

**BRIMSTONE INVESTMENT
CORPORATION LIMITED**
A Decade On The JSE

Presentation at the UCT GSB
20 August 2008

Brimstone ~ the butterfly



- A small group of butterflies, the “Danaiidae” of which seven species found in SA
- Only one “Danaus Chrysippus” / (commonly known as “Brimstone” or “African Monarch”) is found on Table Mountain
- Common characteristics:
 - Unpalatable to birds, reptiles, amphibians
 - Make use of warning colours to repel predators
 - Tough and cannot be killed as easily as most other butterflies

Vision

- Brimstone Investment Corporation seeks to be
 - profitable
 - empowering
 - positive social impact

Mission

- Above average returns
- Wealth creating businesses
- Strategic alliances
- Contribute capital
- Innovative ideas
- Management expertise
- Impeccable empowerment credentials
- Value driven corporate identity

Beginning

- Brimstone Investment Corporation Limited was formed in August 1995
- A small bundle of shares (2.7m) in Oceana Fishing triggered the formation of Brimstone
- Deal size R 7,5m
- Required that shareholders/founders pay R3m in cash i.e. 40% of the value
- Balance of R4,5m financed by pref shares
- Founders felt that an opportunity existed to form a BEE group driven from the Western Cape

Challenge no. 1

- To raise R3m within 6 weeks for the Oceana transaction
- How did we do it?
 - Spoke to friends, family, associates, community members
- What were we selling potential investors?
 - An opportunity to participate in an investment vehicle owned, controlled, managed by PDI's; and driven out of the Western Cape (vis-a-vis other initiatives driven from Gauteng)

Listing on the JSE

- November 1997 – raised R45m in a private offer to previously disadvantaged individuals (at 175cps)
- Listed on the JSE in July 1998, raising R 60m from institutions and R20m from private investors
- Shares opened at 600cps – fantastic debut
- But timing!!
- Context: Aug 11, 1998 – Yen tumbles to 8yr low; stock markets plunge around the world; financial contagion
- Aug 27, 1998 – Dow Jones drops more than 350 points (4% in one day), from 8750 on the day
- Sept 98 – Jan 1999 – major bankruptcies in Japan & China

Portfolio at listing

- Strategic portfolio of listed shares
 - Included shares in African Harvest, Nando's, Ocfish, and shares in other financial services and consumer products
- Trading portfolio of listed shares
 - Smaller stakes in listed companies
- Private equity investments
 - Included stakes in property, agriculture, media, telecoms, medical, industrial sectors
- Net assets on listing R 462m

Challenge no. 2

- Like the Brimstone butterfly, to defend itself against predators wanting to asset strip the company
- How?
- June 1999 ~ Capital reduction of 150 cps paid out to shareholders (most of these shareholders paid 125 – 175 cps)
- Brimstone had a management agreement with its management team based on assets
- This reduction placed shareholders first, irrespective of a potentially lower future fee to management

