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Portfolio Committee on Public Enterprises

7 June 2017

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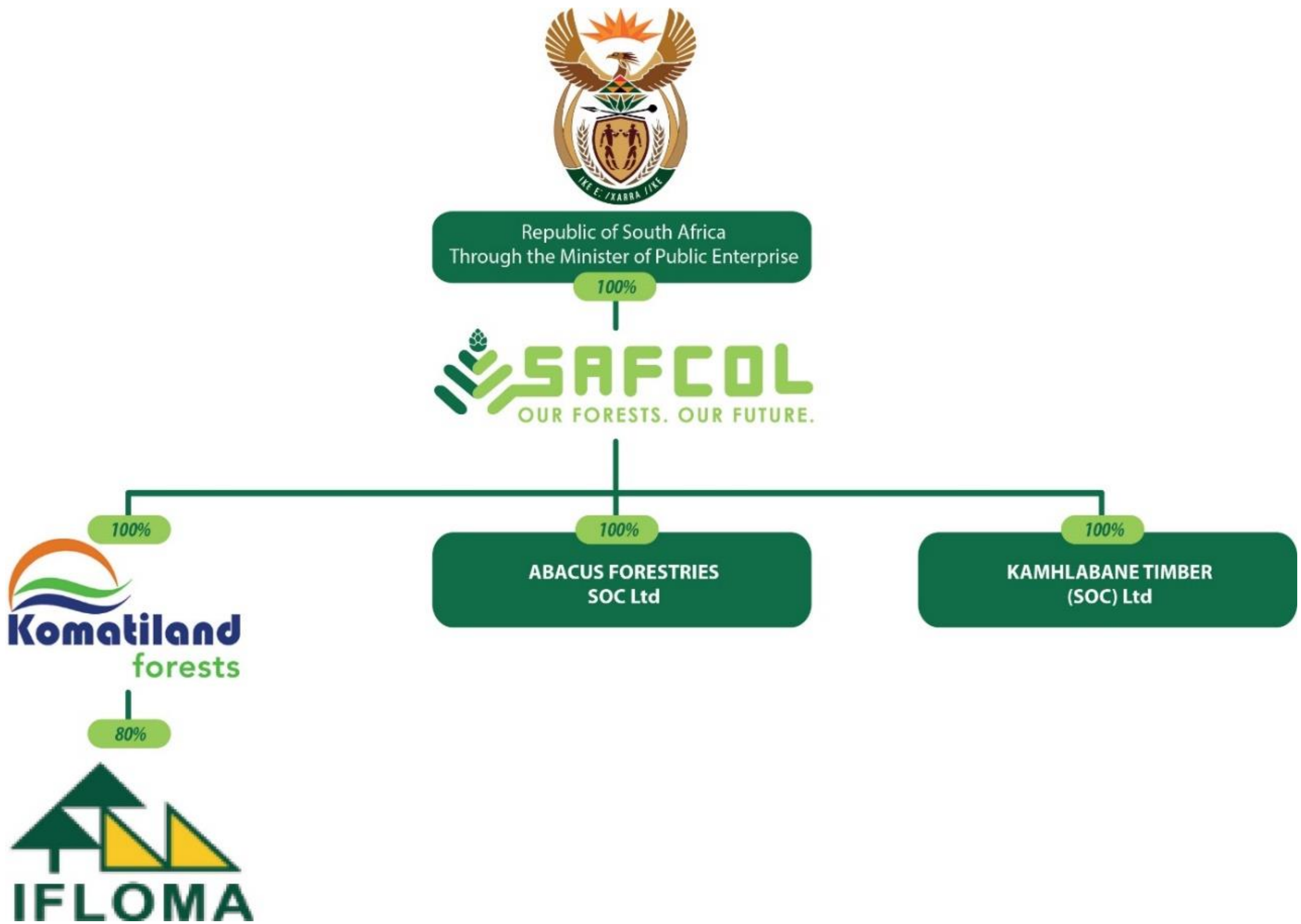
OVERVIEW OF SAFCOL

SAFCOL Group Structure



SAFCOL Incorporation and Mandate

State Owned Company incorporated in 1992 in terms of the Management of State Forests Act (Act 128 of 1992)

for the management of and control over State forests

"The objects of the Company are the development in the long term of the forestry industry according to accepted commercial management practice."

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SAFCOL OPERATIONS

Operations in South Africa and Mozambique

Sustainable management of plantation forestry and other assets

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Revenue generated from sawlogs, sawn timber (lumber) and value added products

