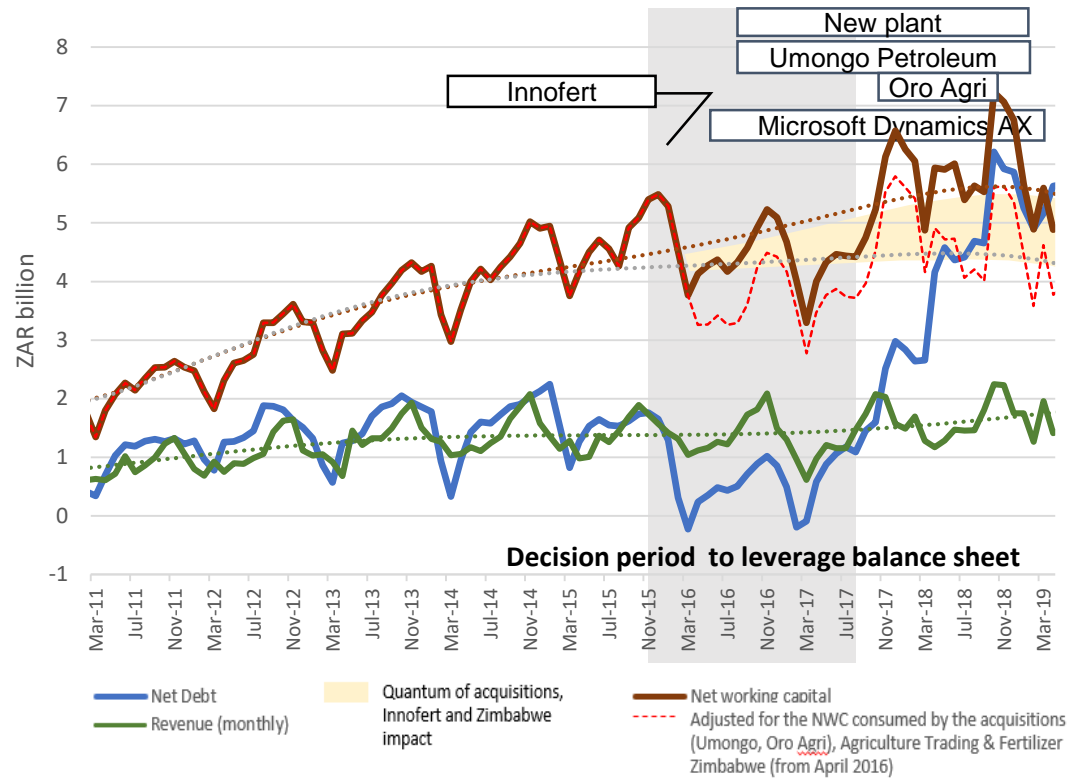


\* Representing the movement in the amortisation relating to the acquisitions (FY18: R16m and FY19: R135m)

# Working capital / EBITDA

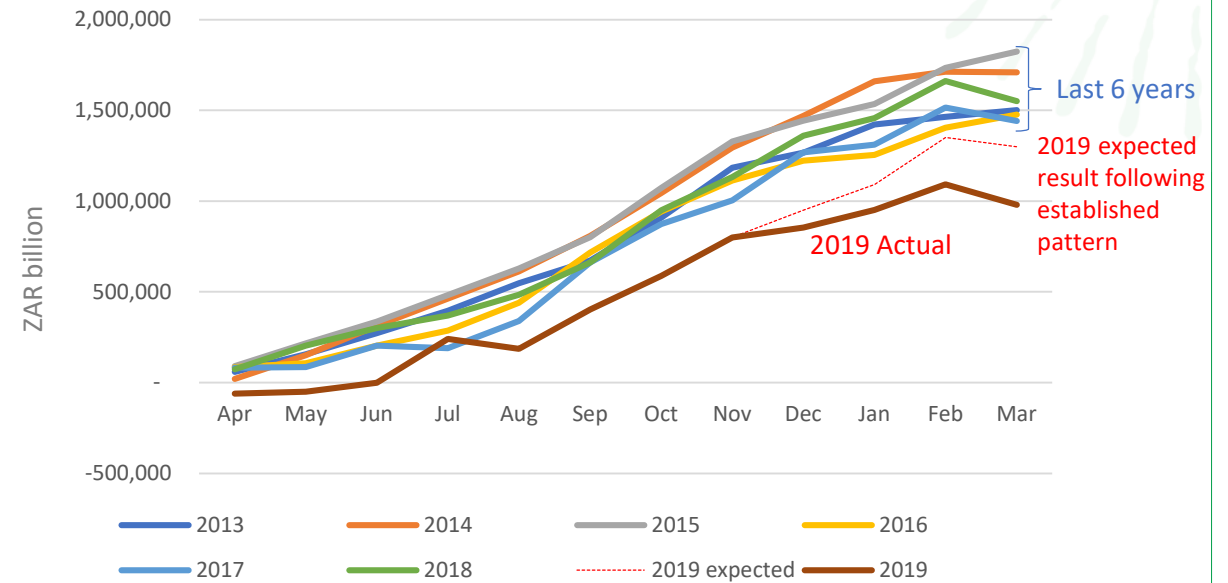
## Acquisitions, interim results statements, market conditions

NWC, revenue and net debt relationship (monthly accounts)  
R billions



- FY2019 - revenue was up by 7.6% and normalised NWC down
- Over-gearred position due to acquisitions, plant build & AX implementation and lack of cash generation during 2019

7 years monthly cumulative EBITDA history  
R billions



- Interim results were below those of last 6 years, but expectations were to achieve at least 1.4bn EBITDA at year-end, lower than previous years but not as low as actuals turned out to be
- Droughts, land reform, farmers under economic pressure caused lower planting and top dressing, in addition to forex movements
- Zimbabwe currency change impacted final results
- Poor financial transparency provided insufficient warning signs

# Looking forward: Upside from group-led strategic actions

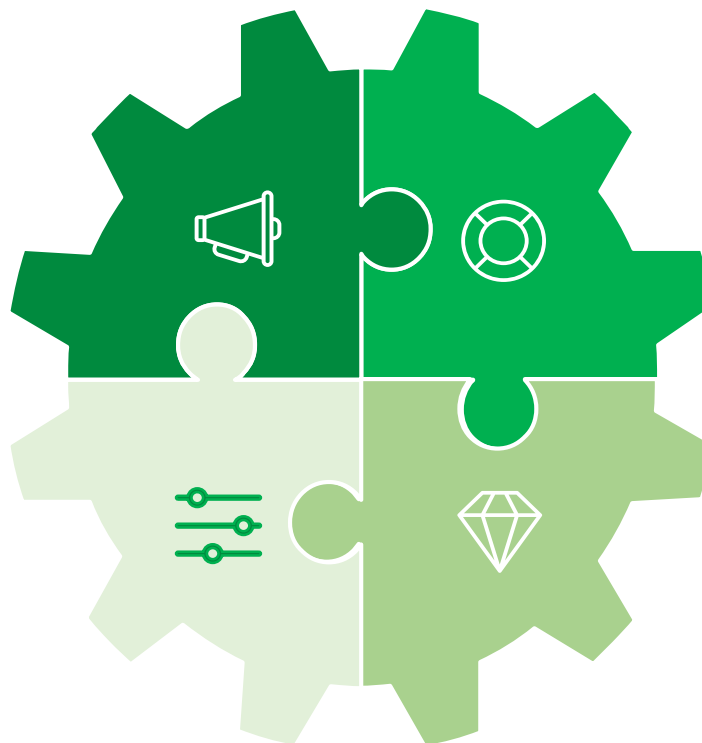
Initiatives start in FY2020 but impacts likely from FY2021

## Marketing & Sales Focus

- Sales training and revised sales & comp structures
- Strategic large tender focus
- Review of product versus service pricing
- Eliminate costly services not paid for/ offering little to strategic competitive advantage
- Brand and competitive advantage marketing

## Group Synergy Focus

- Group operating model structure
- Global strategic procurement as part of group structure – leveraging scale advantages
- Supply chain & logistics optimisation



## Global Expansion Strategy Review

- Group legal entity restructure
- Dealership concept versus own entity in international markets
- Focused capital allocations and reductions
- Reduction of time from R&D registration and market launch
- Focus and alignment across businesses

## Efficiency Drive

- Product mix / volume optimization
- Site Improvements
- Information flow and analytics
- Cost reductions through process & technology optimisations
- Tighter WC management

