

Sephaku Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2005/003306/06)
Share code: SEP
ISIN: ZAE000138459



Sephaku Cement interim financial results and Métier first quarter operational update for the period ended 30 June 2018

Sephaku Cement's revenue increases by 5,3% and EBITDA by 30% year-on-year as price increases stick.

Following the Dangote Cement PLC results announcement on 20 July 2018 for their 2018 financial year interim period ended 30 June 2018, Sephaku Holdings Limited ("SepHold" or "the Company") hereby reports on the Dangote Cement SA (Pty) Ltd ("Sephaku Cement") interim financial results and Métier Mixed Concrete (Pty) Ltd ("Métier") first quarter operational performance for the period ended 30 June 2018. The Sephaku Cement results will be equity accounted for in the SepHold interim financial results for the six months ending 30 September 2018.

Salient points: Sephaku Cement¹

- Sales revenue of R1,164 million compared to R1,105 million
- EBITDA margin of 22% (R256 million) compared to 18% (R197 million)
- EBIT margin of 15% (R170million) compared to 10% (R112 million)
- Net profit of R45 million compared to R16 million net loss

Commentary

Pricing and sales volumes

Sephaku Cement's interim revenue increased by 5,3% to R1,164 million (2017: R1,105 million) mainly due to the average price increase per tonne of 3% and 5% implemented in August 2017 and February 2018 respectively. The higher proportion of the lower priced bulk cement to total sales volume resulted in a slightly lower than targeted increase in revenue. Nonetheless, the price increases have sustained in most markets except Gauteng where competition continues to be intense.

The second quarter sales volumes were 5% higher than first quarter due to the seasonality of demand. The first quarter volumes were 7% higher than the comparative period due to excessive rainfall resulting in weak demand and the inability to produce cement by a major competitor in 2017. Sephaku Cement's second quarter sales volumes were 5% lower than the comparative quarter due to lower demand resulting in a nominal interim increase of 0,5% to 30 June 2018.

Profit margins

Sephaku Cement's cost saving efforts had a positive impact on profitability by contributing to the 30% increase in interim EBITDA of R256 million (22%) compared to R197 million (18%) in 2017. The operating and net profits achieved were R170 million (2017: R112 million) and R45 million (2017: loss R16 million) respectively.

Project loan

As at the end of June 2018, the project loan balance was R1,75 billion following the payment of the tenth quarterly instalment in May 2018. The next instalment in August 2018 is expected to include an additional amount due to the significantly improved cash flows. Sephaku Cement's ending cash and cash equivalents balance was R 452 million as at 30 June 2018

¹Sephaku Cement has a December year-end as a subsidiary of Dangote Cement PLC.

Métier

The first quarter mixed concrete prices were static year on year for the three months ended 30 June 2018 as competition remained high. Métier had a 15% increase in first quarter sales volumes year on year, albeit from a weak comparative base, due to the expansion into new demand nodes in Gauteng and Tshwane.

Centurion

25 July 2018

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Sponsor to Sephaku Holdings: Questco Corporate Advisory (Pty) Ltd

About Sephaku Holdings Limited

Sephaku Holdings Limited ("SepHold") is a building and construction materials company with a portfolio of investments in the cement sector in South Africa. The company's core investments are a 36% stake in Dangote Cement South Africa (Pty) Ltd and 100% in Métier Mixed Concrete (Pty) Ltd. The strategy of SepHold is to generate growth and realise value for shareholders through the production of cement and ready mixed concrete in Southern Africa.

www.sephakuholdings.com