Plantations and operations mainly in rural areas

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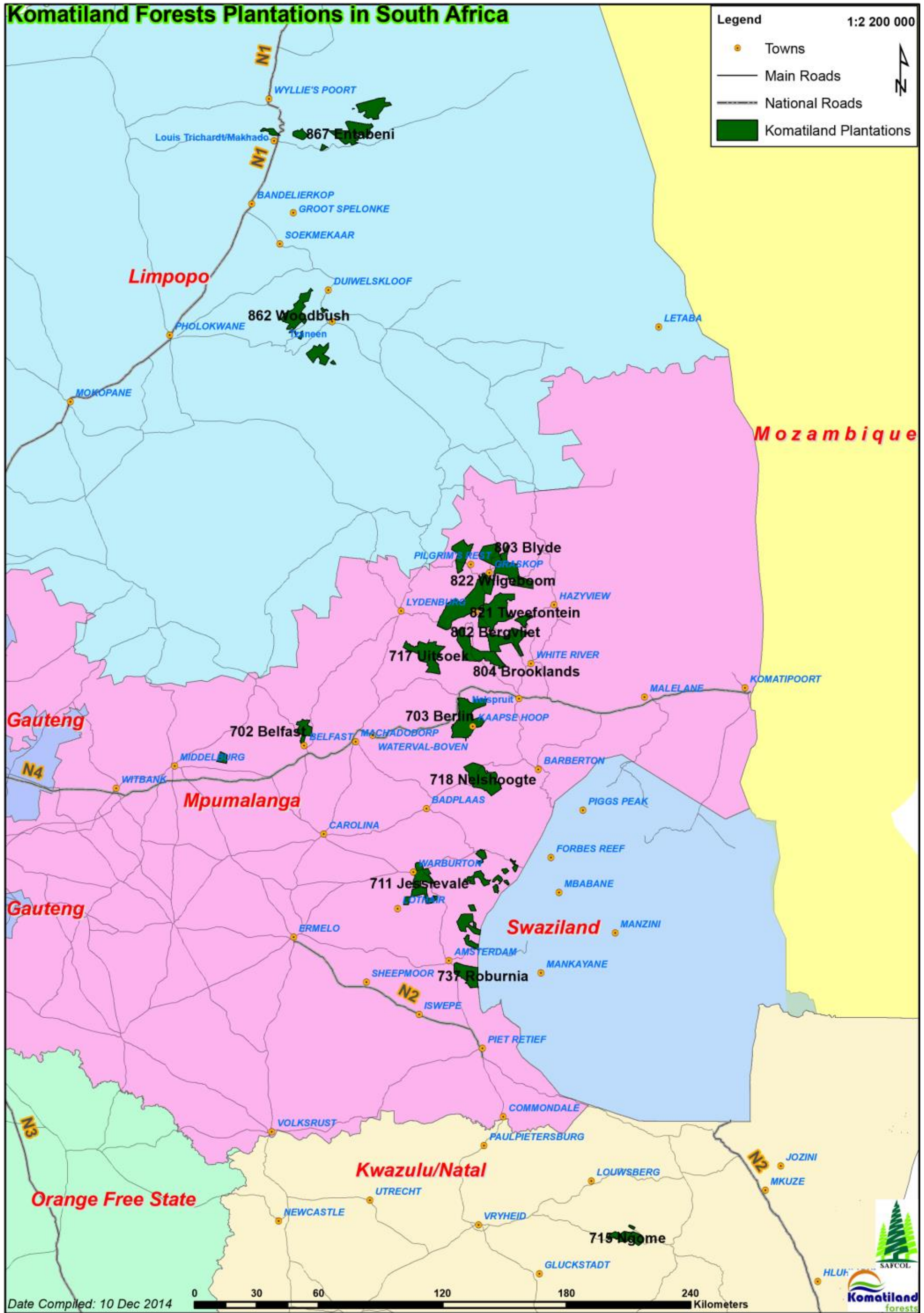
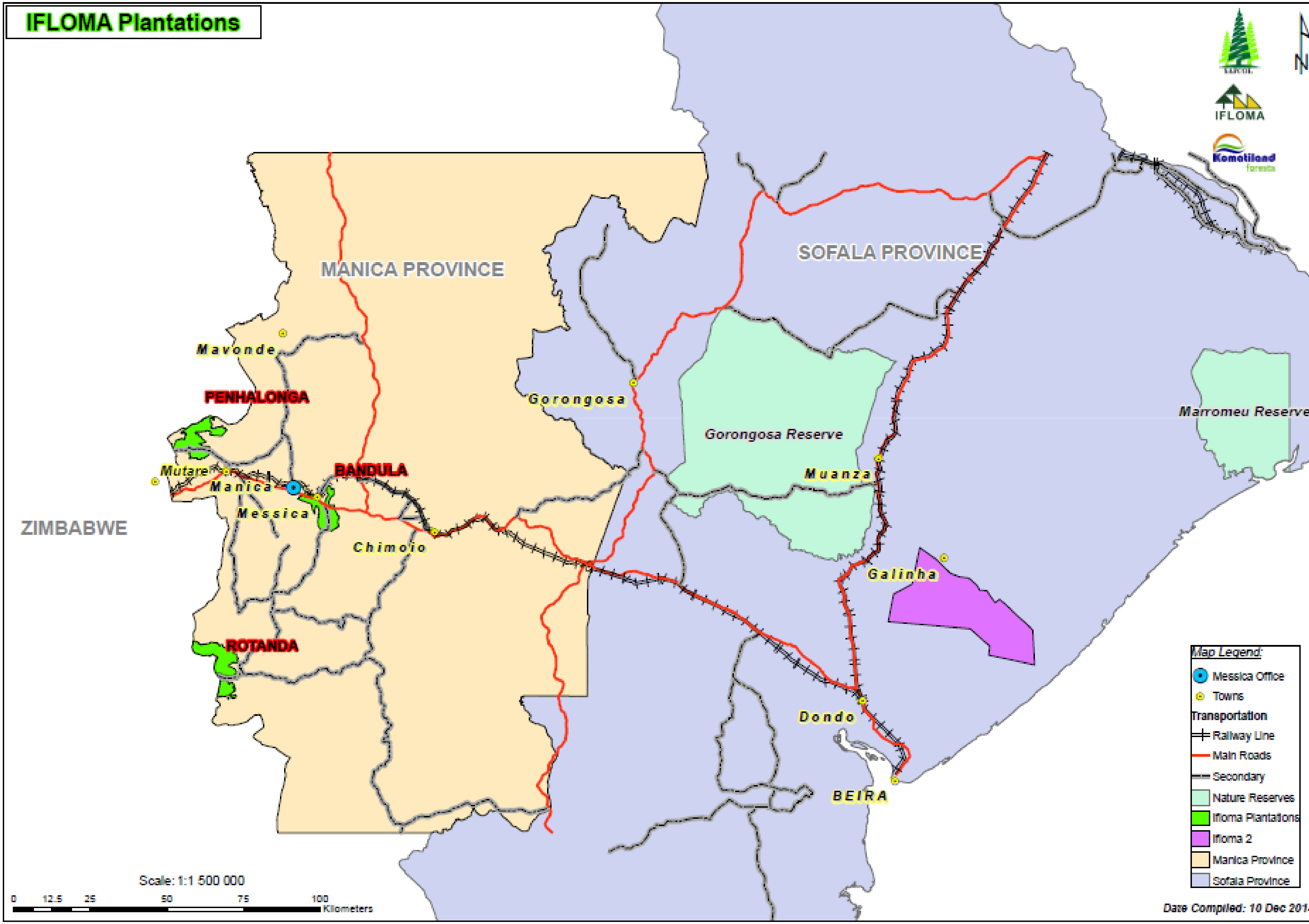
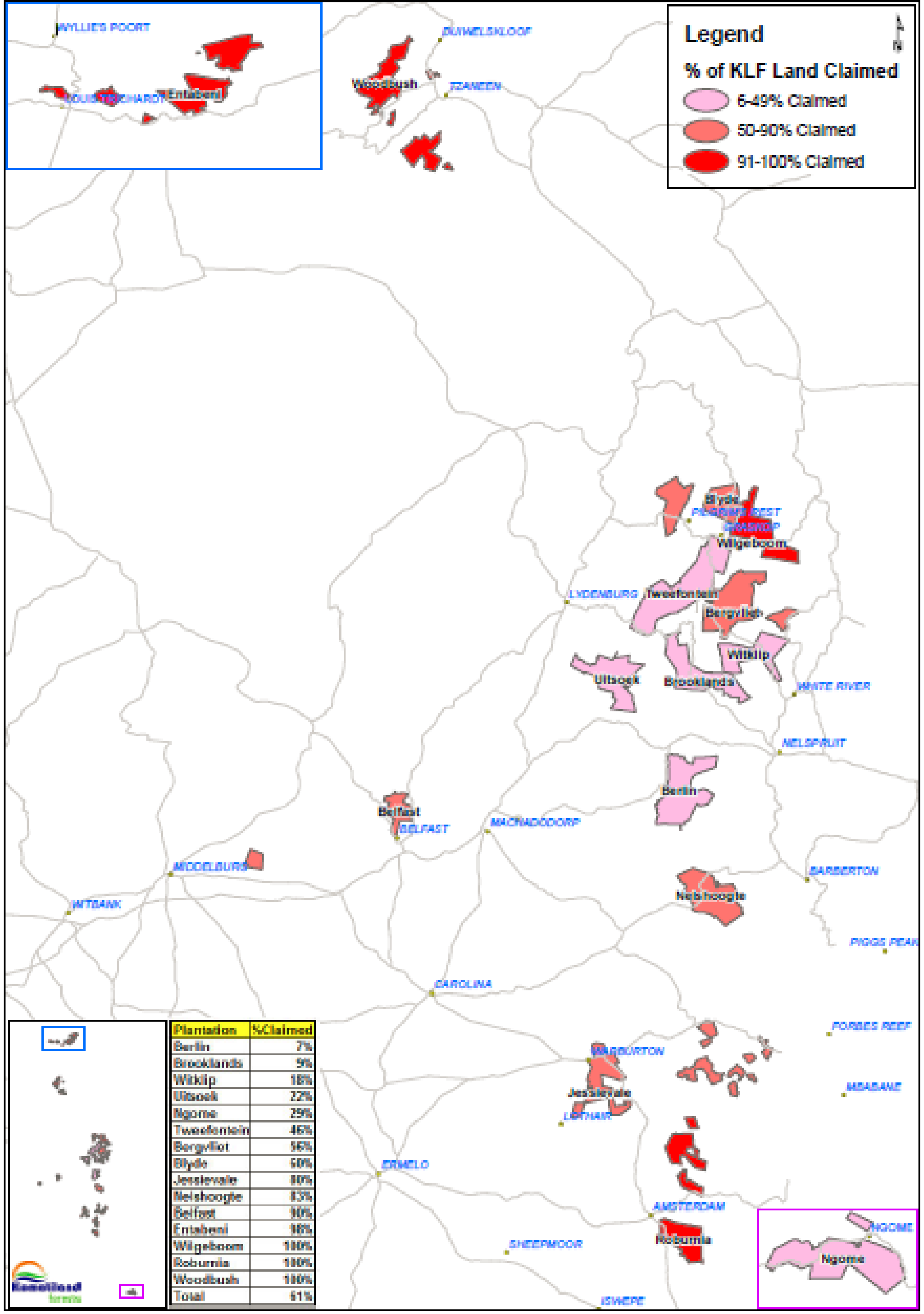