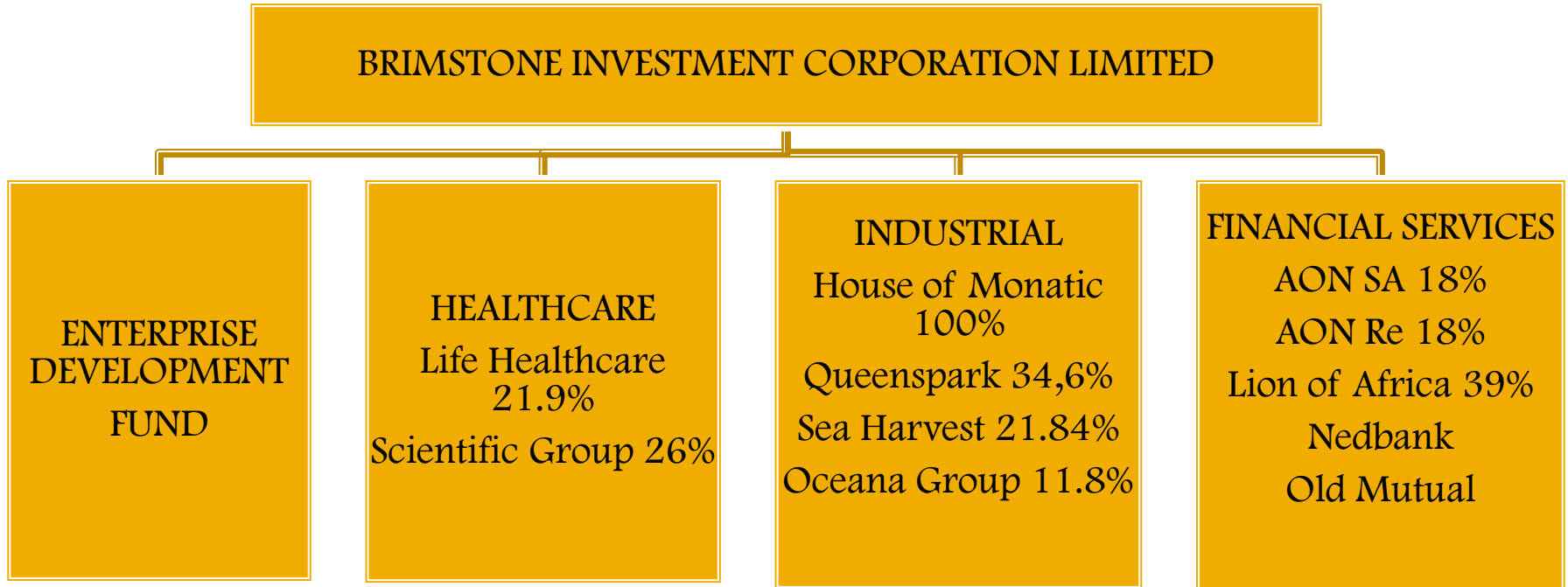
Challenge no. 3

- To restore shareholding of the company, by freeing shares from certain institutional shareholders, and increasing the BEE ownership of the company
- How ?
- April 2003 – Specific repurchase of shares
- It was imperative that we retain black control of the company
- Our peers, NAIL and RAIL missed this opportunity

Challenge no.4

- To restore value to shareholders
- A process, rather than overnight solution
- Started with special dividend in 1999
- Maiden dividend in 2002
- Share repurchases in 2003
- Major refocus of the group with disposals of non-core businesses
- Turning point – 2003 – invitation to participate in Afrox Healthcare

Current group structure



Successful start-up

- Lion of Africa Insurance Company Limited
- Started in 1999
- Partnered then Guardian National (Santam) to form a black owned and managed short term insurance company
- Budget gross premium for 2008 – R800m
- Staff employed ~ 160

Successful turnaround

- Scientific Group – 26,06%
- Acquired out of the Macmed liquidation
- Niche medical supplies company
- Current partner Adcock Ingram
- Profitable since acquisition
- Supported the management team in the turnaround

Current BEE ownership status

- Over 3 300 direct shareholders representing more than 3 450 000 indirect beneficiaries
- 54% beneficial economic interest in black hands*
- Voting rights of black people exceed 67%*
- +/- 1 800 employees in subsidiaries and over 25 000 in associates

