



SEPHAKU  
HOLDINGS LTD

UNAUDITED INTERIM FINANCIAL  
RESULTS FOR THE SIX MONTHS ENDED

**30 SEPTEMBER 2021**

# AGENDA



**1**

HOW HAS YOUR FINANCIAL PERFORMANCE RECOVERED POST-COVID-19?

**2**

HAS TRADING NORMALISED?

**3**

HOW ARE THE MÉTIER & SEPCEM'S OPERATIONS GOING?

**4**

ARE THERE LINGERING COVID-19 IMPACTS AND HOW ARE THEY AFFECTING THE BUSINESS?

**5**

WHAT ARE YOUR VIEWS ON THE MEDIUM-TERM PROSPECTS FOR THE BUILDINGS MATERIALS INDUSTRY?

# DISCLAIMER

The information contained in this presentation has not been subject to any independent audit or review and may contain forward-looking statements, estimates and projections. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: Sephaku Holdings' strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for Sephaku Holdings' operations, individually or in the aggregate; liquidity and capital resources and expenditure; and the outcome and consequences of any pending litigation proceedings.

These forward-looking statements are not based on historical facts, but rather reflect Sephaku Holdings' current expectations concerning future results, events and generally may be identified by the use of forward-looking words or phrases such as "believe", "target", "aim", "expect", "anticipate", "intend", "project", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Similarly, statements concerning Sephaku Holdings' objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may affect Sephaku Holdings' actual results, performance or achievements expressed or implied by these forward-looking statements.

Whilst all reasonable care has been taken to ensure that the facts stated herein are accurate and that the opinions and expectations contained herein are fair and reasonable, it has not been independently verified and no representation or warranty, expressed or implied, is made by Sephaku Holdings or any subsidiary or affiliate of Sephaku Holdings with respect to the fairness, completeness, correctness, reasonableness or accuracy of any information and opinions contained herein. In particular, certain of the financial information contained herein has been derived from sources such as accounts maintained by management of Sephaku Holdings in the ordinary course of business, which have not been independently verified or audited.

Neither Sephaku Holdings nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this presentation or its contents, or any action taken by you or any of your officers, employees, agents or associates on the basis of this presentation or its contents or otherwise arising in connection therewith. Although Sephaku Holdings believes that estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ. As a result, you should not rely on these forward-looking statements. Sephaku Holdings undertakes no obligation to update or revise any forward-looking statements.

