SEPHAKU HOLDINGS LTD

RMB OFF PISTE VIRTUAL CONFERENCE

16 – 17 SEPTEMBER 2020

AGENDA

1 HOW WE ARE MANAGING DEBT

2 OVERVIEW OF OUR FY 2020 PERFORMANCE

3 HOW WE ARE RESPONDING TO COVID-19

4 OUR OUTLOOK

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2 OVERVIEW OF OUR FY 2020 PERFORMANCE

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MÉTIER ACQUISITION DEBT
Background

- ***28 February 2013*** – Métier Mixed Concrete (Pty) Ltd acquisition concluded for R365 million following fulfilment of all conditions precedent;
  - an initial cash payment of R110 million
  - the issue of 5 million Sephaku shares at an issue price of R6 per Sephaku share, amounting to R30 million
  - and the issue of 11,1 million SepHold shares at an issue price of R9 per share, amounting to R100 million
- ***30 November 2014*** – SepHold settled the outstanding payment to the sellers as follows;
  - a cash payment of R117 million (being R125 million less R8 million relating to an uncollected debtor) in settlement of the final cash payment through a vendor loan facility for R125 million at JIBAR plus 3.75% with Standard Bank and
  - 4 429 196 additional consideration shares were allotted to the sellers at the 60-day VWAP of 643.488 cents calculated as the difference between the minimum required payment of R100 million and the second consideration shares multiplied by the 60-day VWAP of 643.488 cents
- ***31 March 2015*** **–** Vendor loan balance at approximately R136 million with additional revolving debt facilities for total of R137 million resulting in a total debt balance of R243 million

5 – YEAR REPAYMENT PROFILE

Métier reduced its total debt by over 70%

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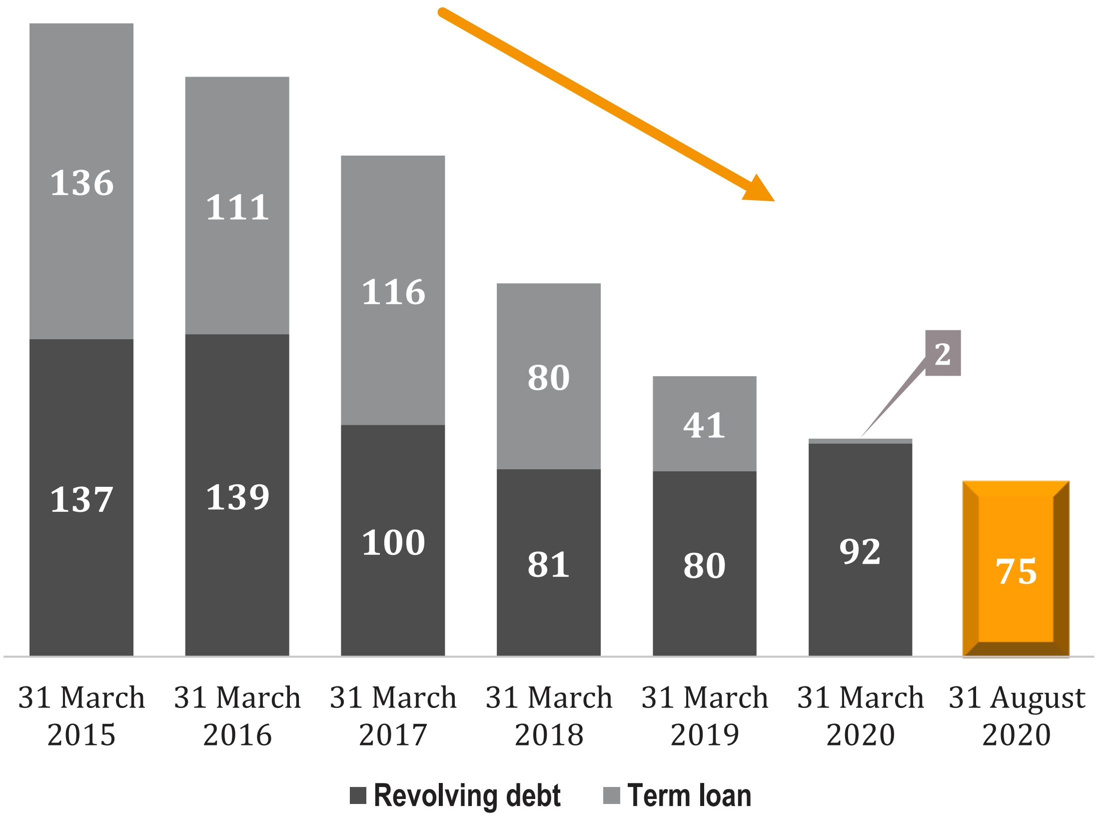
Métier bank debt profile (R million)