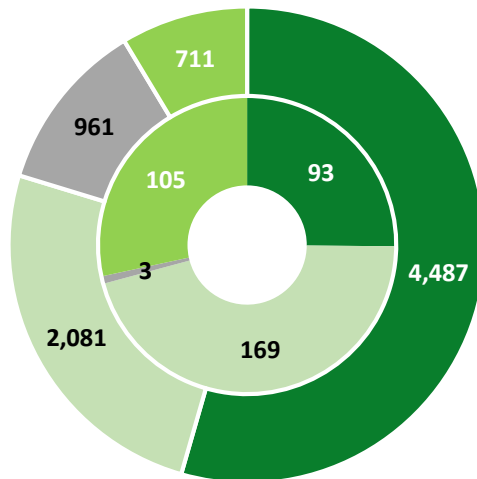


# Agriculture

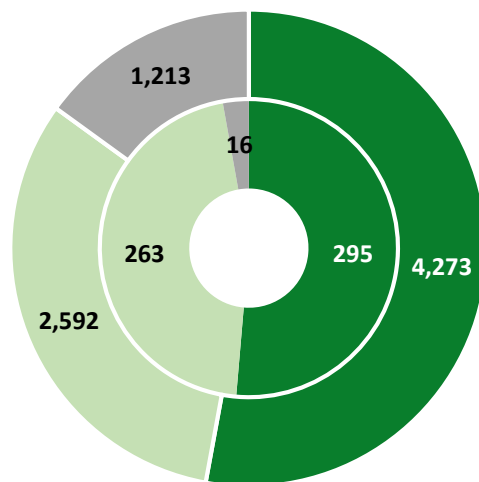


# Revenue and operating profit

FY2019



FY2018



South Africa



Trading



International



Biological



Outside circle: Revenue



Inside circle: Operating profit

## COMMENTARY

### South Africa:

- Revenue increased by 5% - volumes remain under pressure due to climate
- Operating profit decreased by 69%
- Customer base stable
- However, financial pressure on farmers, as well as competitive pressure from importers and blenders, impacted gross margins

### International:

- Revenue decreased by 20%
- Operating profit decreased 36%
- Purposefully limited exposure in Zimbabwe
- South America experienced political and currency volatility, long droughts and severe heat waves
- Zambia experienced general credit pressure which made investment opportunities less attractive

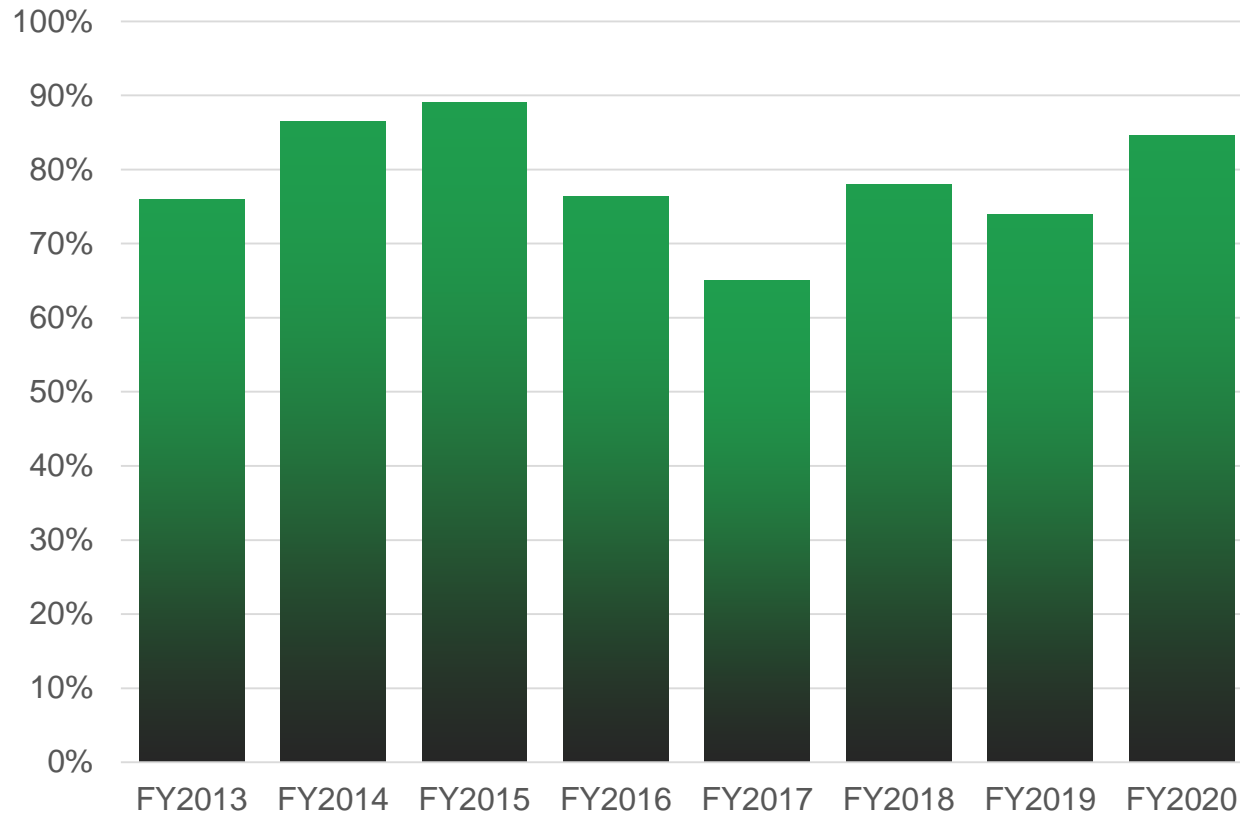
### Trading:

- Revenue decreased by 21%
- Operating profit decreased 81%
- Reduction in sales volumes (strategy to improve quality) of business

### Biological:

- First time inclusion

## Plant utilisation – Nitric Acid Plants



- **FY17:** extended plant breakdown
- **FY20:** forecast utilisation

# Production

**Omnia manufactures unique fertilizers and emulsions, with billions invested in plants and R&D, producing unique products for agriculture, mining and the chemical industry**

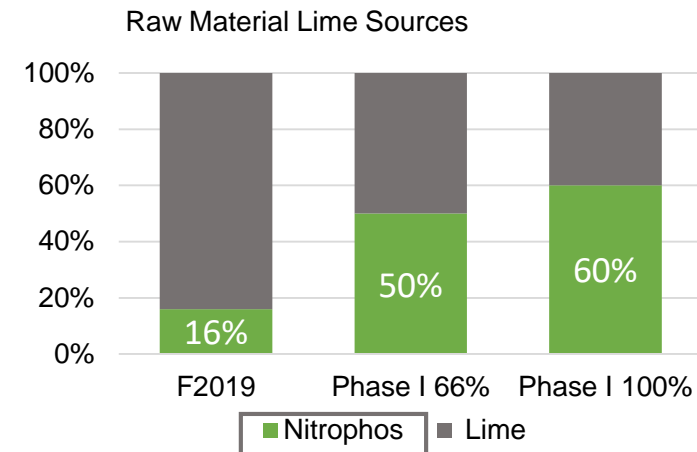
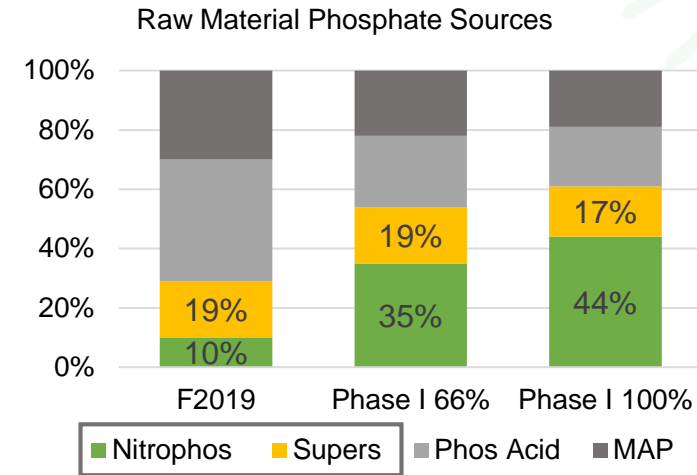
## New Nitrophos plant

Rationale: backward integration

Approximately R110m savings benefit at 50% production throughput and R170m at 85%

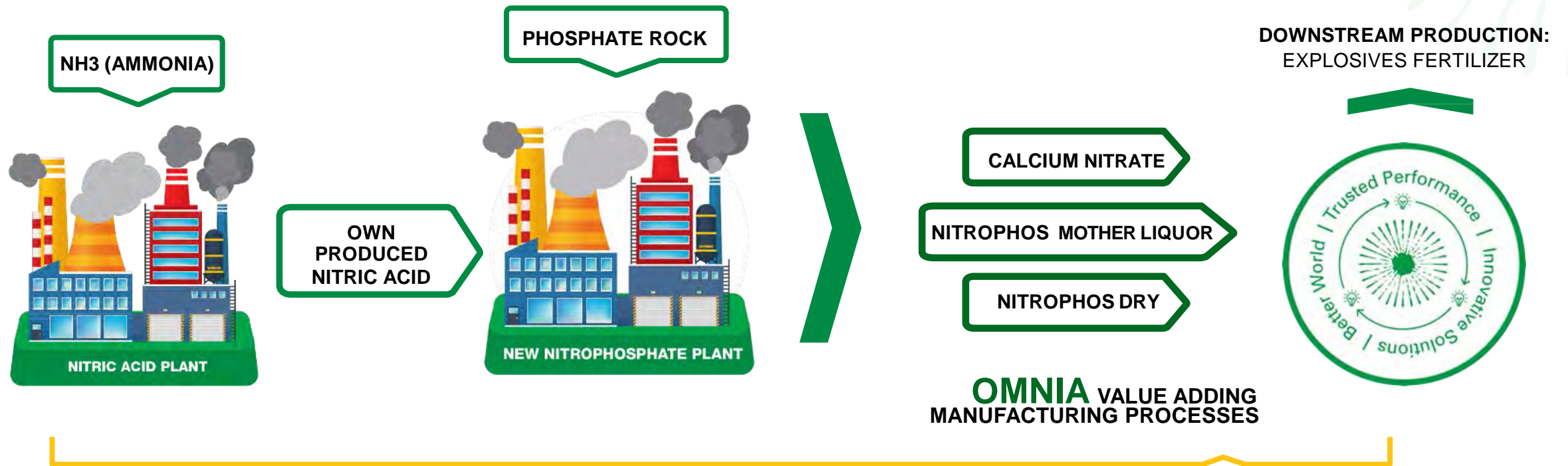
- Replaces more expensive input materials
  - Nitrophos powder/ liquid replaces expensive P-Sources in Granulation
  - Nitrophos replaces a Limestone source for the production of Calcium Nitrate and benefits ANCN emulsion sales
- Reduces dependency on Foskor (Phosphoric acid)
- Operational efficiencies achieved through plant design
- Does not rely on finding additional sales volumes to achieve the benefits

Our manufacturing competency, its unique design in terms of efficiencies and low environmental impact, will provide Omnia with strong competitive advantage in the coming years.