1

**HOW HAS YOUR  
FINANCIAL  
PERFORMANCE  
RECOVERED  
POST- COVID-19?**



# How has your financial performance recovered post-COVID-19?

*“Significantly improved albeit from a low base”*

## GROUP

### ▲ Net profit after tax of R17,8 million

- H1 2021: net loss after tax of R29,6 million

### ▲ Basic EPS of 6.98 cents

- H1 2021: basic loss per share of 11.65 cents

### ▲ HEPS of 7.03 cents

- H1 2021: headline loss per share of 13.47 cents

### ▲ SepCem equity accounted earnings of R2,8 million

- H1 2021: accounted loss of R30,1 million

## MÉTIER MIXED CONCRETE

### ▲ Sales revenue of R411,8 million

- H1 2021: R291,1 million

### ▲ EBITDA of R44,6 million

- H1 2021: R27,4 million

### ▲ EBITDA margin of 10.8%

- H1 2021: 9.4%

### ▲ EBIT margin of 7.6% at R31,4 million

- H1 2021: 5.5% at R15,9 million

### ▲ Net profit after tax of R20,1 million

- H1 2021: net profit after tax of R7,5 million

## SEPHAKU CEMENT

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

### ▲ Sales revenue of R1,2 billion

- H1 2020 : R0,9 billion

### ▲ EBITDA of R148,8 million

- H1 2020 : R59,8 million

### ▲ EBITDA margin of 12.4%

- H1 2020 : 6.8%

### ▲ EBIT margin of 5.7% at R67,7 million

- H1 2020 : nil at loss R0,95 million

### ▲ Net profit after tax of R7,7 million

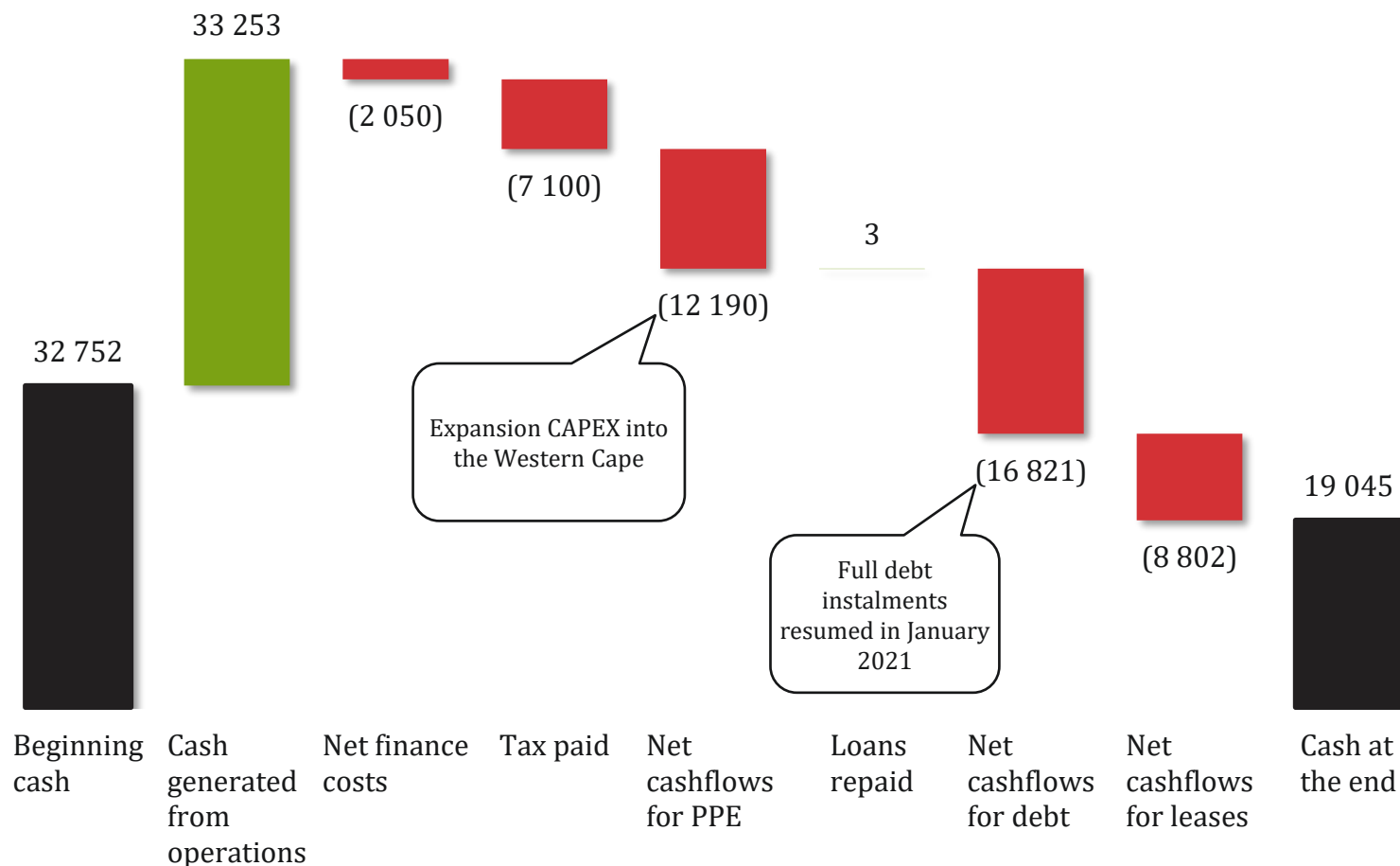
- H1 2020 : net loss after tax of R83,7 million

\* H1 2020 refers to the 6 months ended 30 June 2020 for SepCem because the associate has a December year-end.