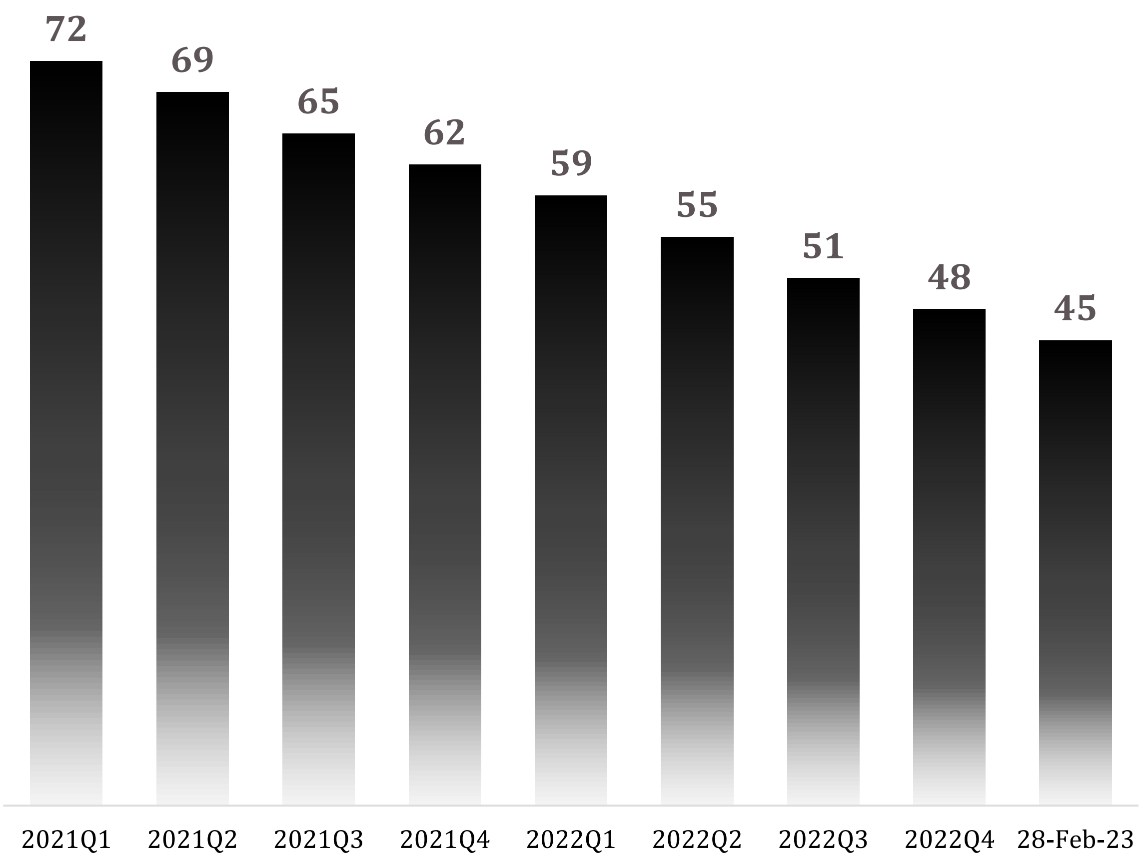


- In FY 2020 Métier repaid R39 million of the term loan
  - By 31 March 2020 the outstanding balance of R2 million was paid off on 15 April 2020
- R100 million revolving facility balance at R92 million by year-end
  - Post 31 March 2020 the facility refinanced and reduced to R90 million at quarterly interest rate of JIBAR plus 5.25%
  - Bullet capital payment of R15 million in August 2020 further reduced the facility to R75 million

PROJECTED REPAYMENT PROFILE

Facility to be fully repaid by 31 March 2023

Projected quarterly capital balance (R million)



- The lender has agreed to suspend the repayment of capital on the loan until December 2020
- Interest payment to continue from March 2020 to December 2020
- Capital payments to resume monthly from January 2021