* Independently audited by Deloitte & Touche

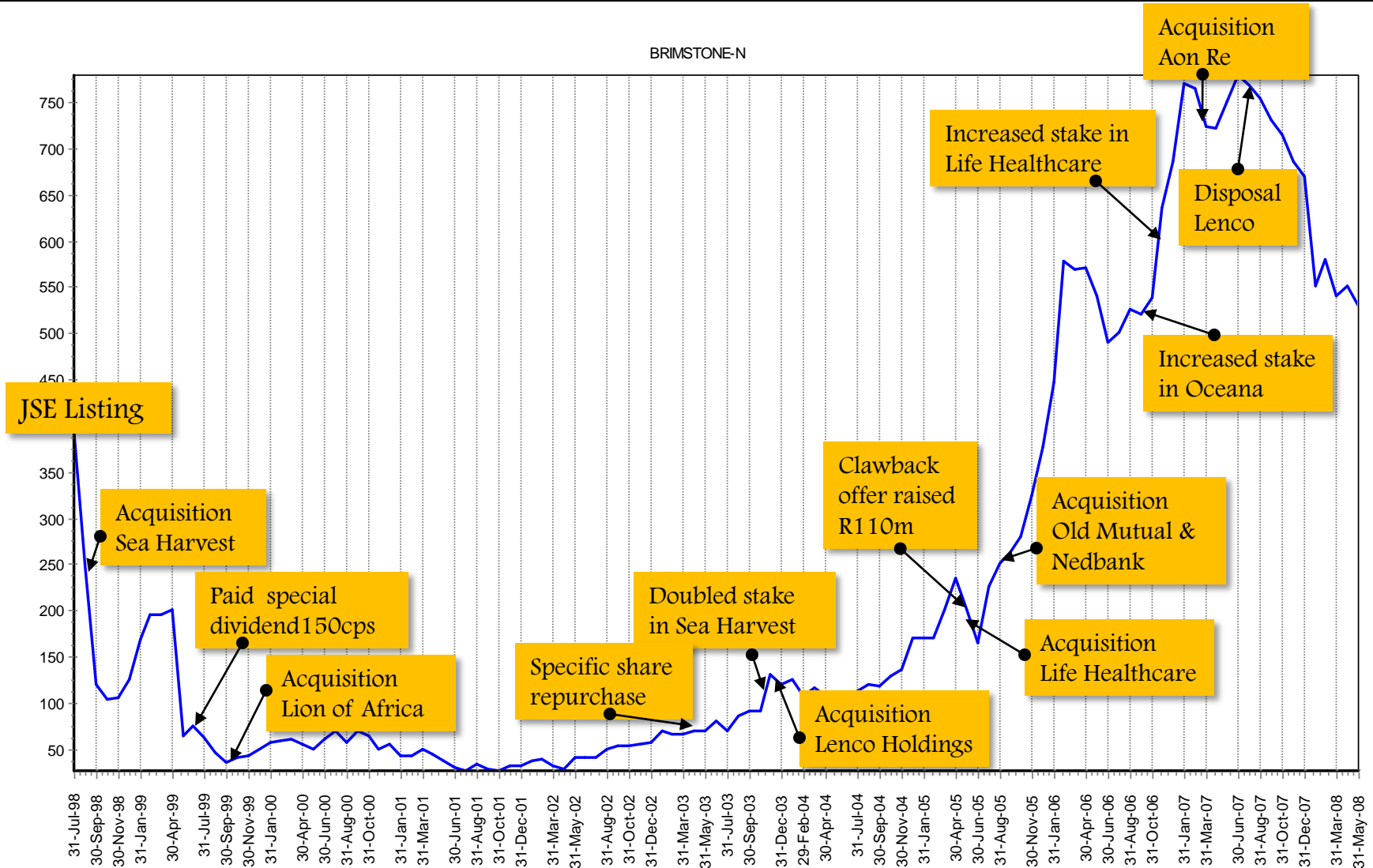
BBBEE Credentials and CSI

- Brimstone Equity Share Trust (“BEST”)
 - 5 direct institutional beneficiaries, include CAFDA, Shalamuka Foundation, Ditikeni Investment Company, Yabonga Children HIV/AIDS project, Sakhikamva Investments
 - Over 3.4 million underlying beneficiaries
 - Beneficiaries spread across 9 provinces
 - Receive dividends from inception
- Brimstone Foundation

