

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



Sephaku Cement 2021 financial results summary

Following Dangote Cement PLC's ("DCP") 2021 financial results announcement for the period ended 31 December 2021, released on 1 March 2021, SepHold provides its shareholders with a detailed report on Dangote Cement SA (Pty) Ltd.'s ("Sephaku Cement", "SepCem" or "the associate") performance.

Any forward-looking information in this announcement has not been reviewed or reported on by the Company's external auditors. All Sephaku Cement figures included below are shown on a 100% basis and do not reflect SepHold's 36% attributable interest unless otherwise stated. Thirty-six per cent (36%) of SepCem's profit after tax will be equity accounted for in the SepHold financial results for the 12 months ending 31 March 2022.

Commentary¹

Sales volume

The sales volumes for the twelve months ended 31 December 2021 declined by 1% year-on-year ("y-o-y") mainly due to a 15% decrease in volumes during the second half ("H2") of the year. The adverse H2 performance resulted from the anomalously higher comparative volumes in 2020 and was exacerbated by the unplanned plant outages at the beginning of the fourth quarter ended December 2021. As the Company previously disclosed, the exceptional sales volumes in H2 2020 are attributed to several factors, including increased home improvement projects by individuals with higher discretionary income. Compared to the twelve months ended 31 December 2019, largely considered a 'normal' comparative period, the financial year ("FY") 2021 first half ("H1") and H2 sales volumes were 12% and 6% higher respectively, resulting in an annualised increase of approximately 8%.

Annual imported cement volumes increased by 7% y-o-y to approximately 1.1 million tonnes (2020: 990,000t). Approximately 83% of the total imported volumes entered through the Durban port in KwaZulu Natal ("KZN") province, and 63% was imported from Vietnam. The cement industry's application for a safeguard tariff from the International Trade Administration Commission of South Africa has continued to stall. A positive outcome would meaningfully improve the performance of the building sector.

Revenue and profitability

SepCem's revenue increased by 7% to R2.56 billion (2020: R2.40 billion) due to the relative increase in the selling price. The earnings before interest, taxation, depreciation, and amortisation ("EBITDA") decreased to R374 million compared to R381 million in 2020. The resultant annual after-tax profit was R81.6 million compared to R44.4 million in 2020. The 36% equity-accounted profit for SepHold FY 2022 financial results is R29.4 million.

¹ All percentages round up to the nearest 10.

Debt management

By 31 December 2021, the project loan capital balance was R666 million representing a decrease of 35% compared to the capital balance of R1.02 billion on 31 December 2020. The total annual repayment was R427 million, constituting capital of R353 million and interest of R74 million. The DCP loan balance increased to R627 million from R581 million in the comparative period. In February 2022, the associate made a capital payment of R69 million further reducing the capital balance to R597 million. The next capital payment of R69 million is due in May 2022, resulting in an outstanding capital balance of R528 million. Sephaku Cement's management continues to engage the lenders to convert the project loan bullet instalment due in November 2022 into a revolving facility by mid-year 2022 calendar year.

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7 March 2022

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Sponsor: Questco Corporate Advisory (Pty) Ltd

About Sephaku Holdings Limited

SepHold is a building and construction materials company with a portfolio of investments in the cement sector in South Africa. 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. The Company's core investments are a 36% stake in Dangote Cement South Africa (Pty) Ltd (Sephaku Cement) and 100% in Metier Mixed Concrete (Pty) Ltd.

www.sephakuholdings.com