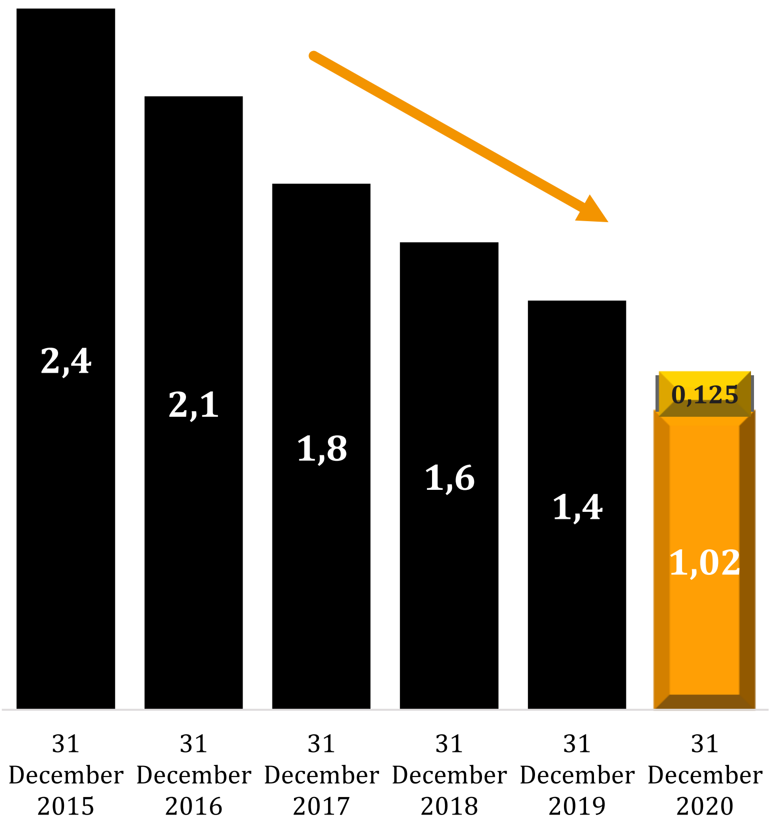
SEPCEM PROJECT DEBT
Background

- ***18 October 2012*** - SepCem entered into a joint loan agreement with Nedbank Capital and Standard Bank , for a total debt facility of R1,95 billion in order to finalise the funding for the construction of its cement manufacturing facilities at both Delmas and Aganang
  - The debt facility is guaranteed by SepCem's major shareholder, Dangote Cement Plc. Interest was based on the preceding 3-month JIBAR rate, plus a margin of 4.5% per annum
  - Interest accrued during the construction period and up to the first capital repayment date was capitalised against the loan up to a maximum threshold of R2,4billion
- ***1 November 2012*** - date of financial closure of the loan which included a 39-month repayment holiday , meaning the first capital repayment date was 1 February 2016
- ***During 2014*** - Nedbank and Standard Bank sold some of the debt to various other banks. All assets were ceded as security for the loan funding excluding finance leased assets.
- ***1 September 2017*** - The debt profile was reviewed with consideration of the tough operating environment
  - the lenders consortium collectively agreed to change the repayment profile of the remaining R1,8 billion on the project loan from equal capital instalments to increasing capital amounts over the following five years
  - The covenants were maintained at the original levels, but the interest rate was increased by 50 bps to JIBAR plus 4.5%

4 – YEAR REPAYMENT PROFILE

SepCem has paid over R1 billion towards debt

SepCem project debt profile (R billion)

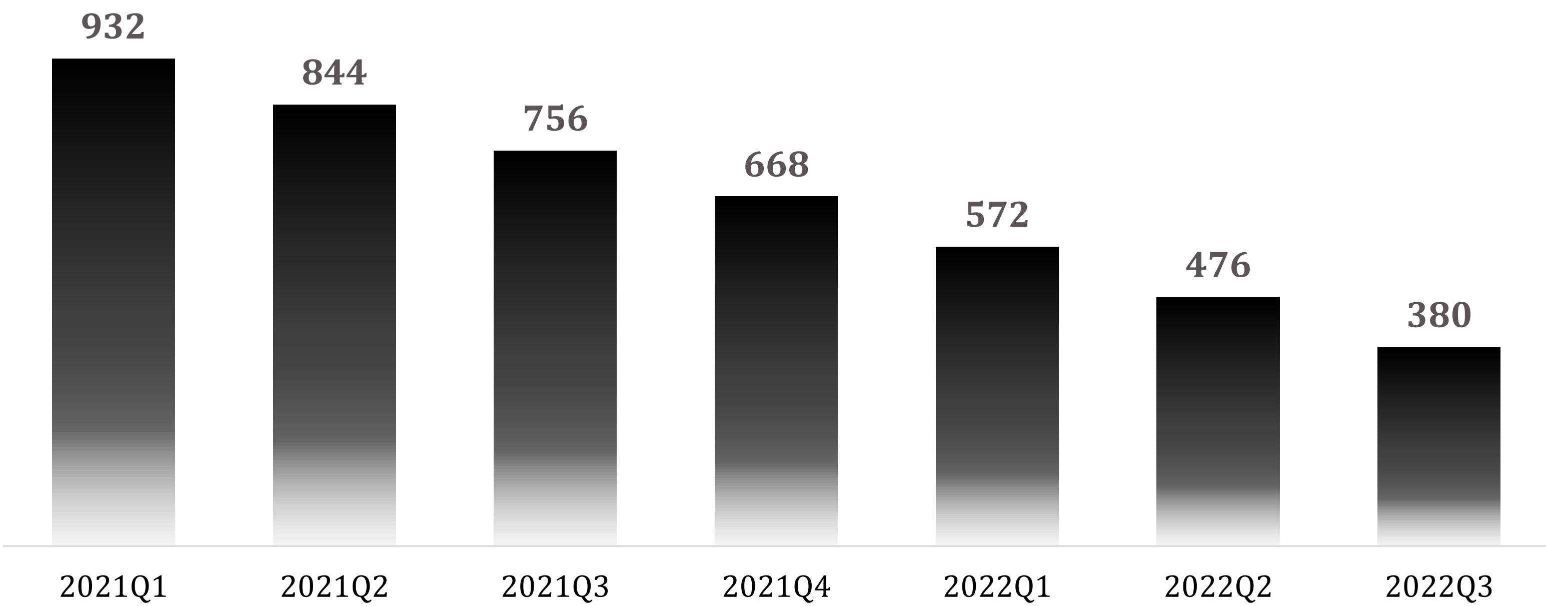


- By 31 December 2019 the total debt payments were R453 million for the year
  - R275 million capital, R178 million interest and balance at R1,37 billion
- Dangote Cement PLC loan balance at R521 million by YE (FY2019 : R474 million) at interest rate of JIBAR plus 4%
- SepCem opening cash balance in January 2018 of ~R500 million enabled commencement of negotiations with the lenders for a R200 million prepayment
- Revised negotiations from April 2020 to July 2020 resulted in an agreement in which the lenders waived capital payments following the R125 million contribution by DCP on 11 August 2020 on behalf of the shareholders
  - The shareholders agreed for the contribution to constitute a shareholder loan rather than an equity contribution
  - Technically a transfer of debt from the lenders to the shareholders
  - The contribution in addition to the R25 million in the debt service account considered sufficient to meet covenant conditions