Plantations In South Africa

Plantations in Mozambique



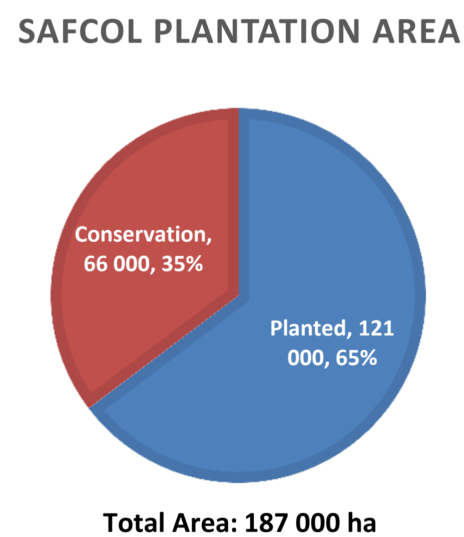
SAFCOL's Land Claims

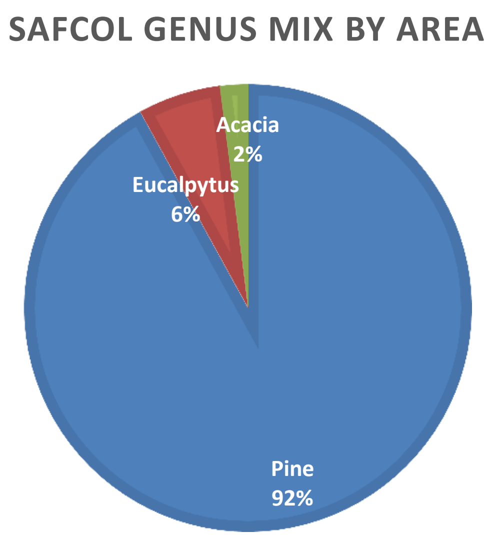


Plantation	%Claimed
Berlin	7%
Brooklands	9%
Witklip	18%
Uitsoek	22%
Ngome	29%
Tweefontein	46%
Bergvliet	56%
Blyde	60%
Jessievale	80%
Nelshoogte	83%
Belfast	90%
Entabeni	98%
Wilgeboom	100%
Roburnia	100%
Woodbush	100%
Total	61%

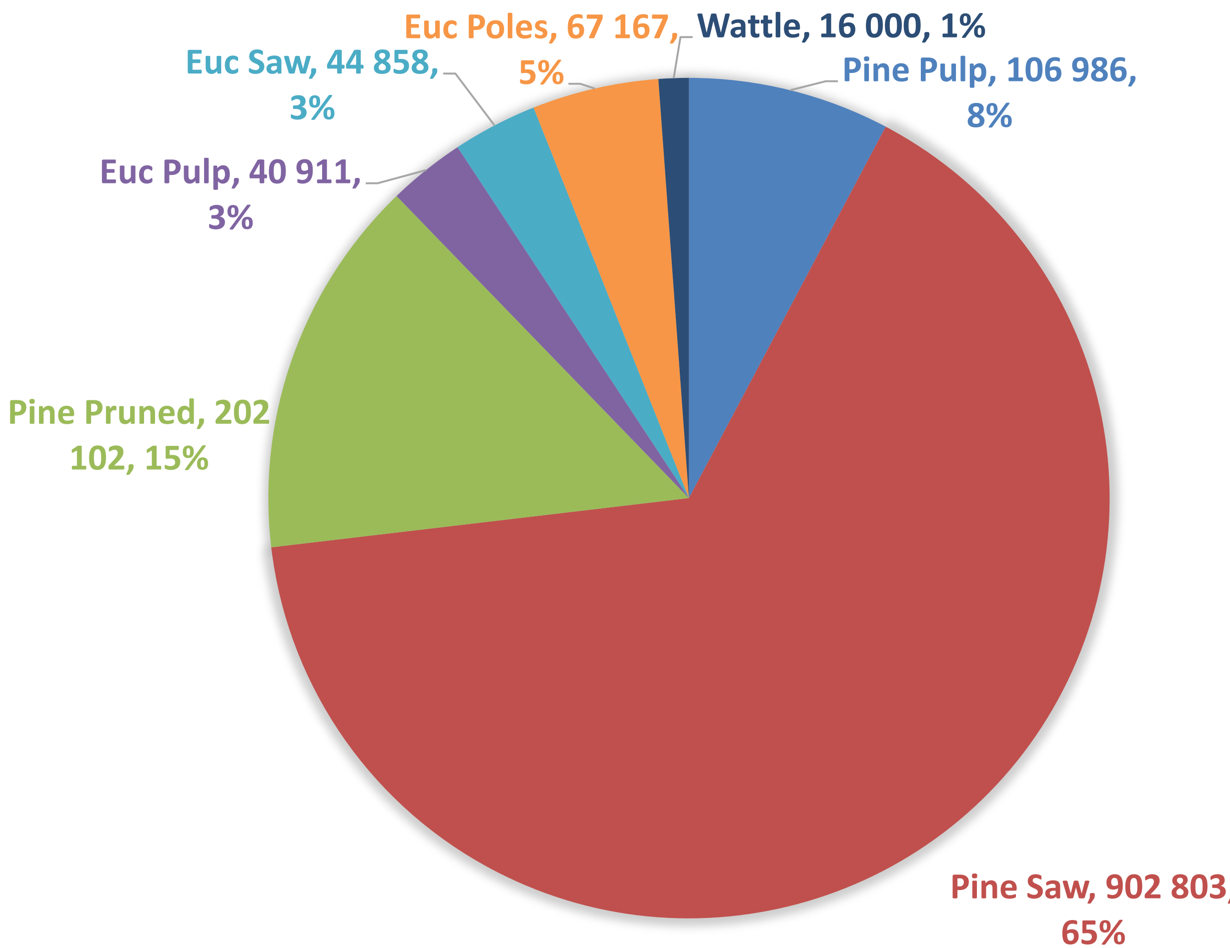
SAFCOL – KLF Forests in SA

- 15 Plantations over 3 Provinces:
  - Limpopo
  - Mpumalanga
  - Kwa-Zulu Natal





SAFCOL – KLF 2017/18 Product Mix



Total = 1 380 827 m^3

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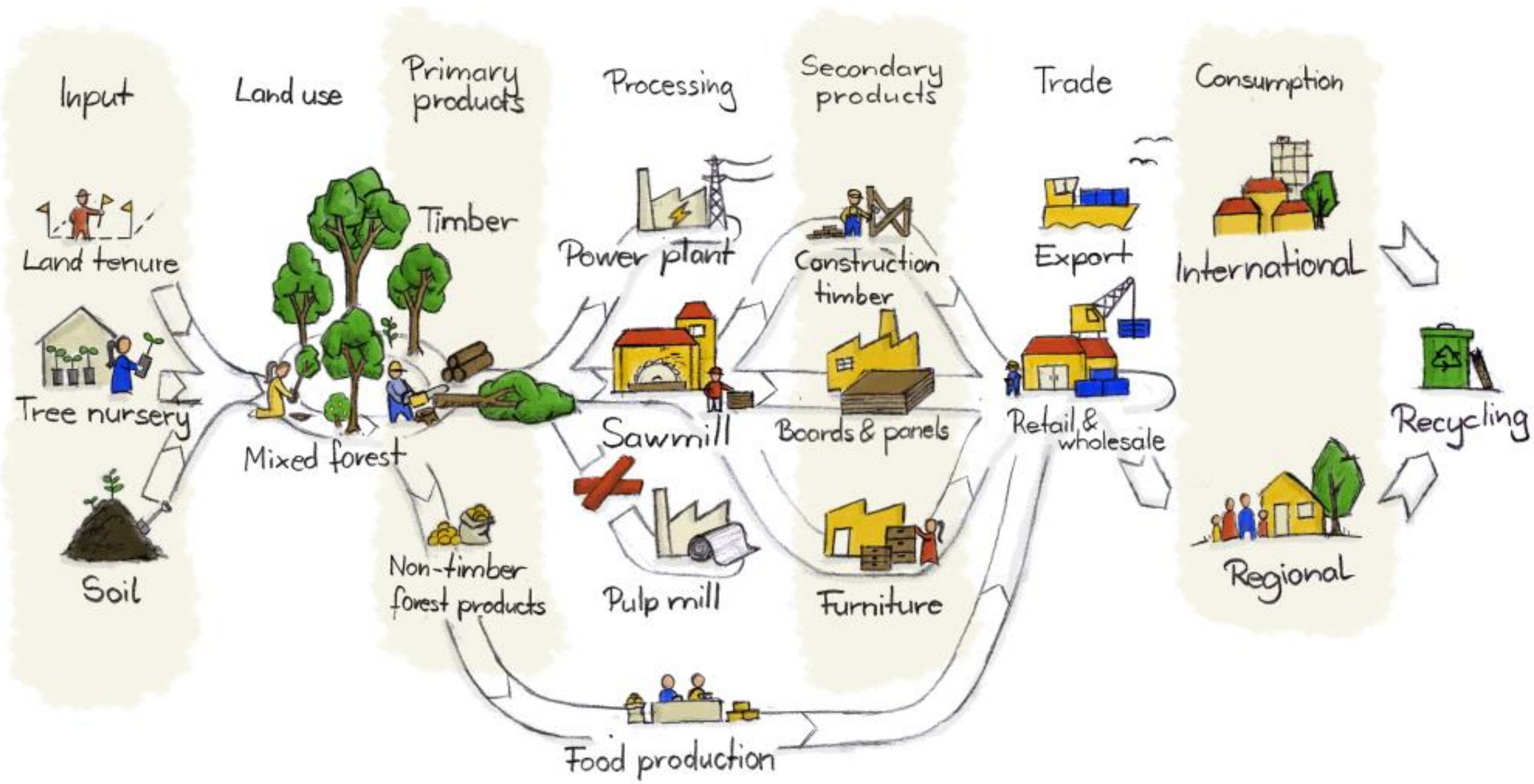
TIMBER VALUE CHAIN