Omnia production

# New P value chain



# Benefits



**IMPROVED PLANT THROUGHPUT**  
(NITRIC ACID PLANT)



**RELIABILITY OF SUPPLY**



VARIOUS SOURCES OF RAW MATERIAL SUPPLY  
**LESS DEPENDENCE ON  
SINGLE SUPPLIER**



**COST EFFECTIVENESS:**

- Lower working capital
- No bought in lime required for calcium nitrate production
- Phosphate rock instead of more expensive phosacid & MAP required for P in fertilizer



**AGRONOMIC BENEFITS**  
OF FINAL PRODUCTS



EMISSIONS TO **NEMAQA  
STANDARDS**



EFFLUENT **RECYCLED**



**MARKET COMPETITIVENESS**  
AGAINST IMPORTS

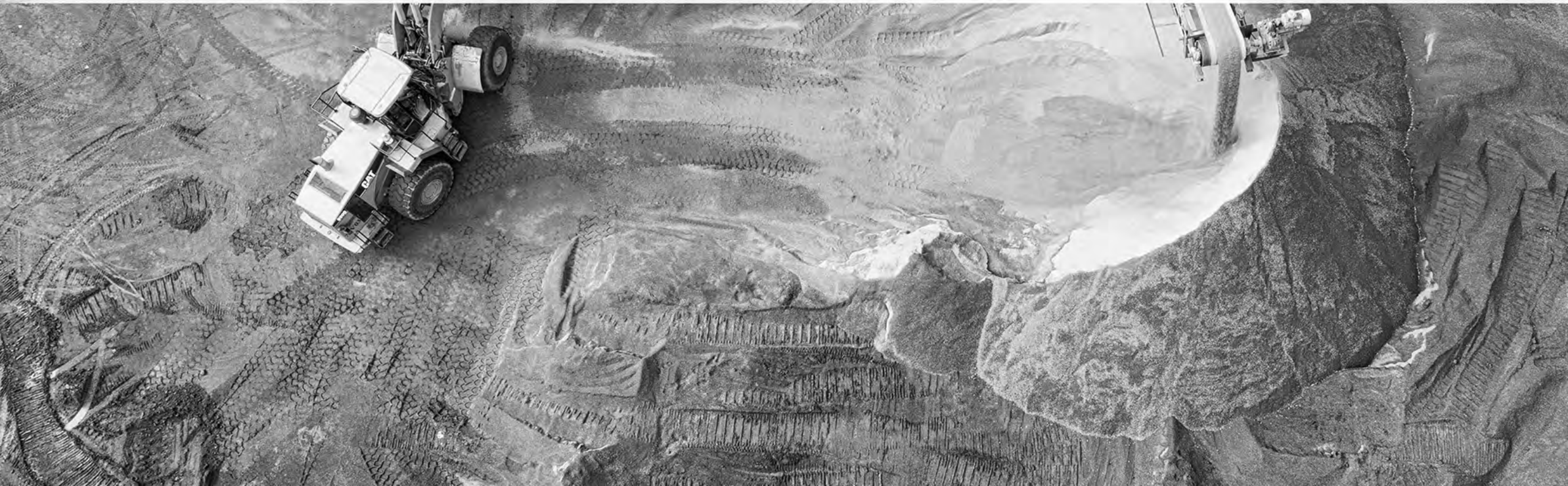
# New Nitrophosphate plant





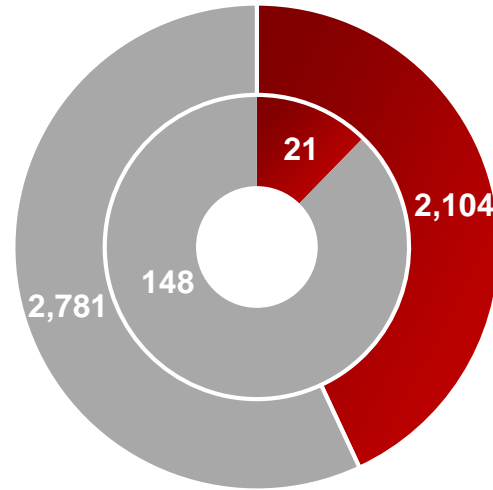
**OMNIA**

# Mining

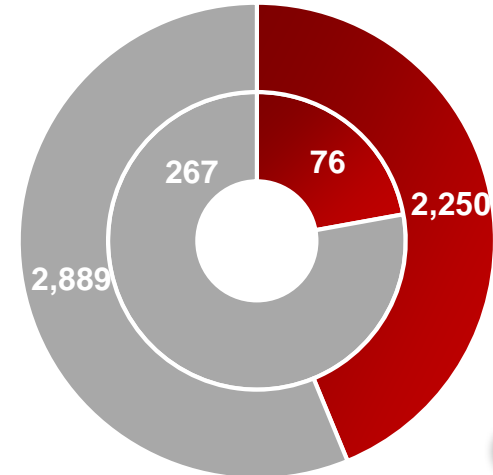


# Revenue and operating profit

FY2019



FY2018



South Africa



International



Outside circle: Revenue

Inside circle: Operating profit

## COMMENTARY

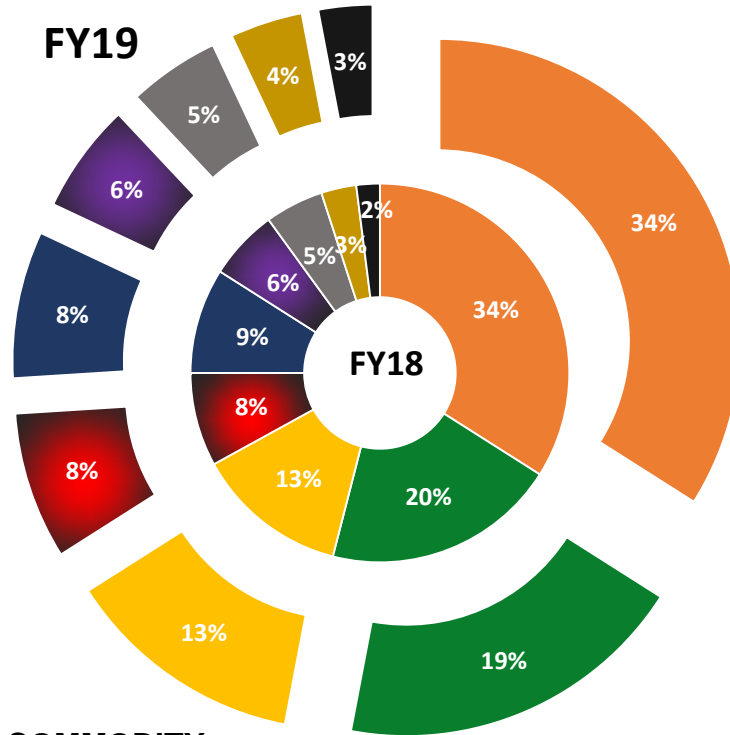
### South Africa:

- Revenue decreased by 6%
- Operating profit decreased by 72%
- Awarded new business in the Northern Cape
- Inventory recalculation costs
- Margin pressure from customers
- Microsoft Dynamics AX costs
- Lower gross profit from ammonium based products