PROJECTED REPAYMENT PROFILE

Loan to be fully repaid by Q4 2022

Projected quarterly capital balance profile (R million)



- Annual capital payments at;
  - R353 million in 2021
  - R288 million in 2022 Q1 to Q3
  - R376 million in 2022 Q3
- Final repayment of project loan in November 2023

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4 OUR OUTLOOK

FINANCIAL SALIENT POINTS

Declining demand the major challenge

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GROUP

- **Net loss after tax of R17,4 million**
  - FY2019: net profit after tax R44,0 million
- **Operating loss at R4,6 million**
  - FY2019: operating profit R14,7 million
- **Basic loss per share at 8.12 cents**
  - FY2019: basic earnings per share 21.21 cents
- **Headline loss per share at 7.97 cents**
  - FY2019: headlines earnings per share 21.08 cents
- **SepCem equity accounted earnings of R0,5 million**
  - FY2019: earnings R46,3 million

MÉTIER MIXED CONCRETE

- **Sales revenue of R727,0 million**
  - FY2019 : R835,8 million
- **EBITDA margin of 4.8% (R34,0 million)**
  - FY2019 : 6.2% (R52,2 million)
- **EBIT margin of 1.7% (R12,1 million)**
  - FY2019 : 4.7% (R39,0 million)
- **Net loss after tax of R0,6 million**
  - FY2019 : net profit after tax R21,5 million
- **Repayment of term loan by R39,0 million**

SEPHAKU CEMENT

*SepCem has a December year-end as a subsidiary of Dangote Cement PLC *.*

- **Sales revenue of R2,2 billion**
  - FY2019 : R2,3 billion
- **EBITDA margin of 16.4% (R359,0 million)**
  - FY2019: 20.2% (R464,0 million)
- **EBIT margin of 8.2% (R178,7 million)**
  - FY2019: 12.2% (R280,6 million)
- **Net profit after tax of R1,3 million**
  - FY2019: net profit after tax R128,7 million
- **Repayment of project loan by R453 million**

** FY2019 refers to the 12 months ended 31 December 2019*

GROUP INCOME GENERATION

Downward demand trend impacted profitability

Group net loss after tax of R17,4 million due to:

Métier Mixed Concrete

- Métier's revenue 13% lower YoY
  - 14% decrease in concrete sales volumes
  - 1.2% decline in pricing
- YoY volume decrease of 14% due to low demand
  - 18% decrease in KZN volumes exacerbated by the suspension of several significant construction projects – Oceans UMhlanga and Clairwood Logistic Park
- Decrease in operating margin from 4.7% to 1.7% due to inflationary increase in expenses
  - post – period restructuring and initiatives to reduce expenses by 2.5%

Sephaku Cement

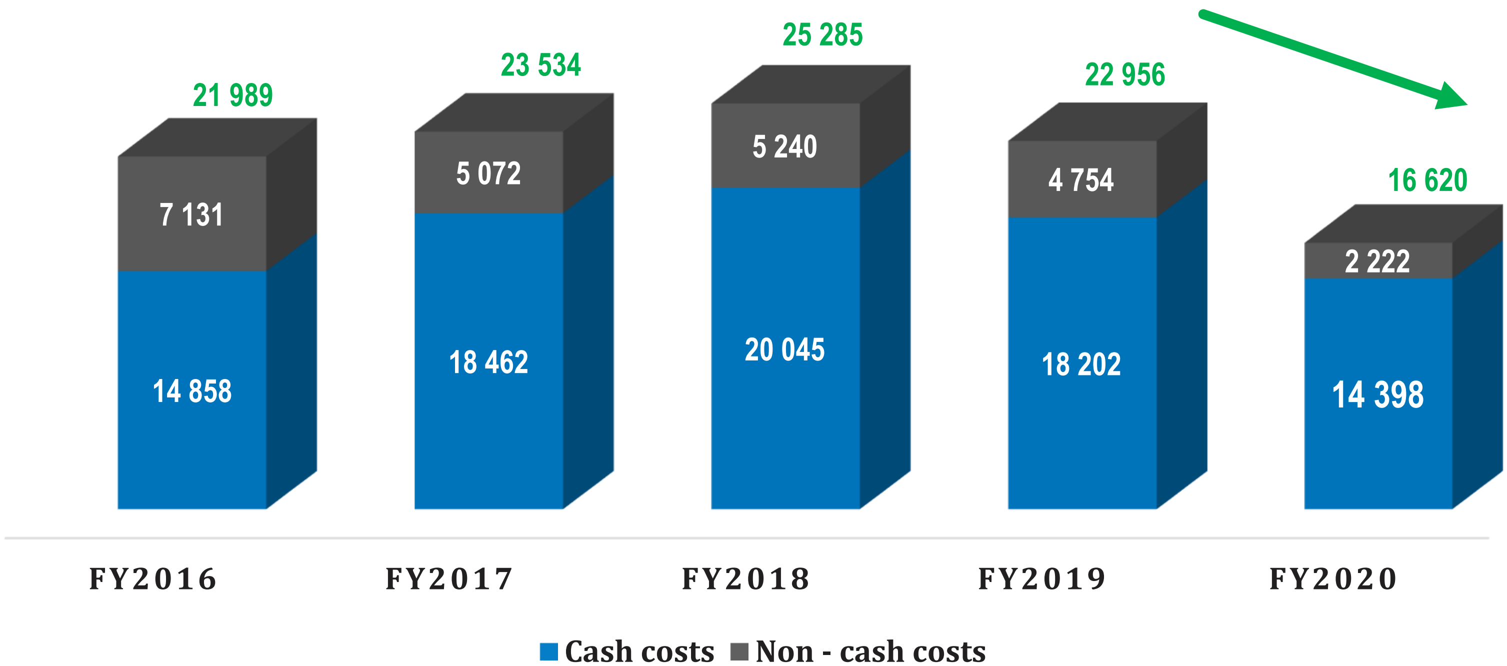
- SepCem equity accounted earnings at R0,5 million (FY2019: R46,3 million)
  - Low earnings due to the 9.4% decline in sales volume
  - Industry volumes decreased by approximately 7% excluding imports
  - COVID-19 related cost initiatives targeting savings of approximately R90 million