MARKET OVERVIEW

SAFCOL manages about 10% of the commercial forestry plantation area in South Africa and a major producer of sawlogs; used for structural lumber resulting in less reliance on imports by South Africa;

Most large South African privately-owned forestry companies are vertically integrated;

Demand in the South African lumber market is increasing due to increased building activity;

There are opportunities for the supply of timber-frame structures in the local market for Government infrastructure projects such as schools and clinics;

The market in the rest of Africa represents a further potential opportunity for the supply of lumber, timber poles and forestry management services;

There is also potential for the production of high value added wood products such as Cross-Laminated Timber (CLT).

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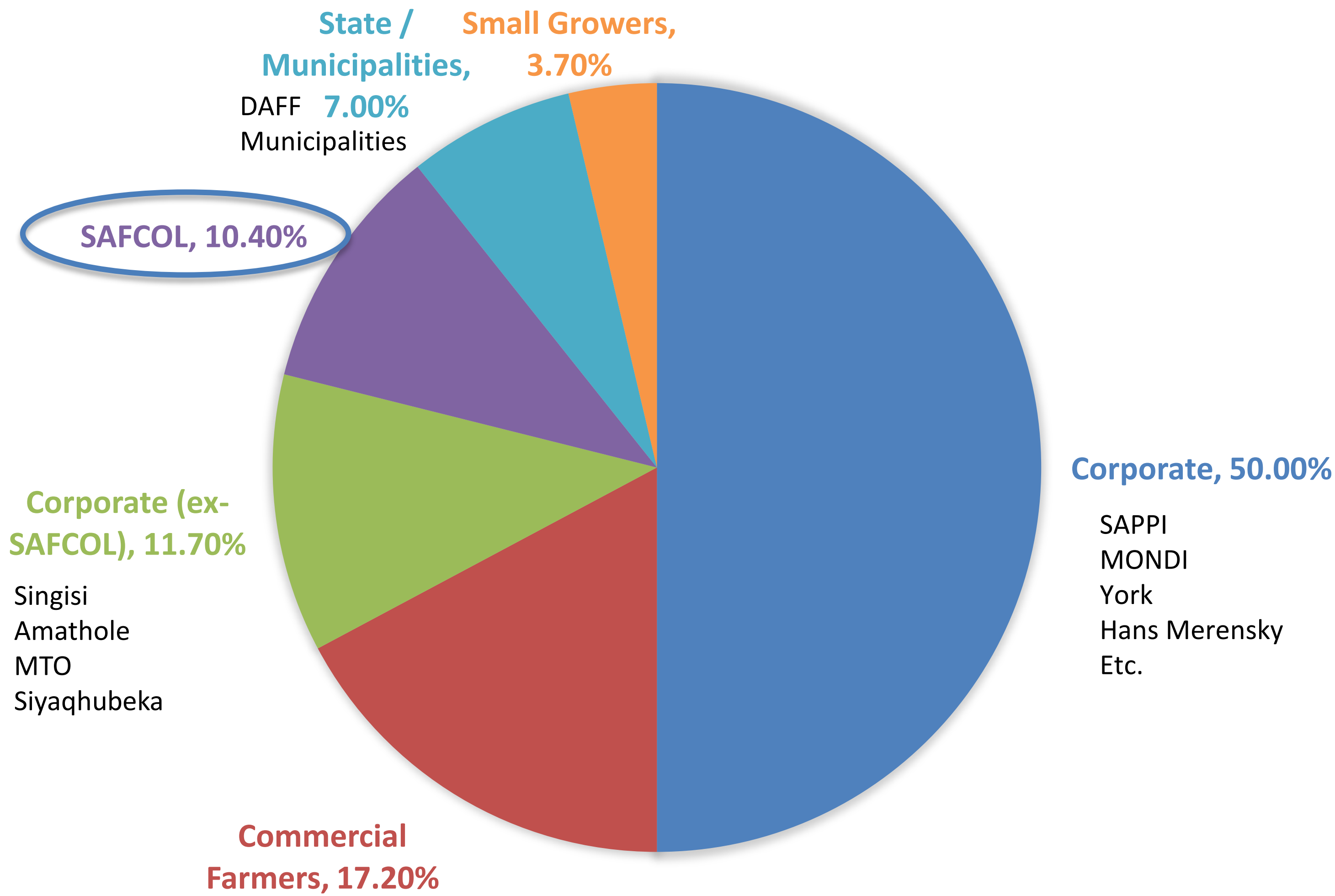
Source: Forestry South Africa (2017)

“SA Forestry and Forest Products Industry 2015”

FORESTRY INDUSTRY OVERVIEW

Plantation Area by Ownership (2015)



Total Area = 1 224 456 ha

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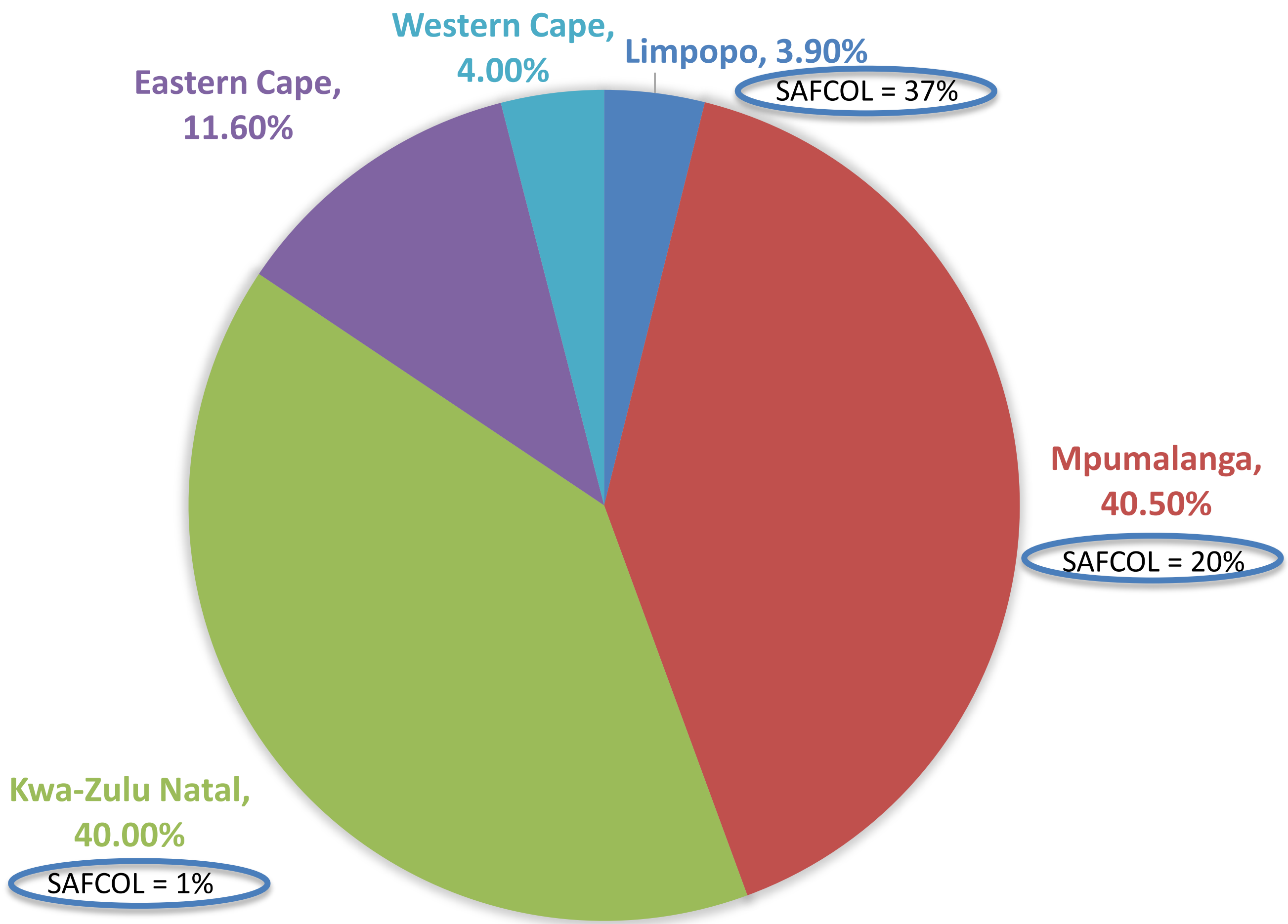
PLANTATION AREA BY PROVINCE (2015)