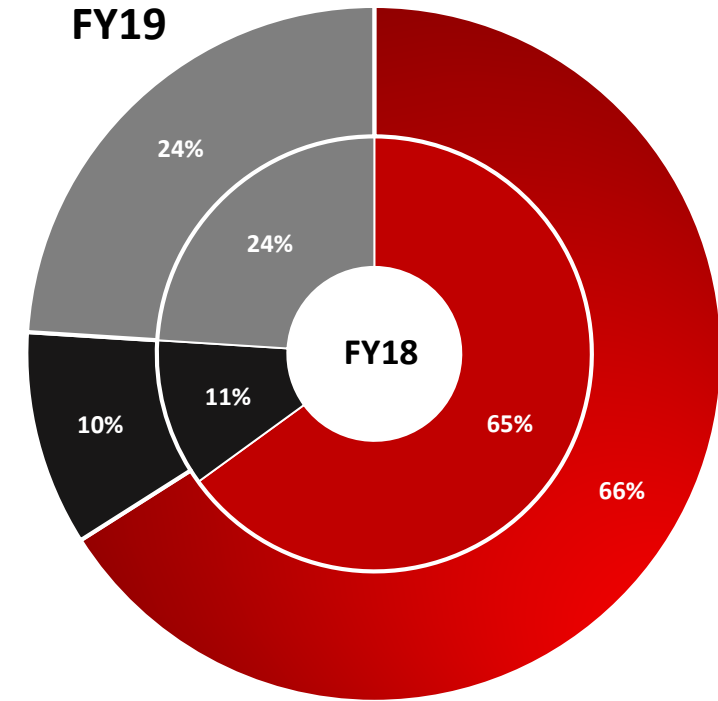
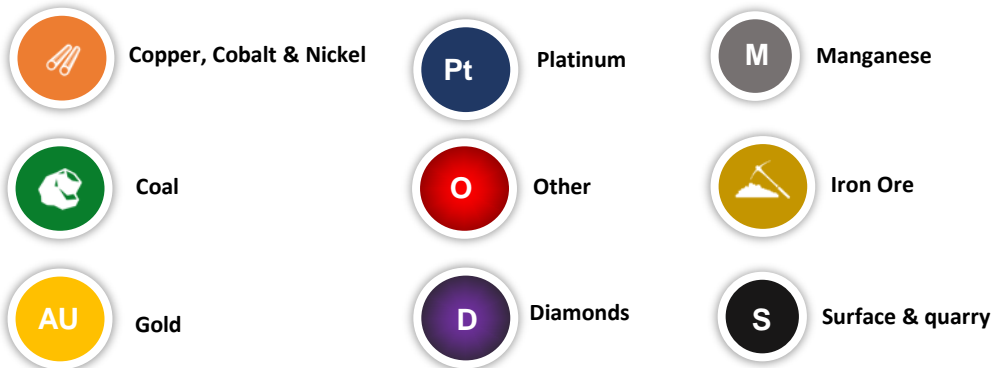
### International:

- Revenue decreased by 4%
- Operating profit decreased 45%
- Lower gross profit contribution from ammonia-based products
- Margin pressure from customers
- Foreign exchange losses
- Expansion costs

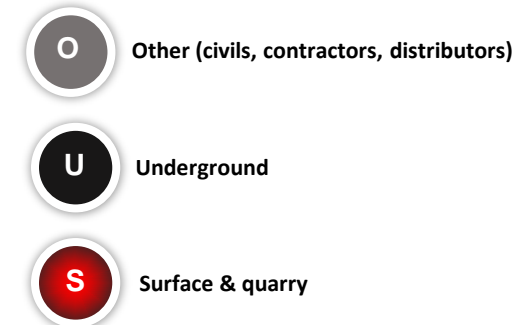
# Revenue by commodity and market



REVENUE BY COMMODITY

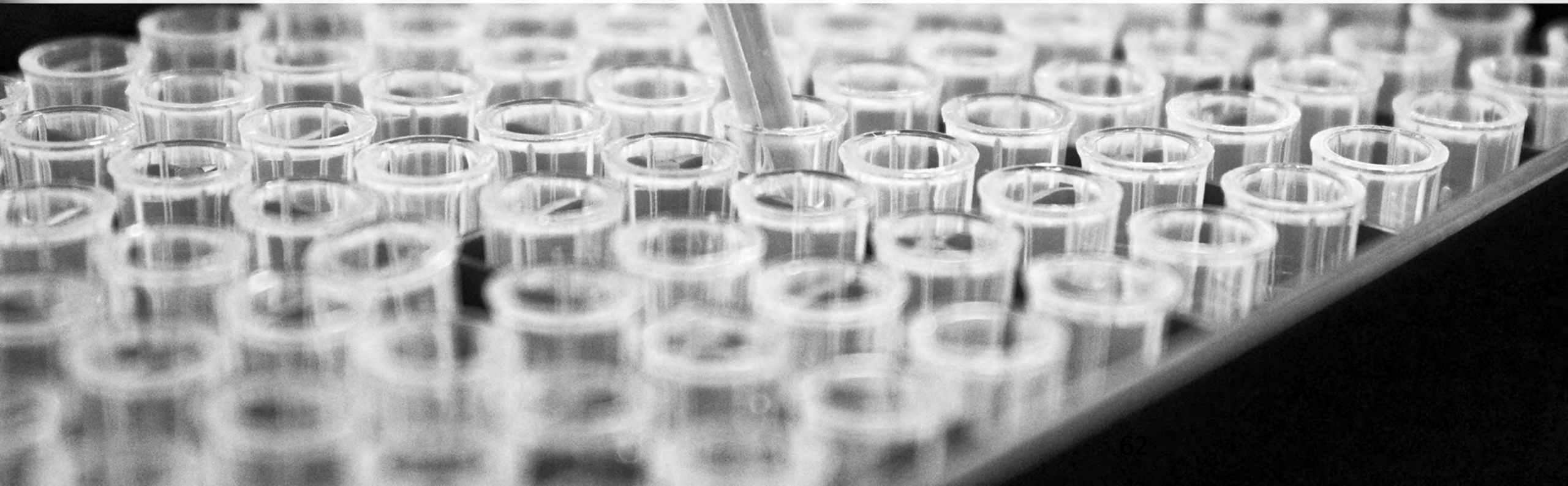


REVENUE BY MARKET



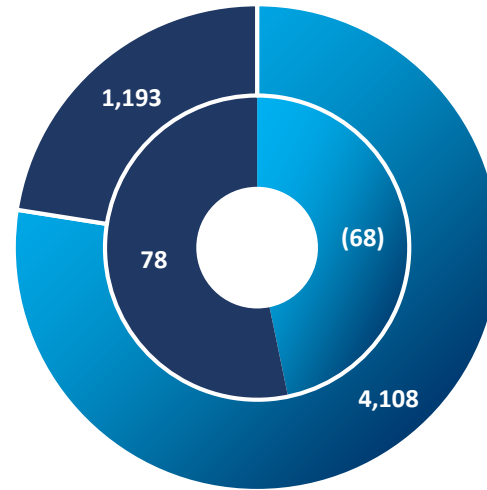


# Chemicals

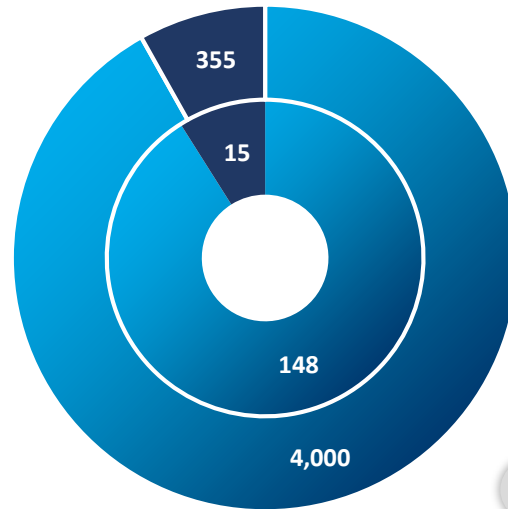


# Revenue and operating profit

FY2019



FY2018



Protea Chemicals



Petroleum



Outside circle: Revenue



Inside circle: Operating profit

## COMMENTARY

### Protea Chemicals:

- Revenue increased by 3%
- Operating profit decreased significantly
- Margin erosion from previous growth strategy
- Impairment of the EcoGypsum plant – R16m
- Restructure cost with benefits in FY2020
- Unforeseen once-off additional repairs and maintenance costs R13m