Sephaku Holdings

- Head office expense reduction programme resulted in a 28% decrease YoY

SEPHOLD COST REDUCTION UPDATE

Initiative to reduce head office costs successfully completed



- Total expenses at R16,6 million against a target of R18,4 million
- Reduced expenses by R6,3 million from R22,9 million in FY2019
- Expenses reduction initiative completed but efforts to maintain cash costs to be sustained

DEBT REPAYMENT PRIORITY FOR THE GROUP

Group cashflows supported by the rights offer

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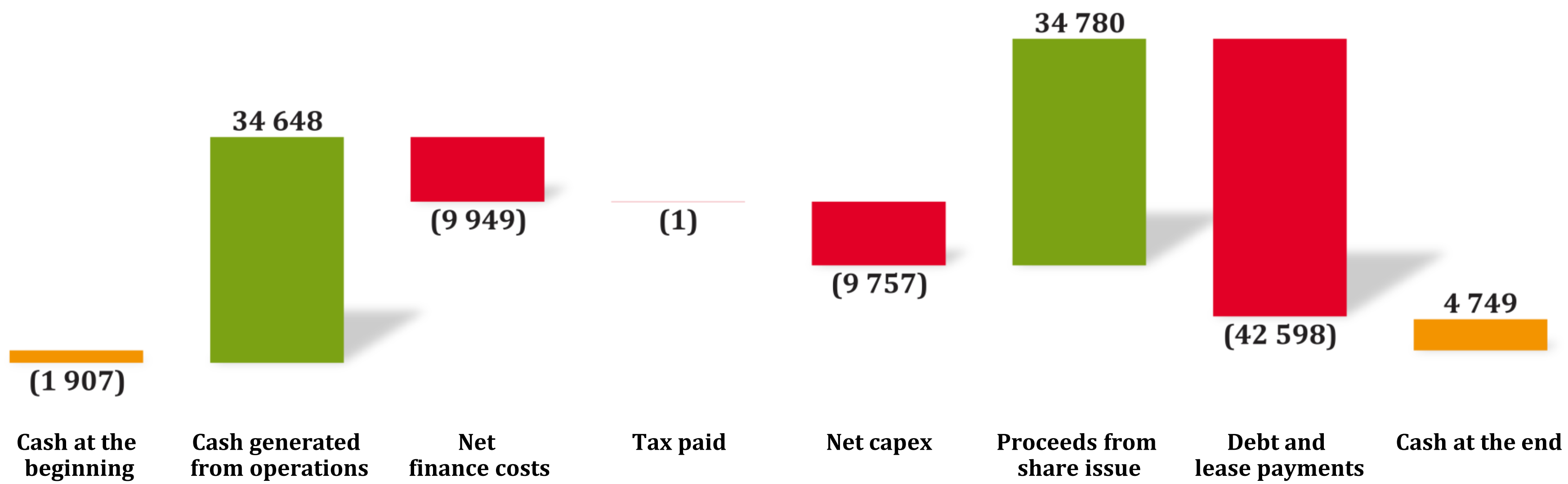
Group cash flow analysis (R'000)



- Rights issue proceeds of R34,8 million provided support for Métier to meet its debt obligations
- Net finance costs includes net income of R0,9 million interest income
- Net capex comprised of land disposal for R2,5 million and acquisitions of R12,4 million
- Debt repayment of R30,3 million and lease payments of R12,3 million for various lease assets including buildings, land, plant and equipment with an average age of 7 years

MÉTIER

Response to a constrained trading environment

Challenge: Low pricing and inflationary cost increases

- Continuous cost management initiatives focused on:
  - Competitively priced inputs
  - Ongoing focus on optimal routing and enhanced efficiency per truck