Total Area = 1 224 456 ha

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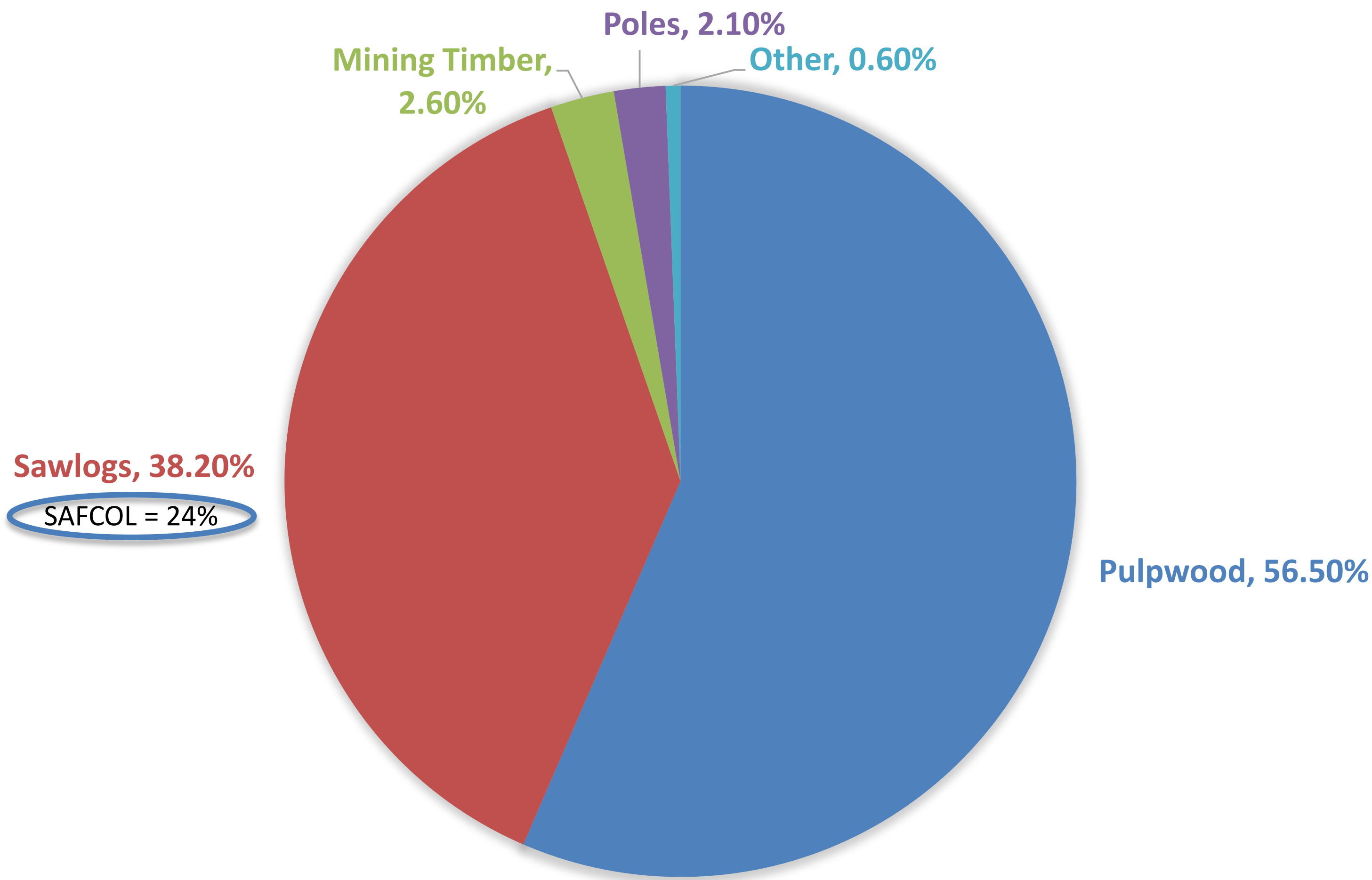
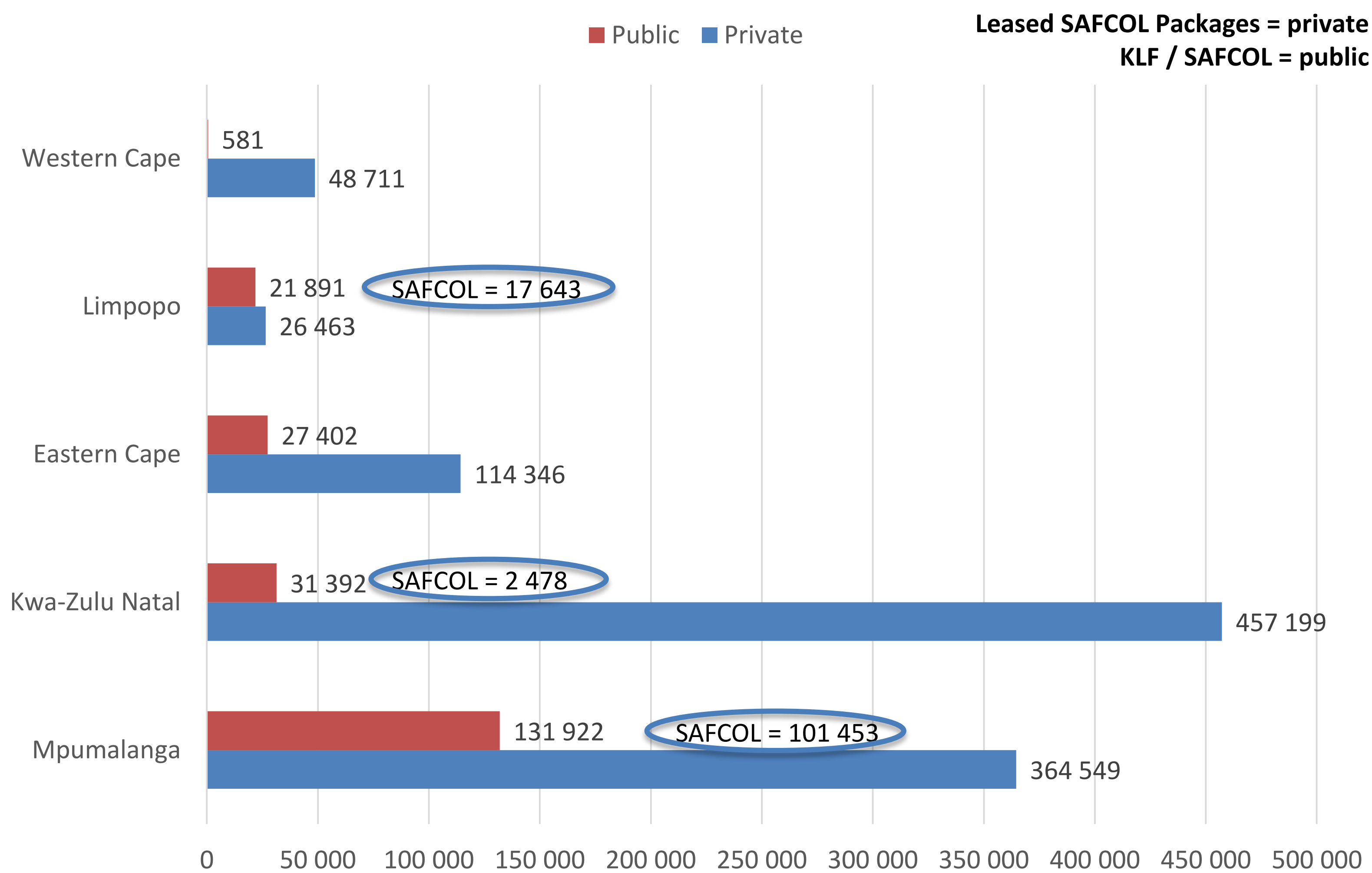
PLANTATION AREA BY MANAGEMENT OBJECTIVES (2015)