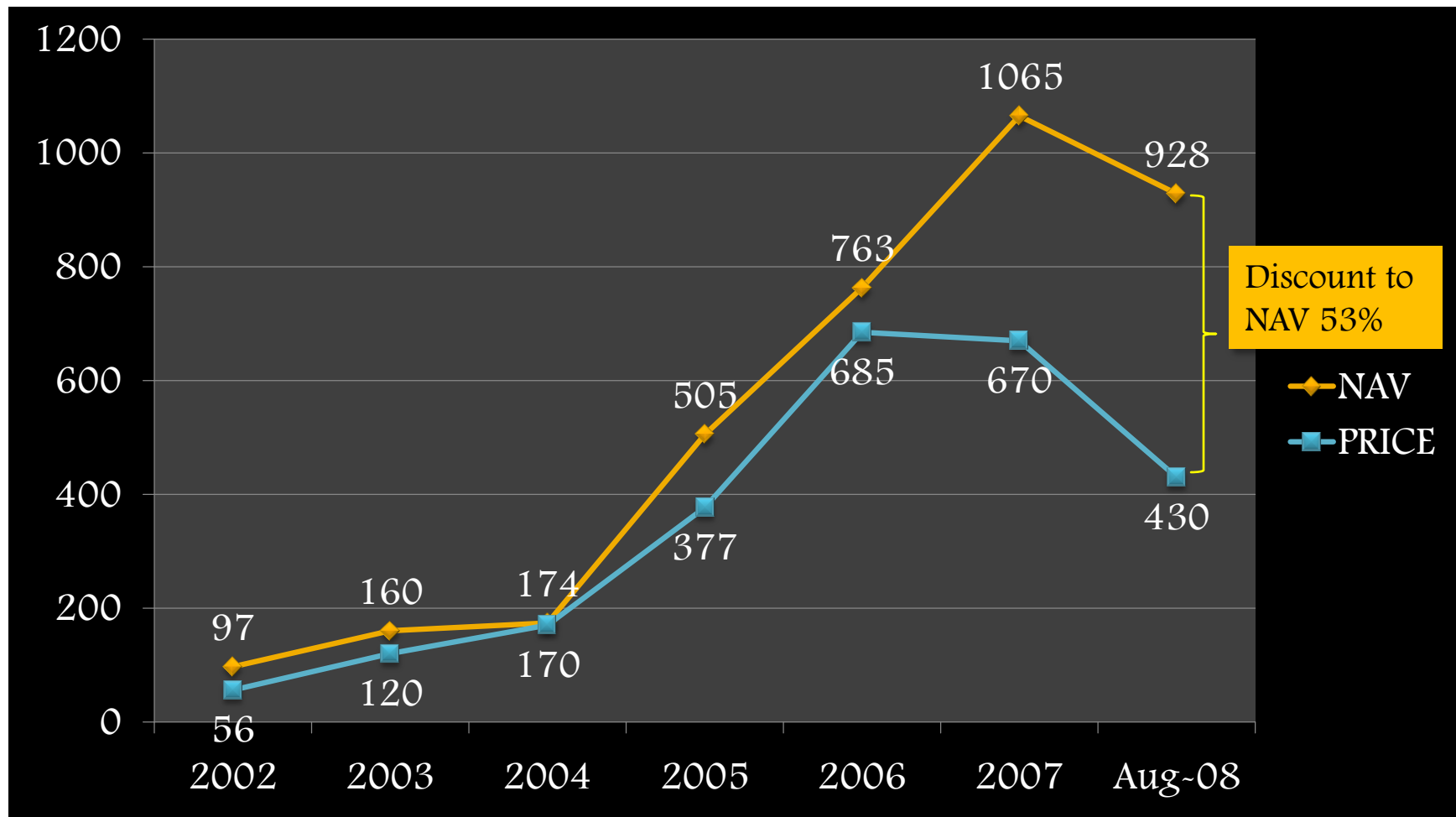
Awards

- 2008 ranked 3rd in FM Top Companies Awards
- 2008 ranked 2nd on weighted avg composite financial ratio index, 3rd on return on avg total assets, 6th on ROE~ Finweek Top 200 Companies
- 2007 7th Top Market Performer over 5 years, Sunday Times
- 2007 Brimstone Top Performer for 2006, Finweek Top 200 Companies
- 2006 3rd Top Market Performer over 5 years, Sunday Times
- + 4 other awards prior to 2006