Challenge: Declining volumes

- Métier improved sales strategy implementation to increase repeat and new supply orders

Challenge: Customer credit default risk

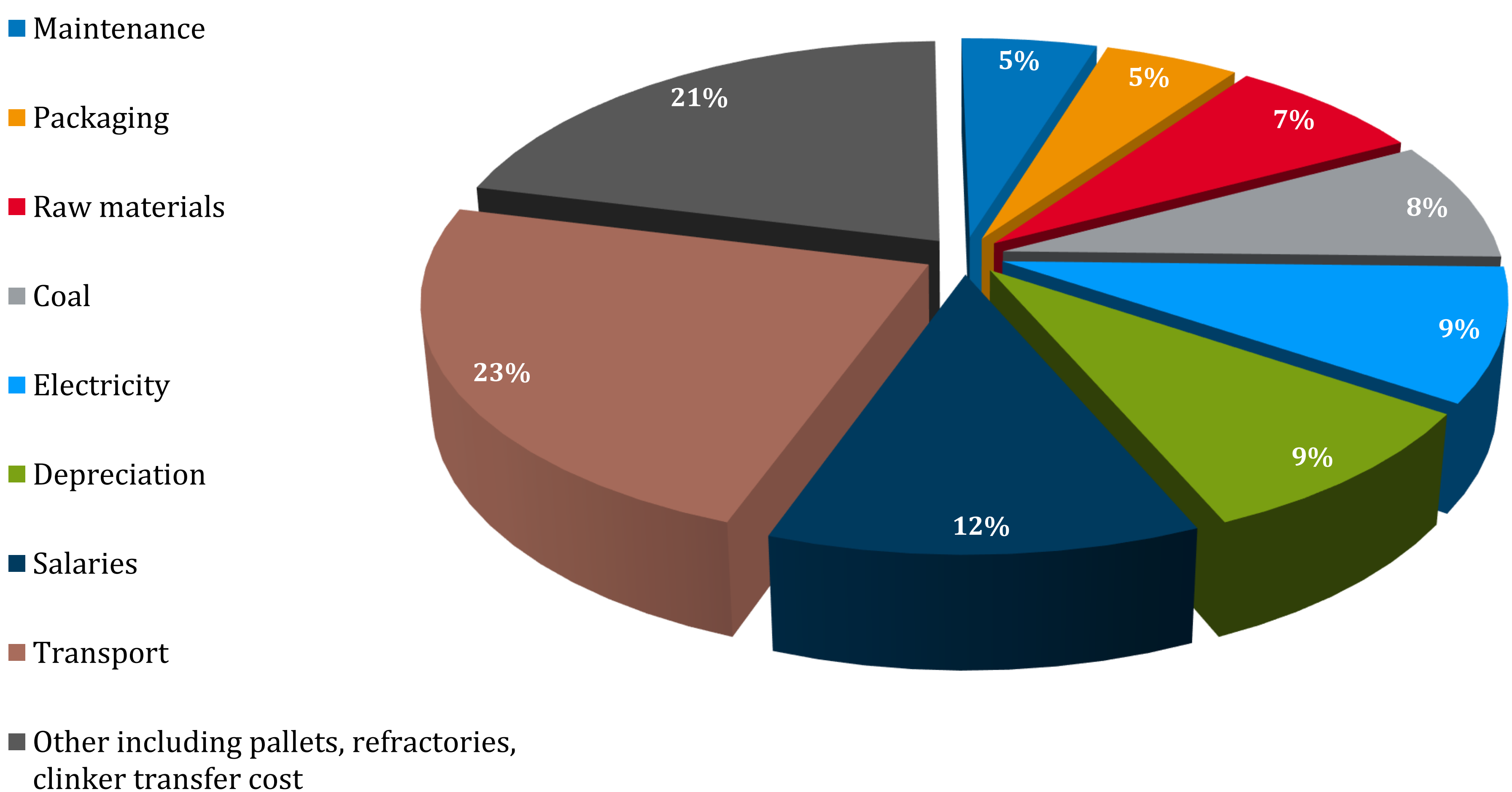
- Métier continued to implement a rigorous debtors' management process
- Métier deals with reputable customers with consistent payment histories
- Customer credit limits are in place and are regularly reviewed

FY 2021 continued response

- To continue minimising input costs to mitigate the impact of stagnant selling prices on margins
- Debtor management will remain a focus area and credit balances will be reviewed regularly