Total Area = 1 224 456 ha

Plantation Area by Province and Ownership (2015)



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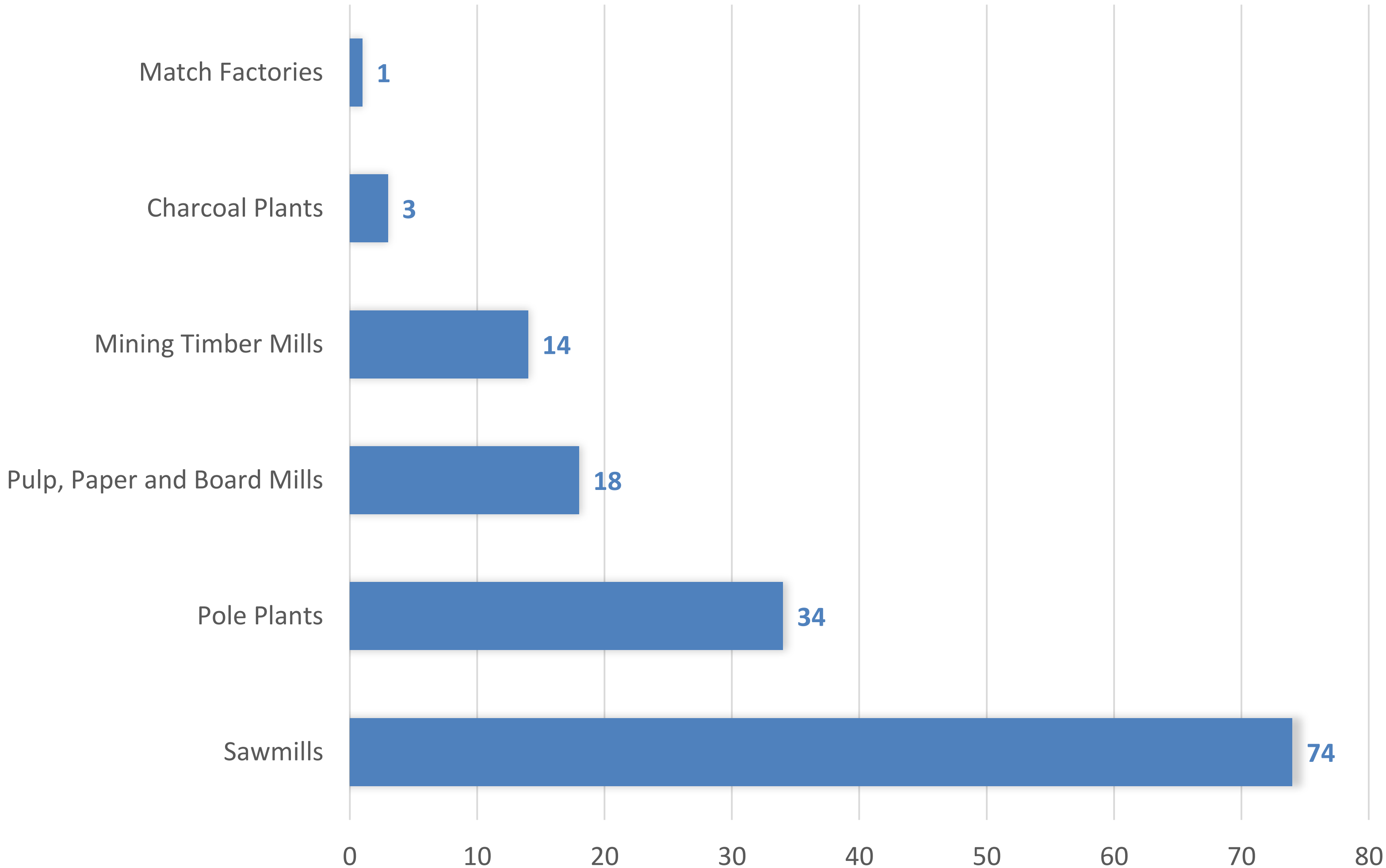
Source: Forestry South Africa (2017)

"SA Forestry and Forest Products Industry 2015"

FOREST PRODUCTS INDUSTRY OVERVIEW

Number and Types of Processing Plants 2015



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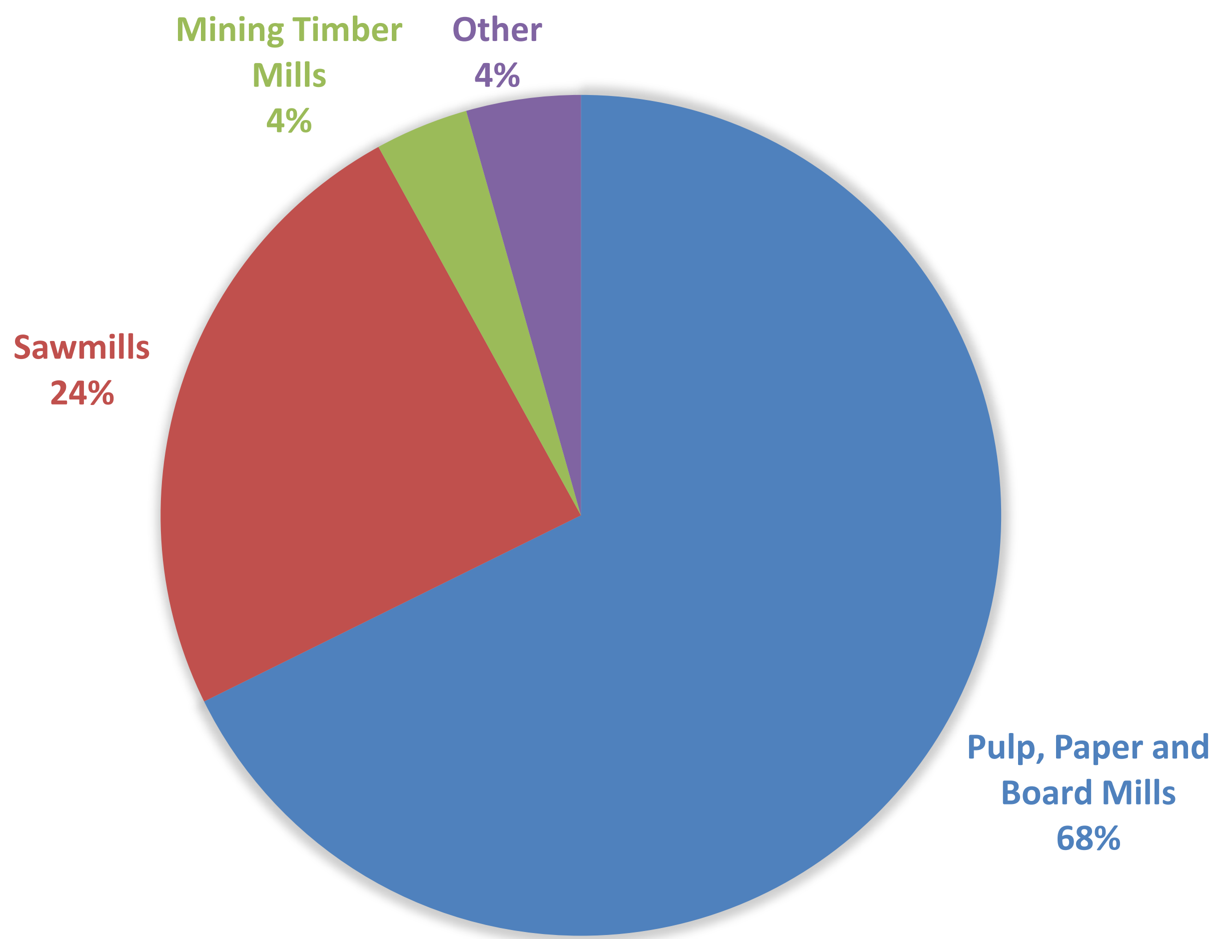
INTAKE OF ROUND WOOD INTO PROCESSING PLANTS 2015