Share price history & major corporate activity



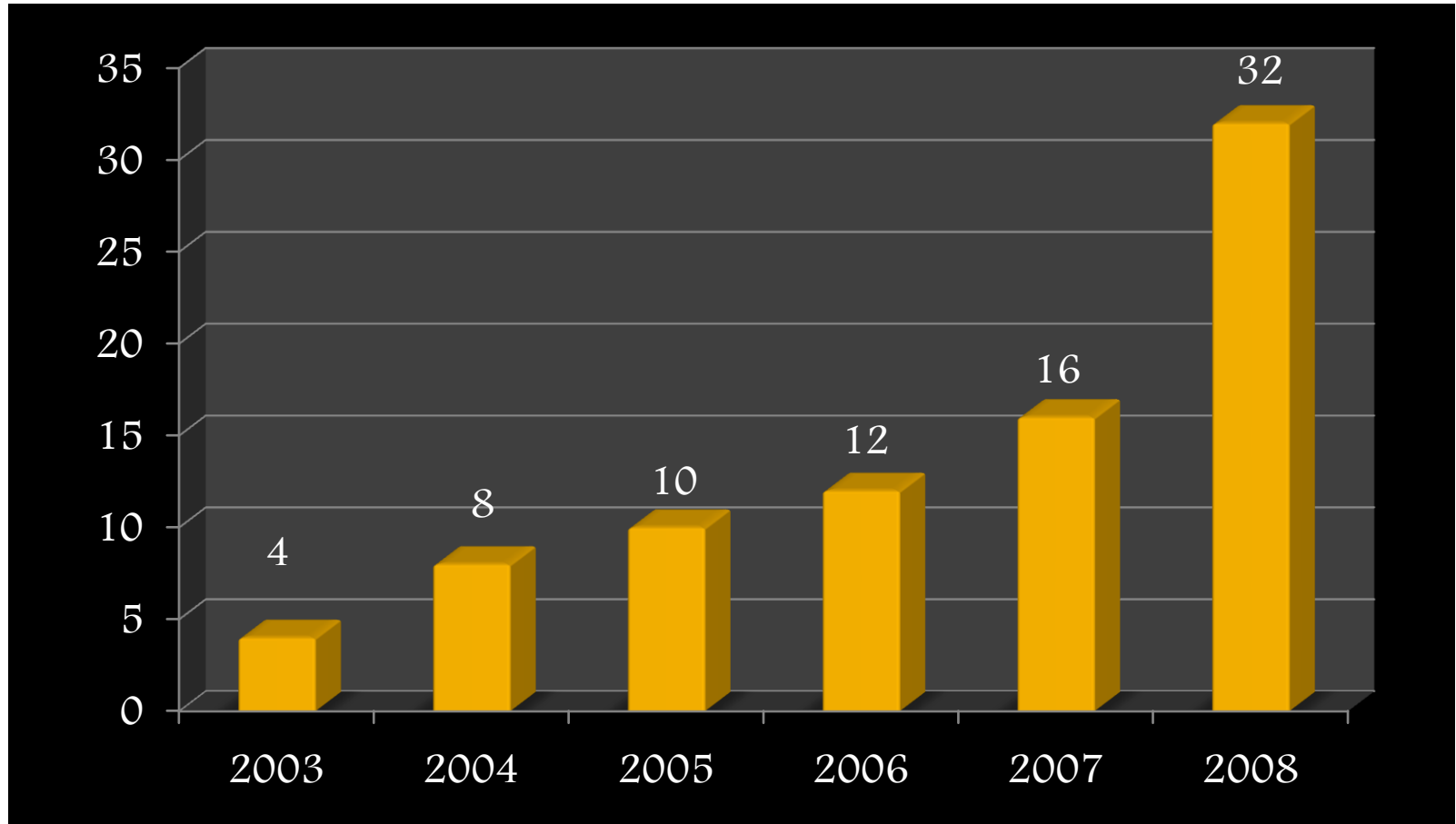
The gap between NAV & Share Price



NAV discount

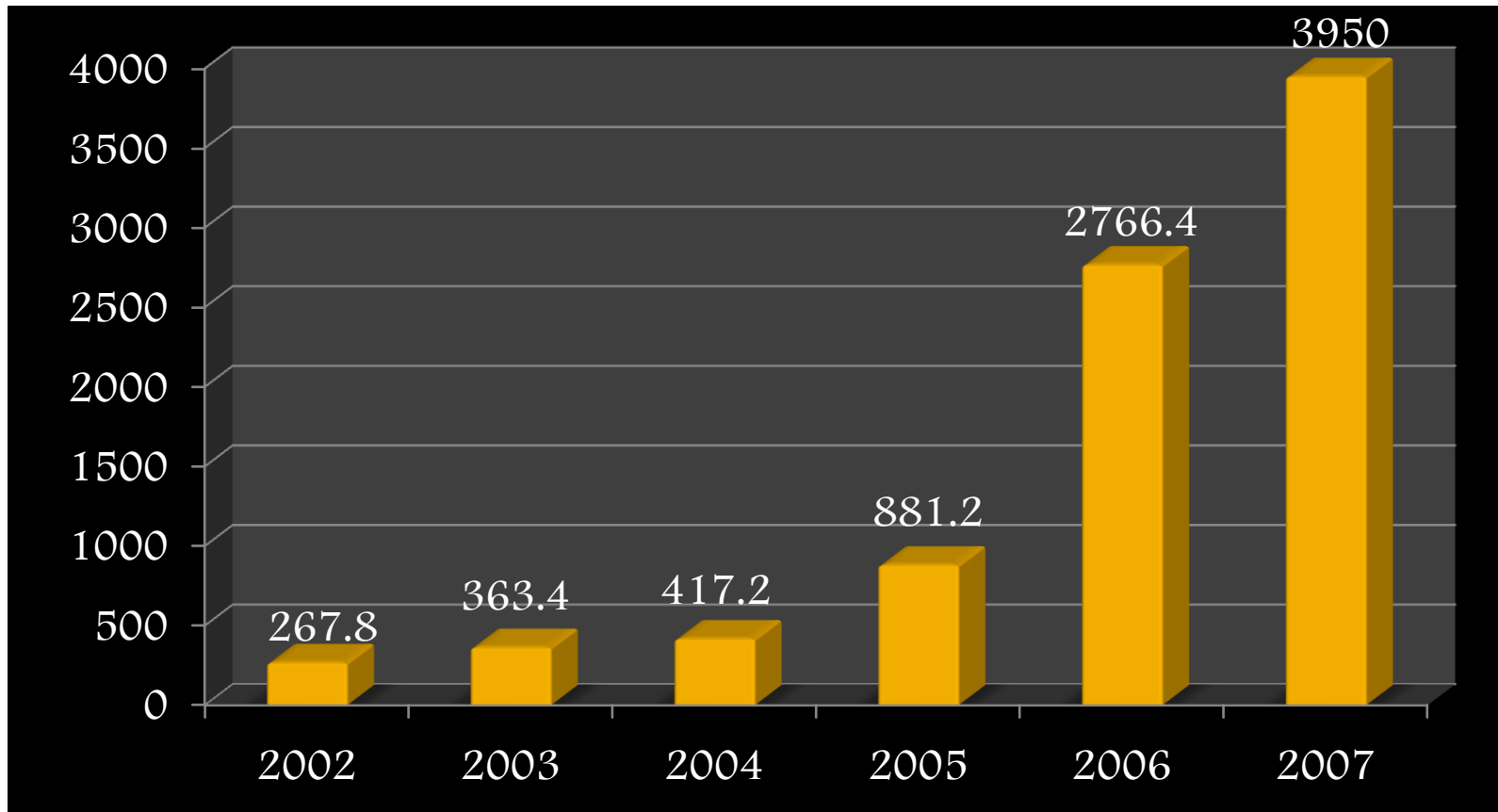
Company	Price (cps)	NAV (cps)	Current Discount to NAV
Brimstone N	430	928	53%
Cape Empowerment Trust	97	160	40%
Mvelaphanda Group	635	882	28%
Remgro	18700	24226	23%

Dividend Growth (cents per share)



Brimstone has paid out in excess of R 400m in dividends to shareholders

Growth in Total Assets (R'mill)



Interaction with shareholders

- Brimstone's AGM's have been lauded for its active engagement with shareholders
- Our typical AGM attracts in excess of 350 people
- We owe this to our shareholders, many of whom are first time investors in a JSE listed company
- Many of these shareholders are unsophisticated investors, who have placed their faith in the management of the company
- Gives shareholders the opportunity to physically engage with our investee companies and further enhances their affinity to our brands

A Brimstone AGM



A decade later ~ comparison

Factor	1998	2008
Focus	Broad / opportunistic	Narrow / focussed / clearly defined
Investment sectors	Financial services, consumer products, telecoms, media, property, agriculture, industrial , medical	Industrial, Financial, Healthcare, Enterprise Development
Strategy	Small stakes in many listed companies	Significant stakes in few (mainly) unlisted companies
Board representation in investee companies	Few, limited to unlisted companies	Directorship on all boards
Net Assets	R541m	R2,2bn
Market cap	R237m	R1,14bn
Discount to NAV	56%	53%

Lessons learnt

- Partnership approach
 - Co-investment
 - Best of breed managers, captains of industry
- Staying focussed on the share price takes the eye off the actual businesses
- Focus on profitability; if markets are efficient the share price should look after itself
- Performance contracts allow for continuous evaluation
- In assessing a transaction, quants are important, but management is critical !

Lessons learnt

- Prepared to learn all the time – adapt to continuous change
- Lean, mean head office structure – small management team – total of 13 people
- Prefer good quality assets, but cashflow is important
- Maintain our BEE status

Conclusion

- Past 10 years – we have lived up to our strategic intent and core values
- Next 10 years
 - Operating in an environment where the playing fields have been levelled
 - Operating as business first, and BEE as a bonus
 - Succession and retention of skills to grow the company further
 - Strive for business excellence