SEPCEM: COST BREAKDOWN

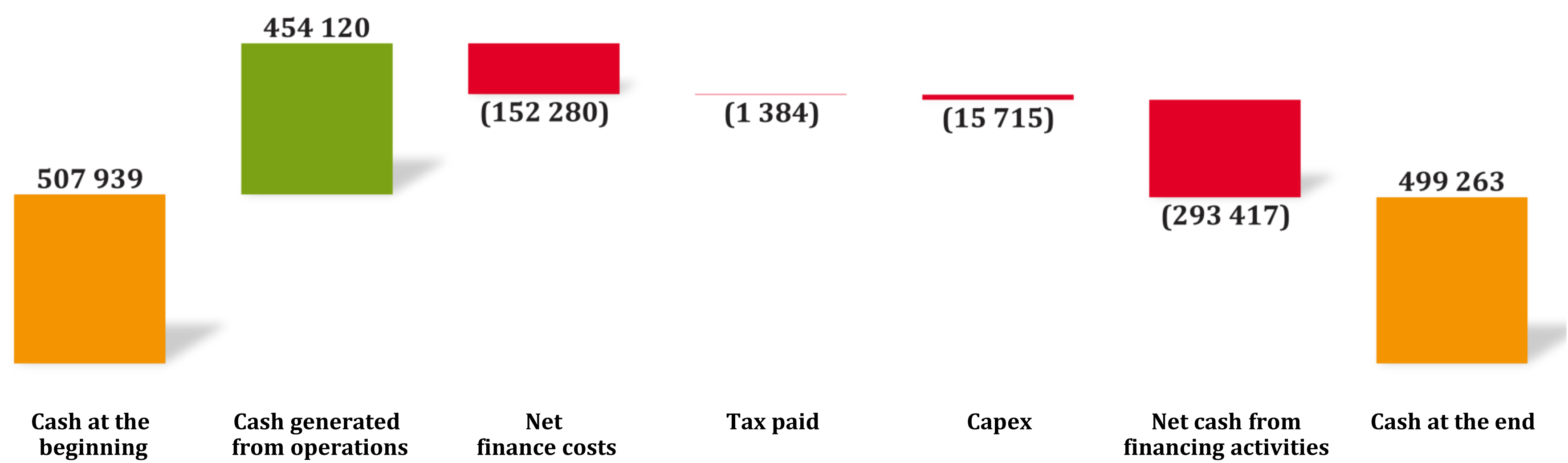
Cost control a priority for SepCem



DEBT REPAYMENT PRIORITY FOR THE GROUP

SepCem cash generative in spite of challenging trading environment

SepCem cash flow analysis (R'000)



- Capex outflow includes amortisation of exploration assets and computer software
- Net financing outflow includes loan repayment and leases

SEPCEM

Response to a constrained trading environment

Challenge: Low pricing and inflationary cost increases

- Continued applying differentiated pricing to maximise margins

Challenge: Declining volumes

- Introduced the fighter brand Falcon as defence against imported and blended cement

FY 2021 continued response

- To recover the volume lost due to competitor activity by strengthening existing customer relationships
- To continue implementing the pricing model based on market segmentation and product classification
- To implement the defence strategy created for KwaZulu-Natal against imports

SEPCEM FIRST HALF PERFORMANCE TO JUNE 2020

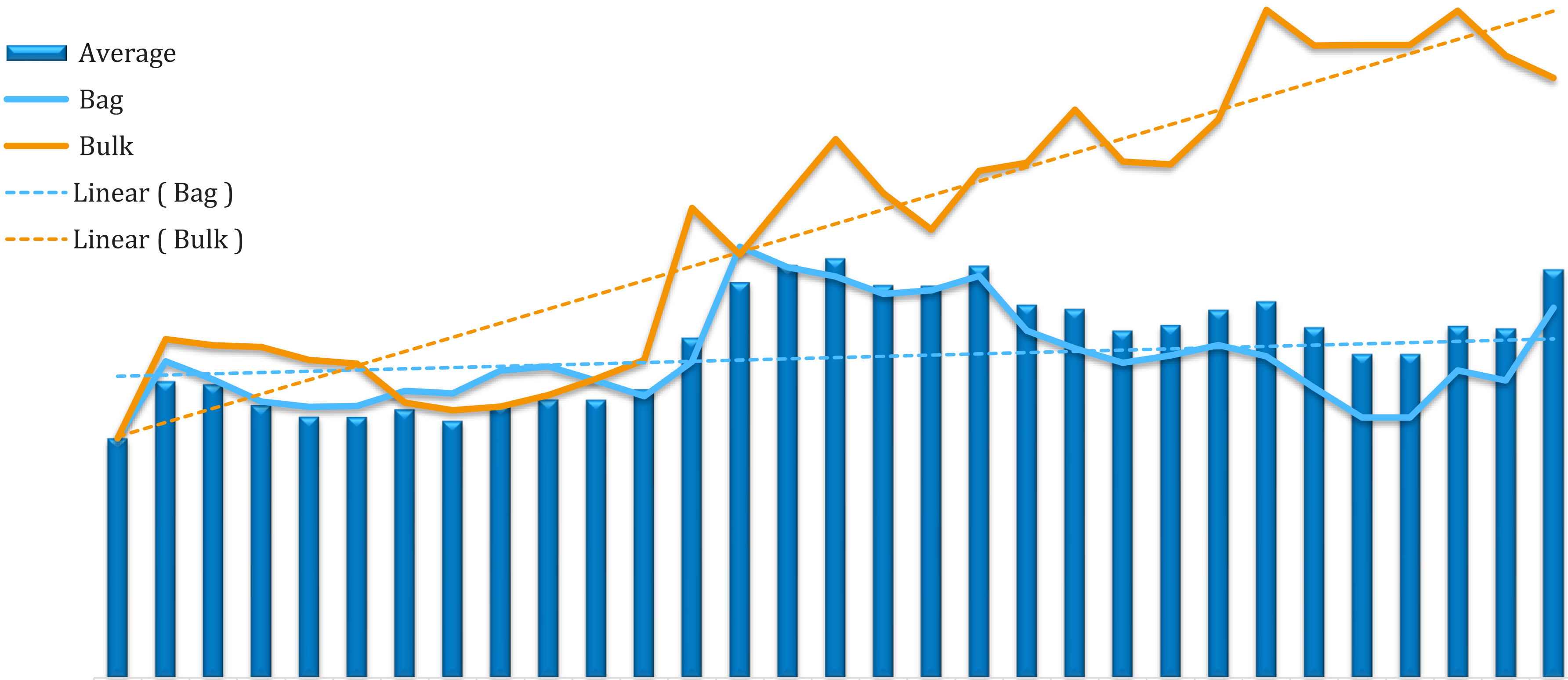
Strong rebound in cement demand from May 2020