Total Intake = 17.5 million m³

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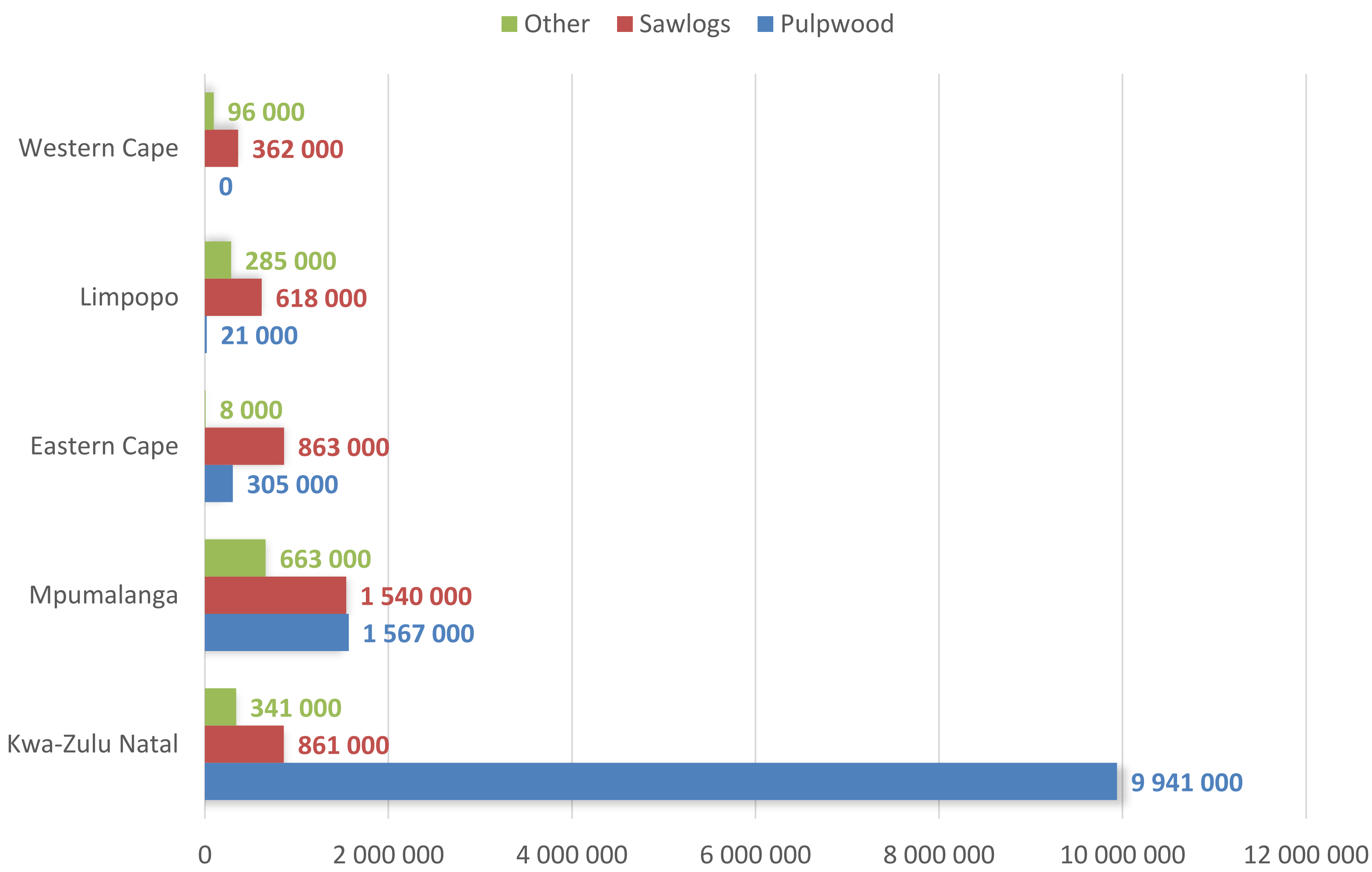
Round wood Intake into Processing Plants by Province 2015