### Petroleum:

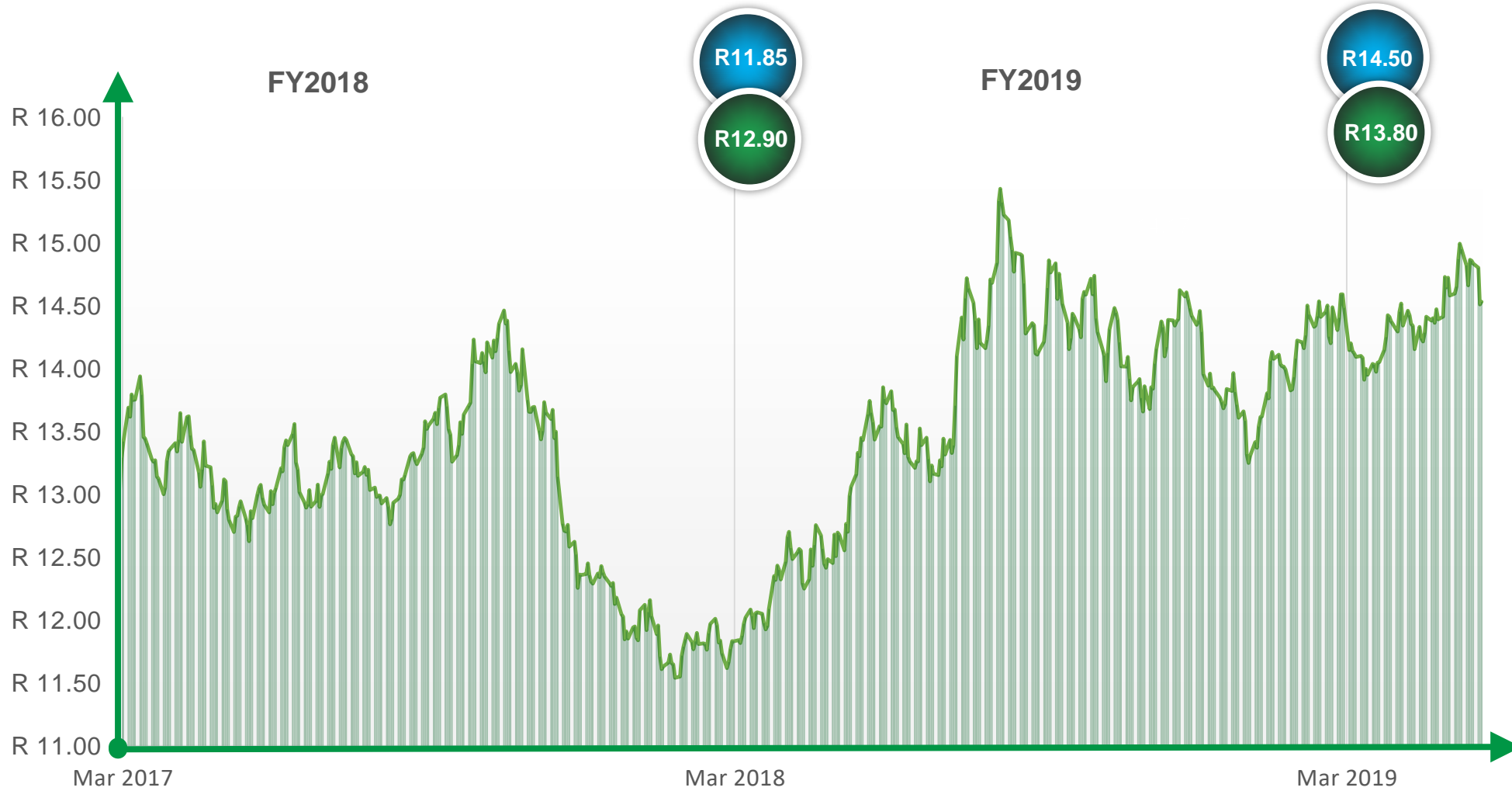
- FY18 only for four months
- Regulatory delays
- RSA economy and mining resulted in lower volumes and margin pressures especially in base oils
- Despite these challenges, overall performed well



# Macroeconomics



# Rand: USD exchange rates

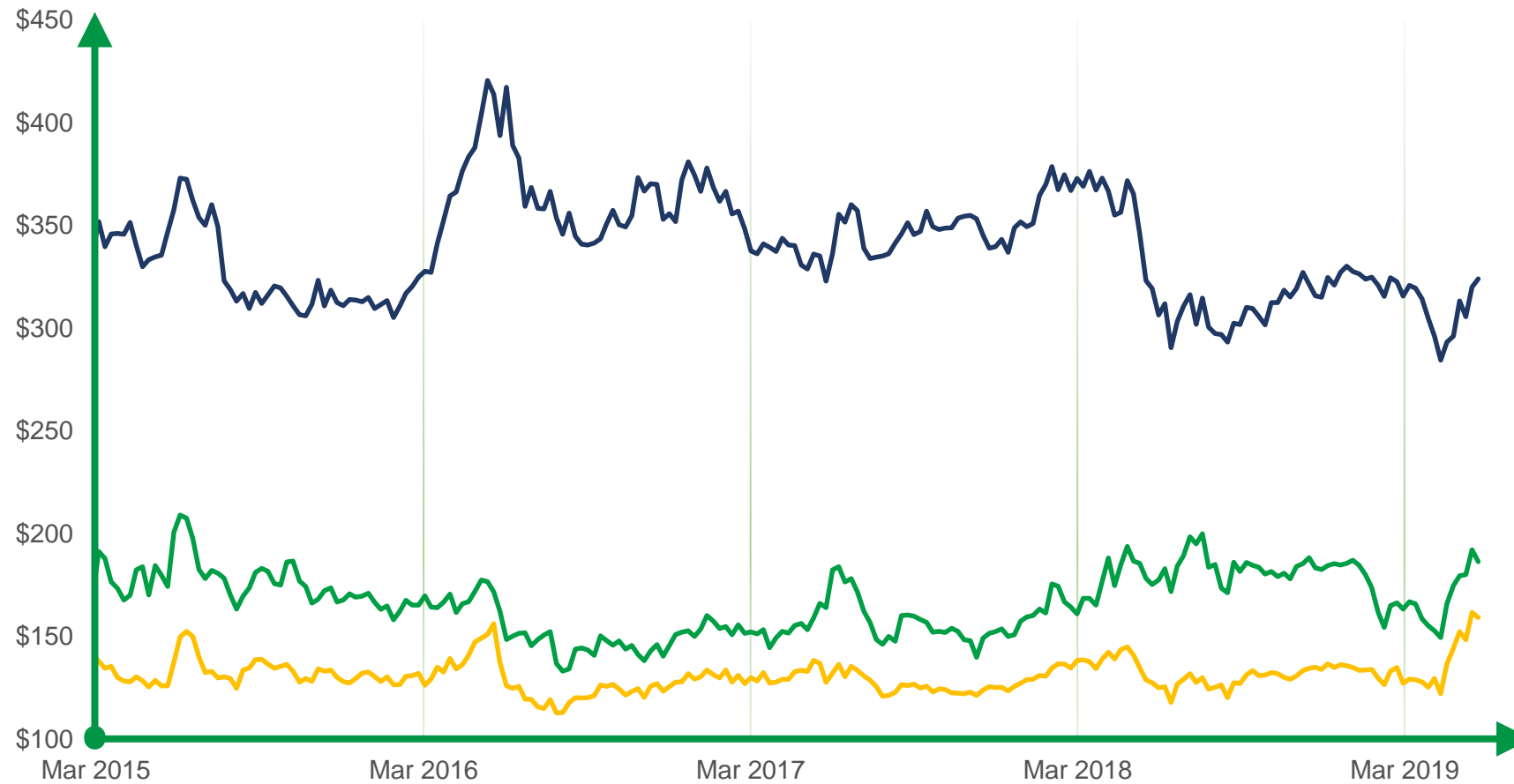





**Average rate**  
7% mvmt 31 Mar 18 to 31 Mar 19



**Closing rate**  
22% mvmt 31 Mar 18 to 31 Mar 19

# Crop prices: USD per tonne



	Prices at 31 Mar	USD
	<b>YELLOW MAIZE</b>	
	2015	135
	2016	128
	2017	130
	2018	138
	2019	<b>127</b>
	<b>WHEAT</b>	
	2015	181
	2016	156
	2017	152
	2018	161
	2019	<b>163</b>
	<b>SOYA</b>	
	2015	337
	2016	352
	2017	338
	2018	373
	2019	<b>316</b>