- SepCem volumes 8.5% lower YoY due to
  - General decrease in demand in Q1 ended 31 March 2020
  - Impact of COVID-19 lockdown in April 2020
- Solid sales volume recovery at double-digit average monthly increases from May 2020 compared to 2019
- Revenue decreased to R884 million (2019: R997 million) due to lower sales volumes

SEPCEM

Increase in average cement pricing expected to sustain

Indexed average pricing per tonne of cement



	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Average	100	102	102	101	101	101	101	101	101	102	102	102	104	107	107	108	106	106	107	106	105	104	105	105	106	105	104	104	105	105	107
Bag	100	103	102	102	101	101	102	102	103	103	102	102	103	108	107	107	106	106	107	104	104	103	103	104	103	102	101	101	103	102	105
Bulk	100	104	104	104	103	103	101	101	101	102	102	103	110	108	110	112	110	109	111	112	114	112	111	113	118	116	116	116	118	116	115

AGENDA

1 HOW WE ARE MANAGING DEBT

2 OVERVIEW OF OUR FY 2020 PERFORMANCE

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4 OUR OUTLOOK

COVID-19 IMPACT
Contingencies in place

Effective lockdown from date of announcement on 23 March 2020

FY2020

- Métier experienced order cancellations resulting in 2.5% loss in revenue
- SepHold property sale delayed – transferred end of July 2020
- Potential impact not considered to result in impairment

FY2021

- Challenges in implementing bank debt obligations
- Several stakeholders expected to have challenges including
  - debtors inability to meet their payment obligations in the short –term
  - suppliers inability to supply key inputs
  - employees inability to work due to infection
- Contingencies in place to limit the impact the possibility of the potential impacts
- Lower interest rates expected to decrease finance costs

COVID-19 MITIGATION

The health and safety for all employees is the most important priority

Group

- Extensive protocols in place to mitigate workplace exposure and to limit infection
- Monitoring developments in regulations and best practice to ensure a fit-for-purpose response to the pandemic
- Employees screened daily before accessing workplace
- IT capability available to enable remote working for all employees whose functions permit
- Employees who contract the virus required to quarantine

Métier

- Rotational schedule for employees to access the workplace to promote social distancing

SepCem

- Designated response task team including external experts
- Wellness support through external service providers for employees experiencing anxiety and general distress

COVID-19 COST SAVINGS

Business continuity the second most important priority

SepHold and Métier

- Restructuring and extensive cost reduction at Métier through
  - Reducing compensation costs by 6%
  - Reducing transport costs by 5% by increasing utilisation and reducing of the fleet
  - Capex cancelled for 2020 and limited for 2021
  - Fixed cost reduction a key focus area and is underway
- Executive management and employees reduced their salaries by up to 50% from April to June
  - reduced bonuses and other benefits
  - salary increases frozen

SepCem

- Revised the capex plan by cancelling or postponing certain projects
- Optimised operational processes such as power consumption
- Revised overhead expenditure
- SepCem applied the principle of 'no work , no pay' during lockdown
  - reduced bonuses and other benefits
  - salary increases frozen

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CONSTRAINED TRADING ENVIRONMENT FOR THE NEXT 6–12 MONTHS

Strategic infrastructure projects providing rejuvenation

- Presidential Infrastructure Coordinating Commission Council gazetted 18 strategic integrated projects through the Department of Public Works & Infrastructure
- As part of reconstruction and recovery of the South African economy, government planning to expedite the implementation of at least 50 infrastructure projects with a total investment value of more than R340 billion
  - http://www.thepresidency.gov.za/press-statements/infrastructure-commission-council-fast-track-projects-valued-r340-billion
- Council to expedite the implementation of projects in prioritised sectors such as;
  - human settlements : R138 billion
  - transport : R47 billion
  - energy : R38 billion
  - water and sanitation : R106 billion
  - agriculture and agro-processing : R7 billion
  - digital infrastructure : R4 billion

CONSTRAINED TRADING ENVIRONMENT FOR THE NEXT 6–12 MONTHS

Focus to remain on debt management and cost control

- Building materials cyclicality impacted by the economic downturn
  - GDP growth forecasts revised downward implying a tough operating environment
- Group focus will be :
  - To reduce debt at both Métier and SepCem
  - To be vigilant on cost control

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