# How has your financial performance recovered post-COVID-19?

*“Recovery at Métier demonstrated by Western Cape expansion”*

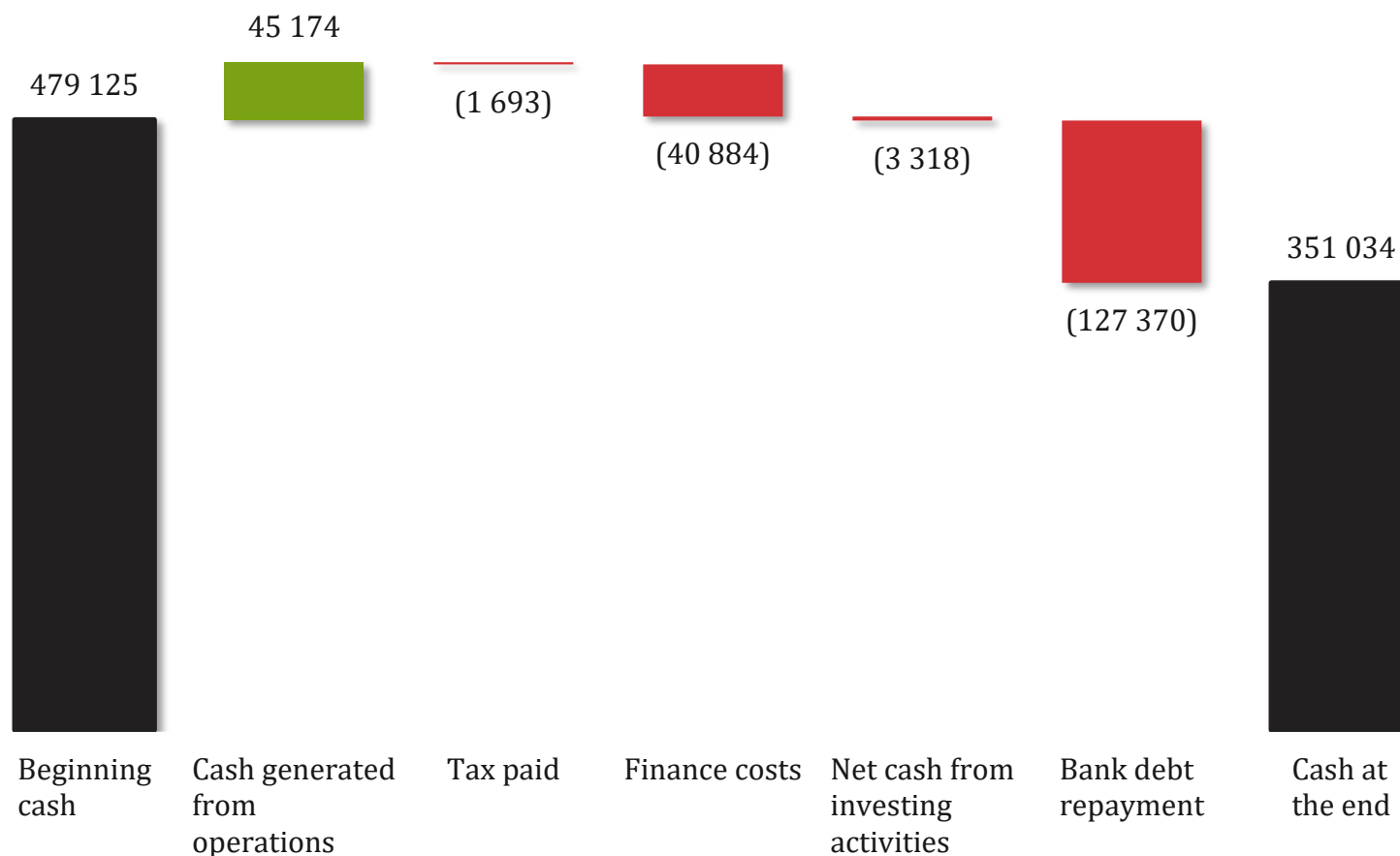
## SepHold cashflow statement for the interim ended 30 September 2021 (Rm)