— Yellow maize      — Wheat      — Soya



**Yellow Maize**  
-8%



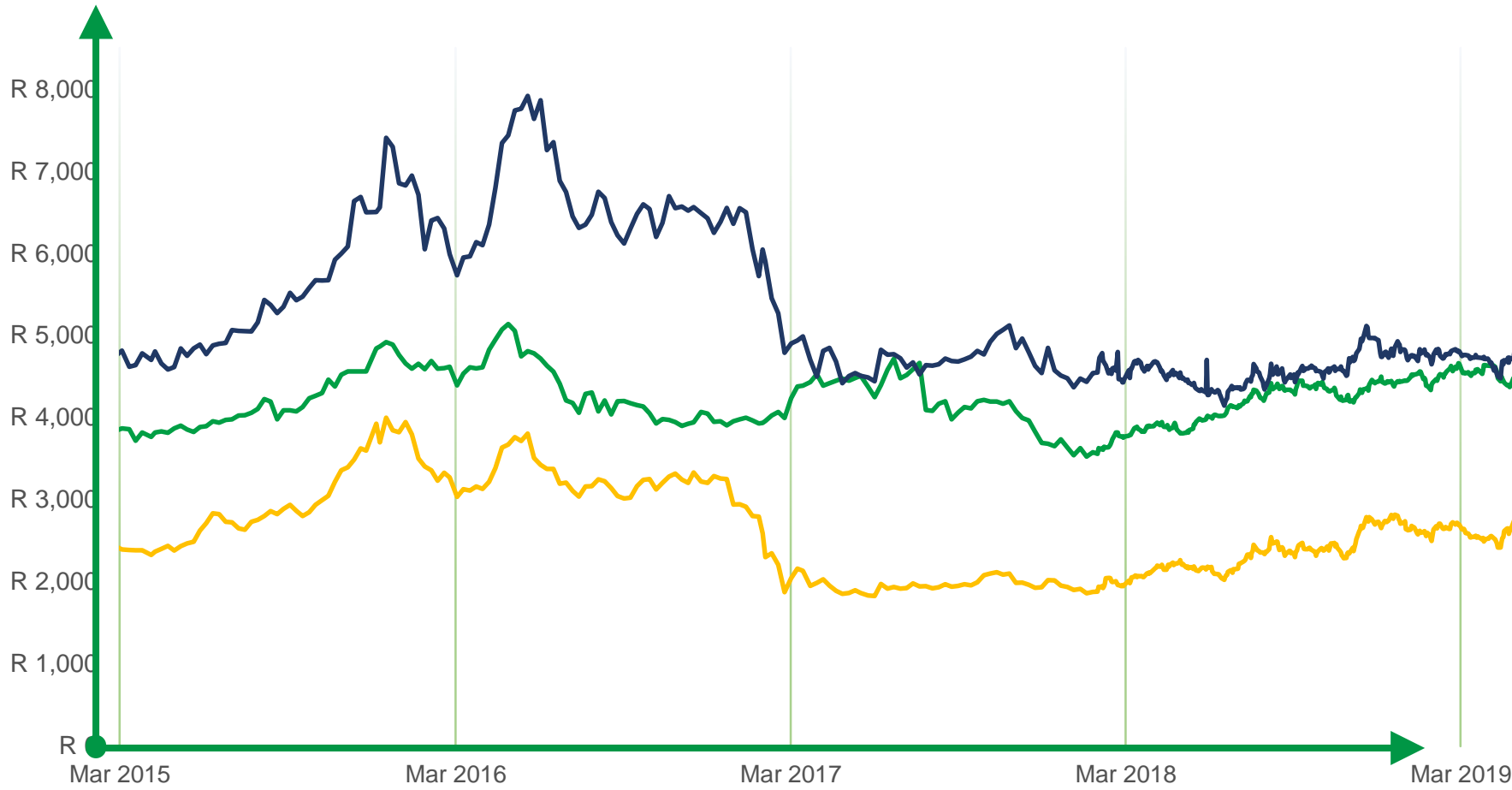
**Wheat**  
1%






**Soya**  
-15%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Crop prices: Rand per tonne



	Prices at 31 Mar	ZAR
	<b>YELLOW MAIZE</b>	
	2015	2 436
	2016	3 265
	2017	2 044
	2018	1 961
	2019	<b>2 700</b>
	<b>WHEAT</b>	
	2015	3 883
	2016	4 625
	2017	4 235
	2018	3 769
	2019	<b>4 658</b>
	<b>SOYA</b>	
	2015	4 143
	2016	5 021
	2017	4 905
	2018	4 465
	2019	<b>4 809</b>

— Yellow maize — Wheat — Soya



**Yellow Maize**  
38%



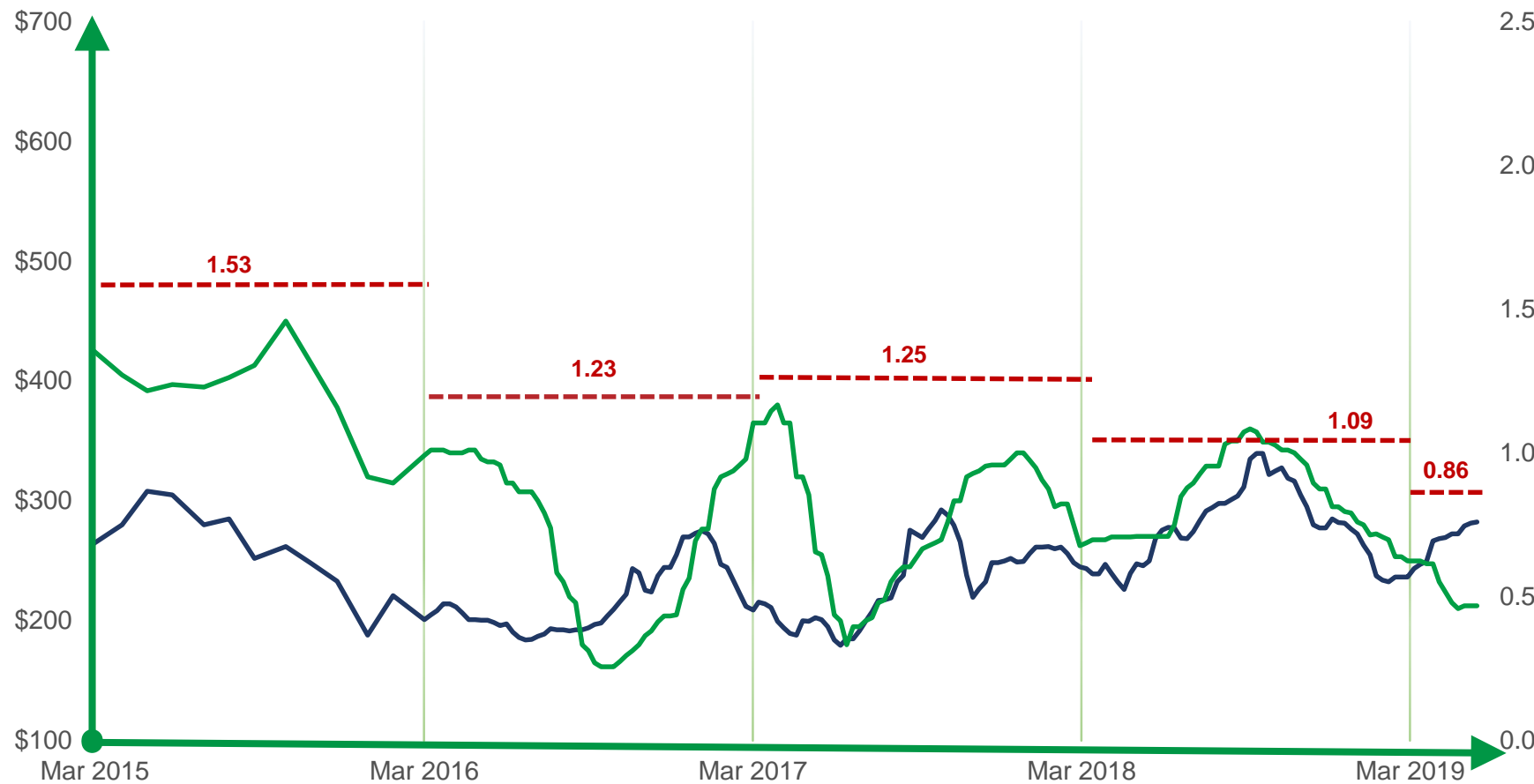
**Wheat**  
24%






**Soya**  
8%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Ammonia vs Urea: USD per tonne

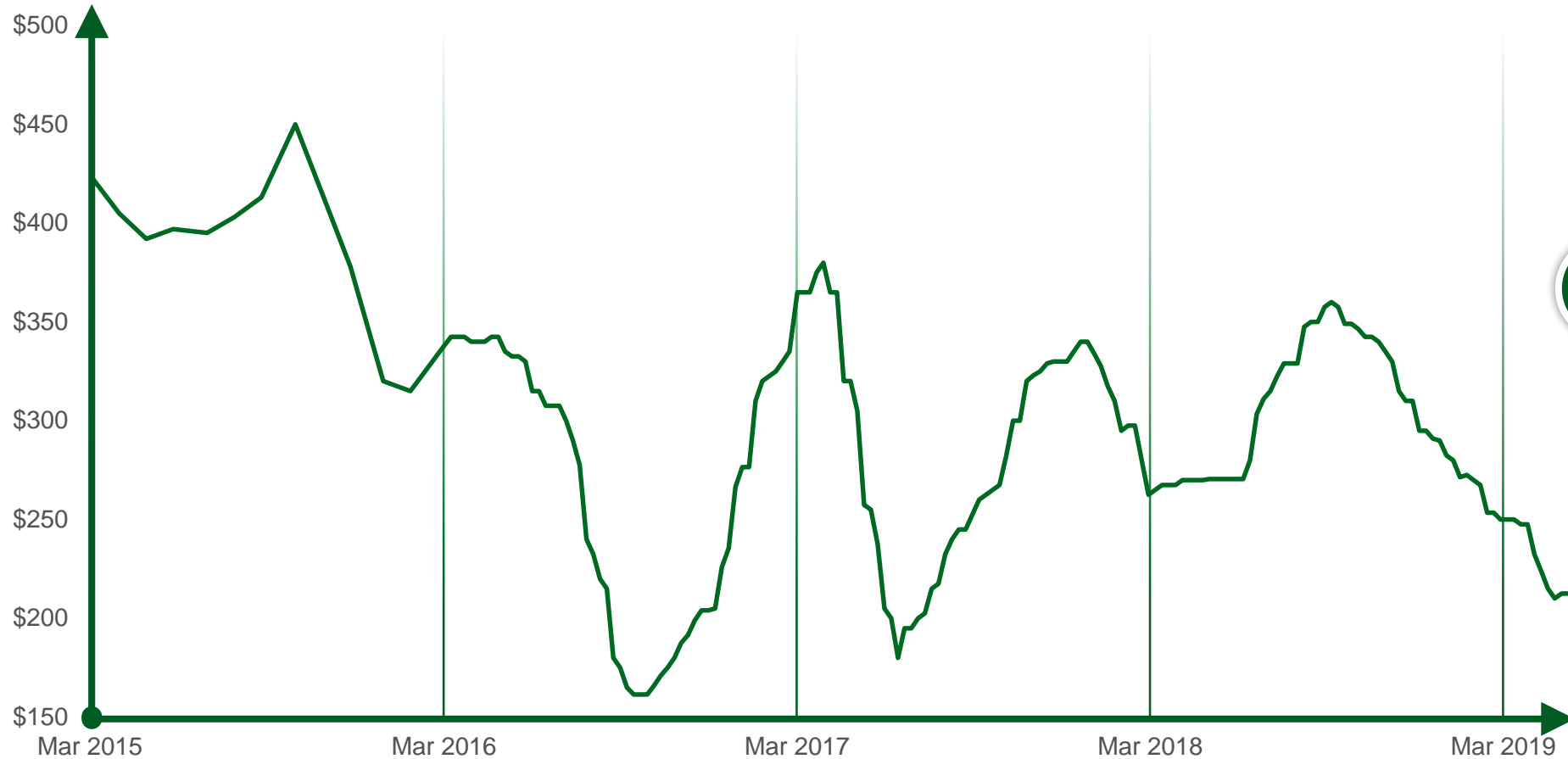


Prices at 31 Mar		USD
<b>UREA (GRAN)</b>		
2015		263
2016		201
2017		209
2018		245
2019		<b>237</b>
<b>AMMONIA</b>		
2015		428
2016		338
2017		365
2018		263
2019		<b>250</b>
<b>12 MONTH AVERAGE AMMONIA:UREA RATIO</b>		
2015		1.60
2016		1.53
2017		1.23
2018		1.25
2019		<b>1.09</b>