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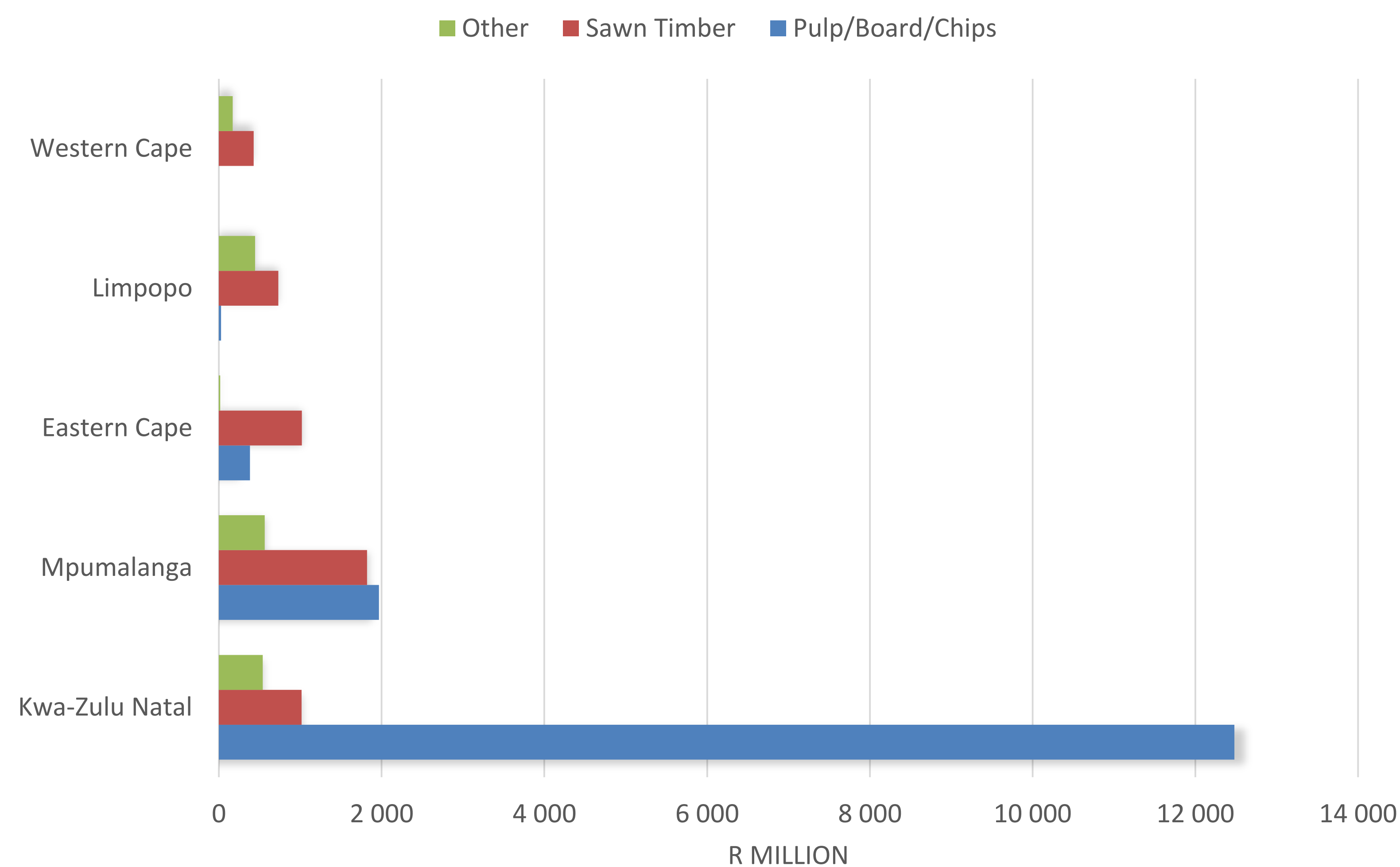
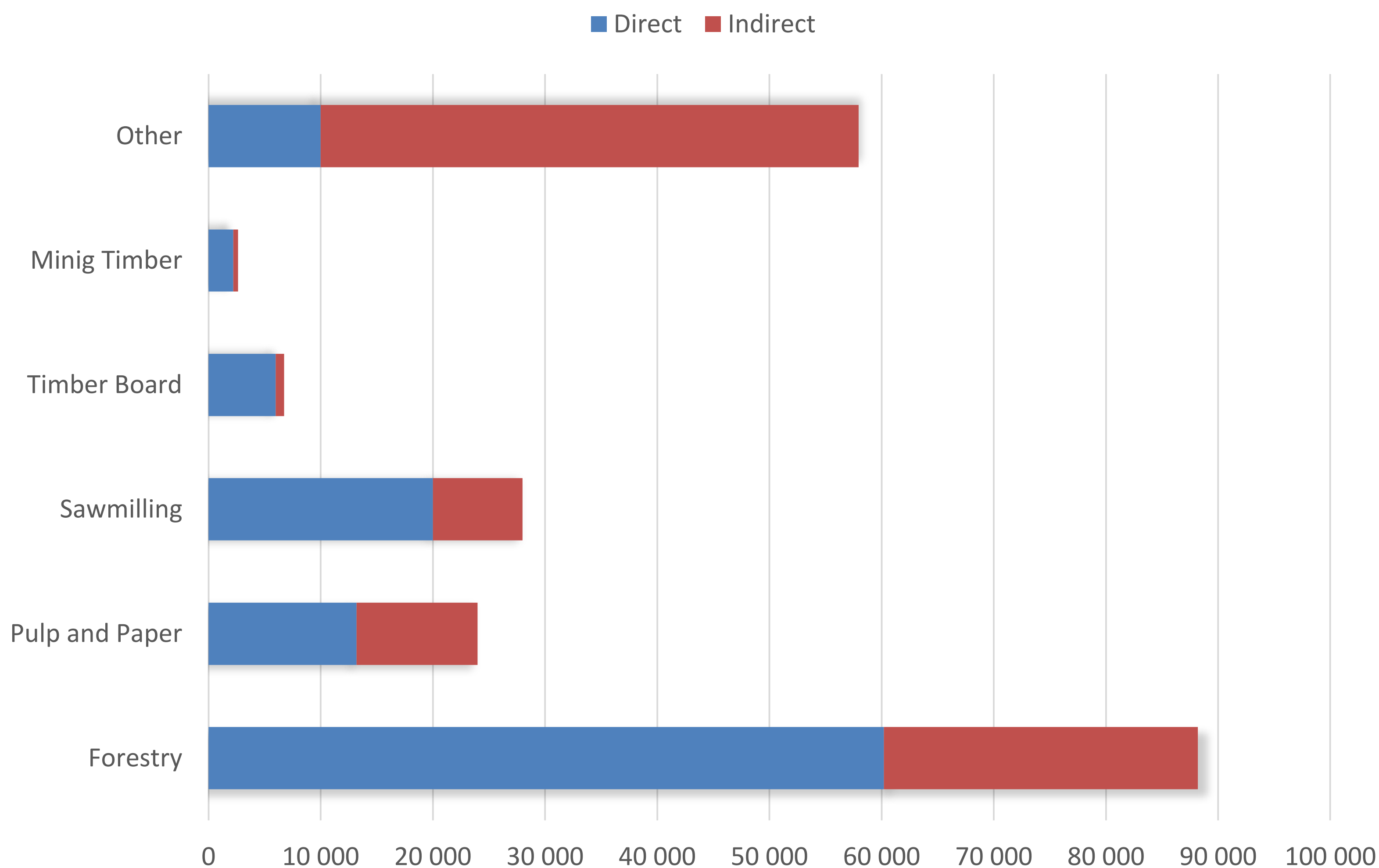
Value of Sales from Processing Plants by Province and Product 2015



Forest Sector Employment 2015



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SAFCOL's contribution to South Africa

STRATEGIC SIGNIFICANCE

Forestry Industry

- Forestry Plantations = 1 224 456 ha or 1% of land use in South Africa
- Forestry South Africa (FSA) represents growers over 93% of plantation area in SA:
  - 11 Corporate Companies
  - ± 1 300 commercial timber farmers
  - ± 20 000 small-scale growers

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FORESTRY OPPORTUNITIES

- ± 150 potential products from wood
- Invasive alien species – source of timber
- Forestry Industrialisation:
  - Opportunity to grow rural economies
  - Minimise urbanisation of South Africans
- Need to consolidate forestry industrialisation to maximise benefits
- Increase sustainability of forestry industry

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Forestry Industrialisation

- SAFCOL strategically positioned:
  - Commercial forestry company
  - Government-owned
- SAFCOL's role:
  - Catalyst in forestry industrialisation
  - Champion of transformation in the industry
- Need to promote a "Culture of Wood" particularly in infrastructure in South Africa
- SAFCOL can support government programmes

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INFRASTRUCTURE OPPORTUNITIES

- Timber-frame structures:
  - Public infrastructure (schools, clinics etc.)
  - Other infrastructure (timber bridges)
  - Housing (RDP, student accommodation, residential etc.)
- Benefits of TFS:
  - Short construction period
  - Energy efficiency (thermal conductivity)
  - Green construction
  - Easily extended / built on slopes
  - Cost effective

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Engineered Wood Products

- Cross-laminated timber for high-rise timber structures
- Timber-bridges

University of British Columbia (Vancouver, Canada)

- 18 storey timber building
- 53 metres high
- 70 days construction after component delivery to site

UNIVERSITY OF BRITISH COLUMBIA (VANCOUVER, CANADA) – TIME LAPSE

- *Time lapse video of construction of Vancouver building*

Forestry Industrialisation

- Opportunity for further skills development
- Timber construction stimulates downstream opportunities for enterprises and further industrialisation
- Africa strategy – support forestry industrialisation in rest of Africa

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Short-term Opportunities

- SAFCOL investing in small-scale pilot plant to manufacture timber-frame structure panels
- Require commitment for projects to deliver and implement
- Infrastructure examples
  - Clinics
  - Schools
  - Student accommodation
  - Other public infrastructure
- Provide concept to change perceptions

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Progress Report

DIVERSIFICATION STRATEGY AND COMPANY TURN AROUND

HIGH-LEVEL TURNAROUND

- IFLOMA
  - Board resolved end of “care and maintenance”
  - Developing operationalisation plan
  - Exploring partnership opportunities
- Organisational structure approved Feb 2017
  - Aligned to strategy, currently being implemented
- Re-branding of SAFCOL
- Timber Sales
  - Log-costing exercise and revised log auction process
- Cost savings
- Exploring potential export markets

DIVERSIFICATION STRATEGY

- Timber-Frame Structures
  - RFI issued, RFP to go out for implementation of small-scale manufacturing plant
- Eco-Tourism and Property Management
  - Feasibility study conducted, EXCO to submit recommendations to Board
- Eskom Torrefaction Plant Project
  - SAFCOL developing Biomass Collection Plan and costing model for feasibility
- Platorand training facility
  - Issue feasibility study for expansion of training service offering
- DAFF Cat B & C Plantations
  - Partner with DAFF to expand forestry land
- Pole Treatment

16/17 Financial Results*

Measure	Target	Actual	Variance
Profit / (Loss)	-R127 million	R107 million (R51m)	+R234 Million
Revenue	R1 112 million	R1 036 million	-R76 Million
EBITDA / Revenue	3.5%	9%	+5.5%
Return on Equity	1.5%	1.6%	+0.1%
Revenue Growth	5%	14.7%	+9.7%

*unaudited

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Highlights / Way Forward

- Launched community Wi-Fi project
- Forestry Industrialisation
  - Roundtable planned for 20 June 2017
  - Followed by Summit later in 2017
- Land Claim Settlement Model
  - Prominent feature in Economic transformation Strategy being developed
  - Participation in business value chain
  - Workshop with relevant stakeholders
  - Approval by SAFCOL Board by Sep 2017

COMMUNITY WI-FI LAUNCH EVENT

- *Video of Community wi-fi hand-over*

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Questions?

THANK YOU!