 **Urea Gran** -3%
  **Ammonia** -5%
  **Ammonia:Urea ratio** -15%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Ammonia: USD per tonne



Prices at 31 Mar	USD
<b>AMMONIA</b>	
2015	428
2016	338
2017	365
2018	263
2019	<b>250</b>

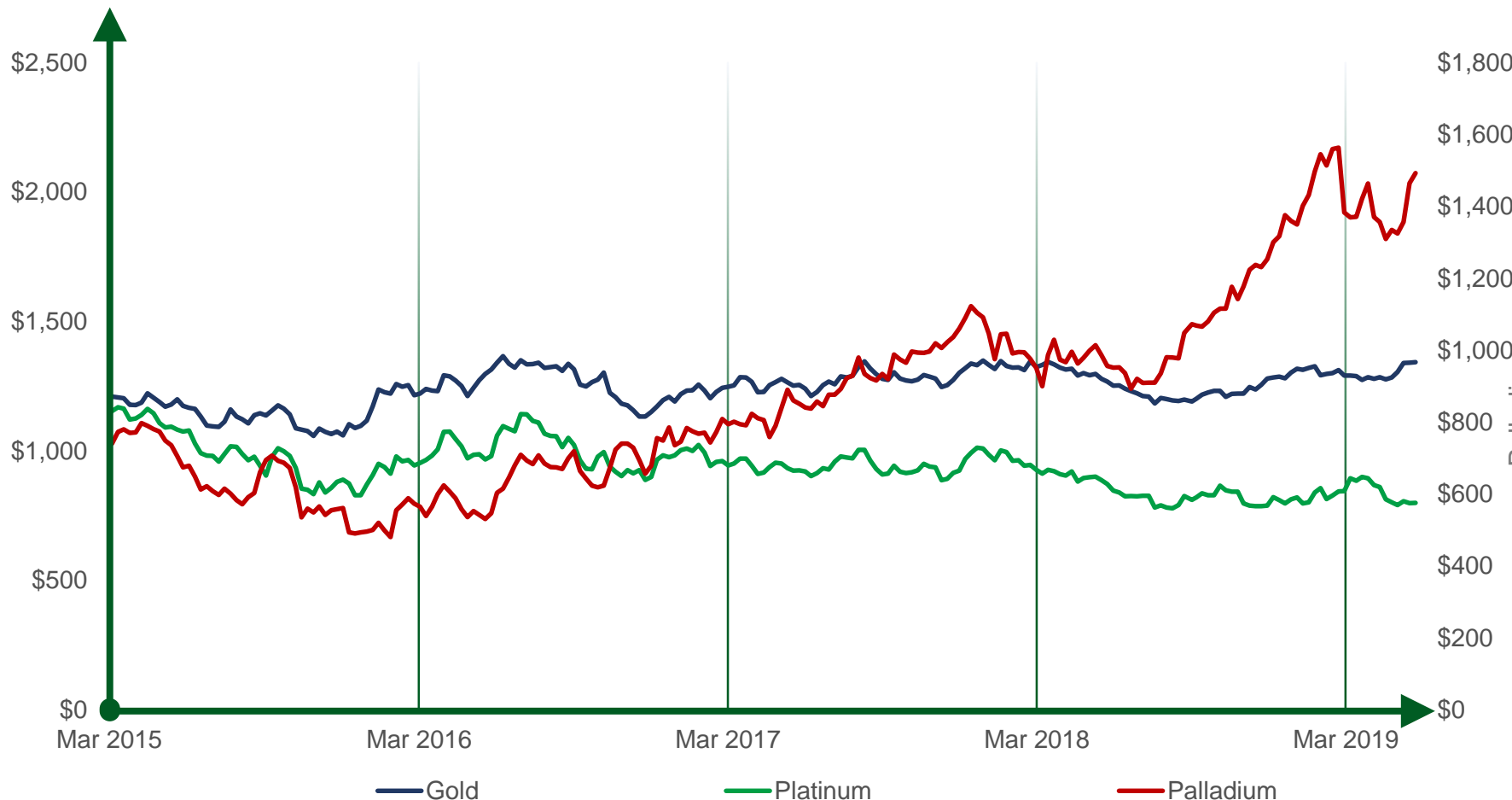


**Ammonia**

-5%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Precious metals USD per ounce



**AU**

**Pt**

**Pd**

Prices at 31 Mar USD

GOLD	
2015	1 200
2016	1 222
2017	1 249
2018	1 324
2019	<b>1 292</b>

PLATINUM	
2015	1 145
2016	954
2017	945
2018	928
2019	<b>846</b>

PALLADIUM	
2015	741
2016	562
2017	795
2018	952
2019	<b>1 384</b>

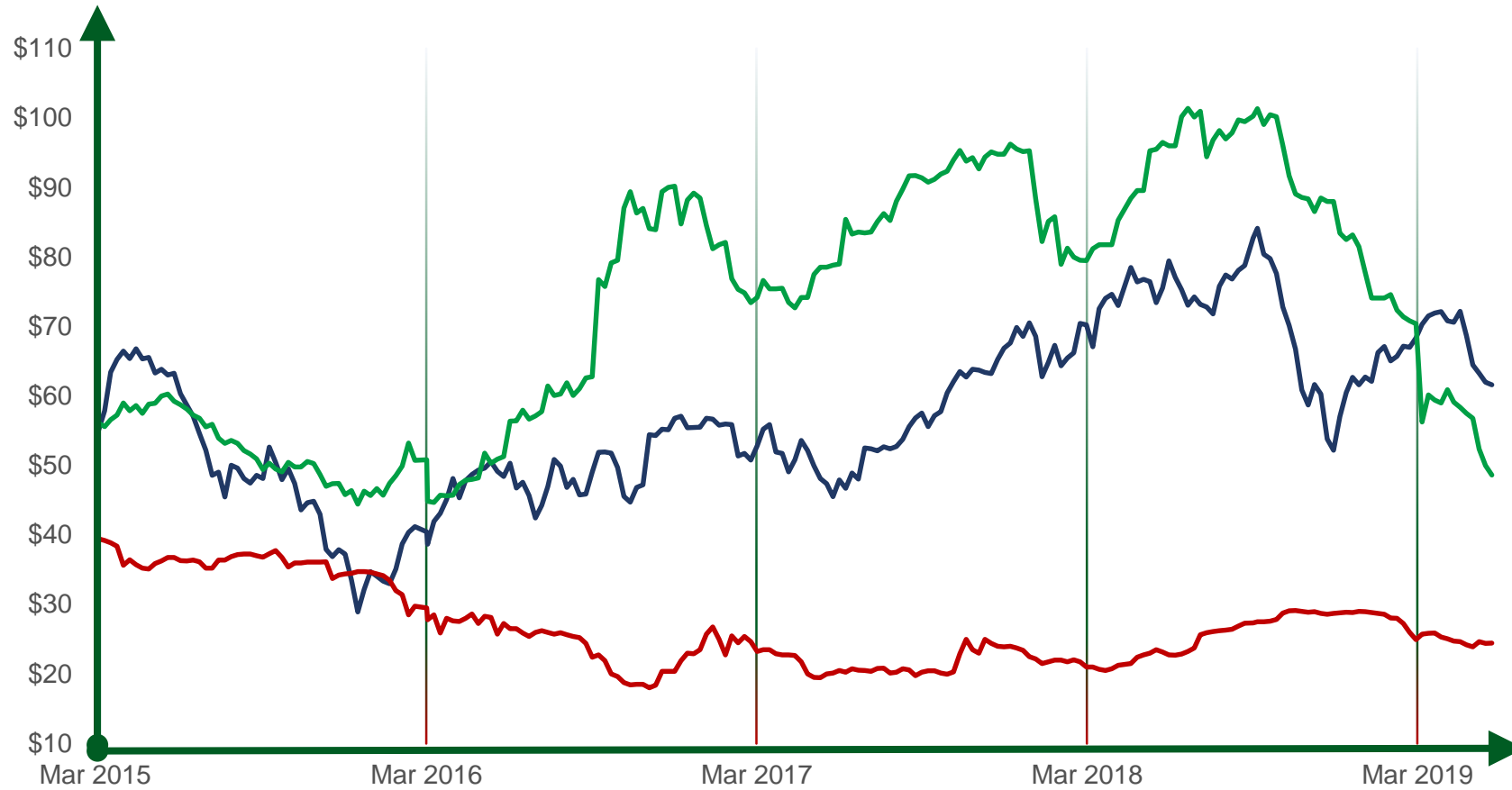
**AU** Gold -2%

**Pt** Platinum -10%

**Pd** Palladium 45%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Energy/Commodity prices in USD



— Brent Crude \$/barrel

— Coal \$/ton

— Uranium \$/lb



**Brent Crude**

-9%



**Coal**

-29%



**Uranium**

14%

% Movement is for the year 31 Mar 18 to 31 Mar 19



Prices at 31 Mar USD

**BRENT CRUDE**

2015	56
2016	40
2017	53
2018	70
2019	<b>64</b>



**COAL**

2015	60
2016	51
2017	74
2018	80
2019	<b>57</b>



**URANIUM**

2015	39
2016	30
2017	23
2018	21
2019	<b>24</b>

# Metal Commodity prices in USD per tonne



Prices at 31 Mar		USD
<b>COPPER</b>		
2015		6 105
2016		4 754
2017		5 824
2018		7 069
2019		<b>6 489</b>
<b>IRON ORE</b>		
2015		57
2016		53
2017		87
2018		70
2019		<b>86</b>



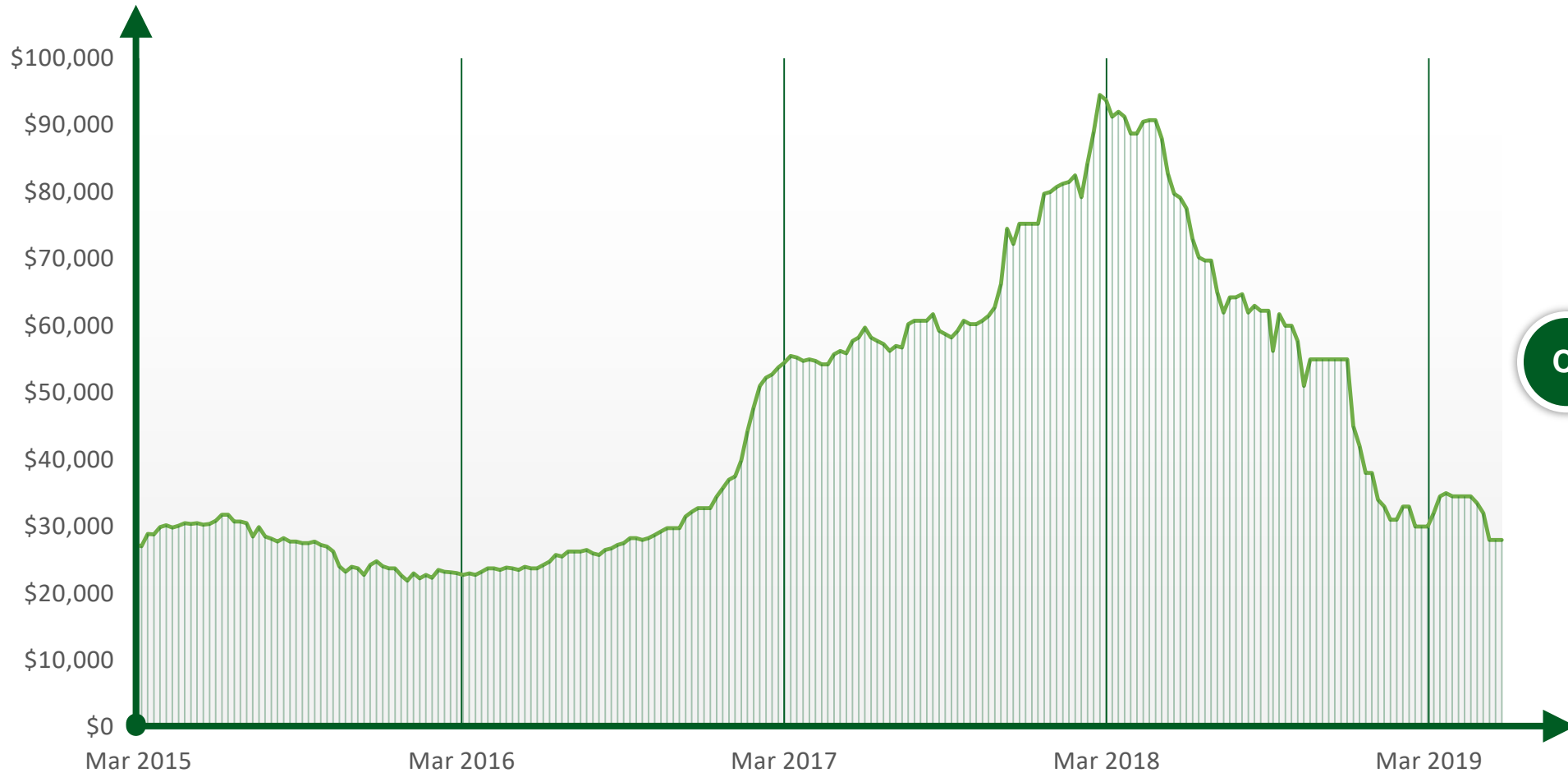
**Copper**  
-8%



**Iron Ore**  
23%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Cobalt prices in USD per tonne



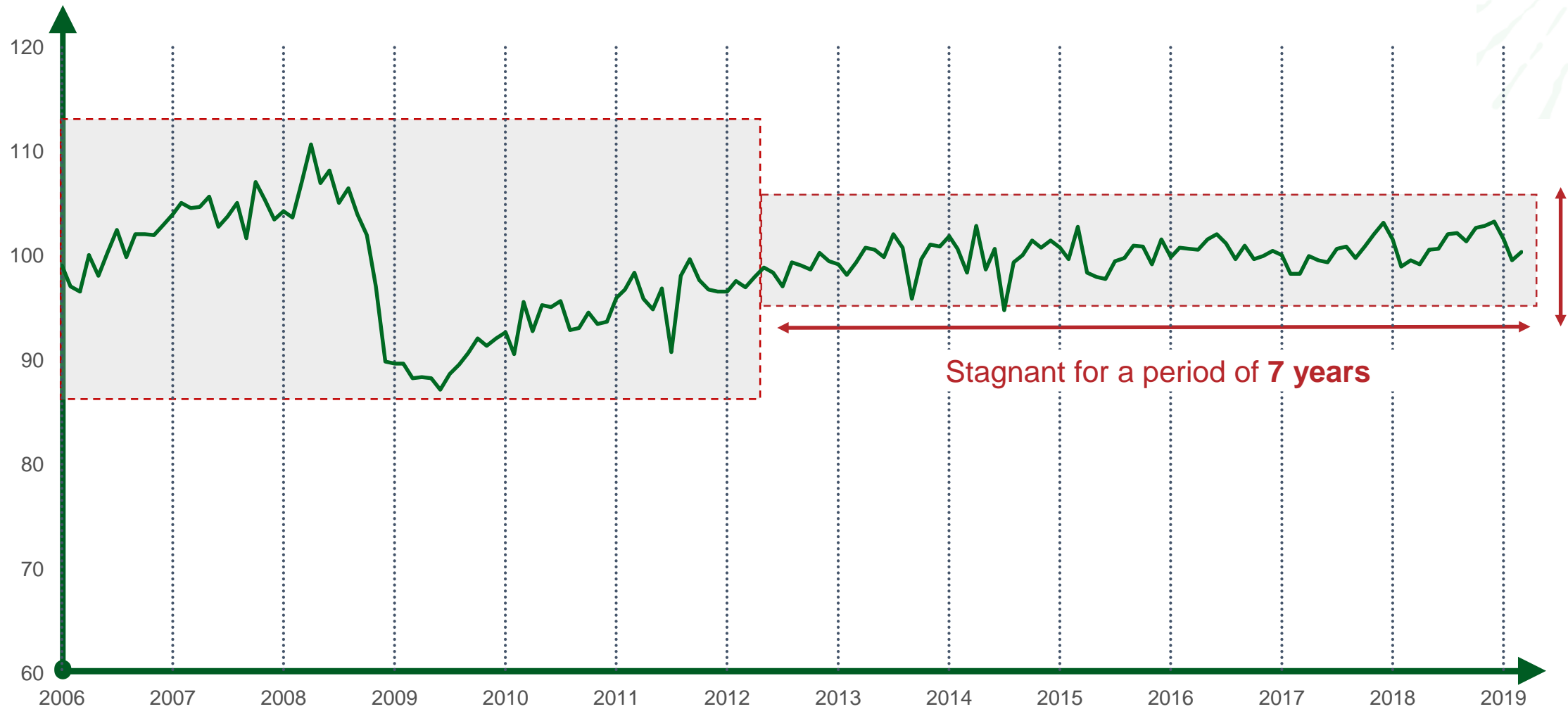
Prices at 31 Mar	USD
<b>COBALT</b>	
2015	28 860
2016	22 856
2017	55 250
2018	93 550
2019	<b>30 000</b>



**Cobalt**  
- 68%

% Movement is for the year 31 Mar 18 to 31 Mar 19

# Index of physical volume of manufacturing





Thank You

*thanks!*

Tombow ABT  
Acid Free  
N15