# How has your financial performance recovered post-COVID-19?

*“Recovery at SepCem demonstrated by full debt repayment instalments”*

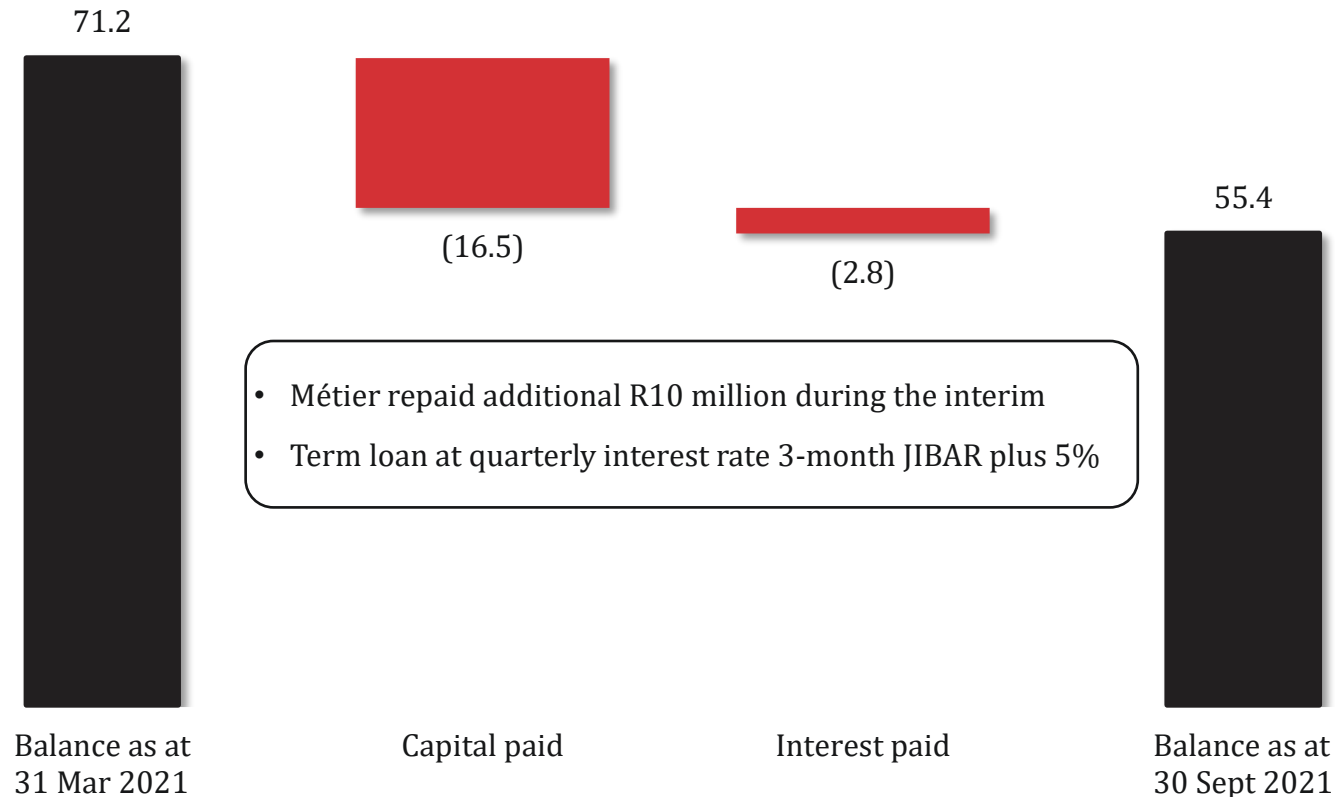
## SepCem cashflow statement for the interim ended 30 June 2021 (Rm)



# How has your financial performance recovered post-COVID-19?

*“Métier’s term loan principal reduced by 22%”*

## Métier’s debt repayment profile (Rm)

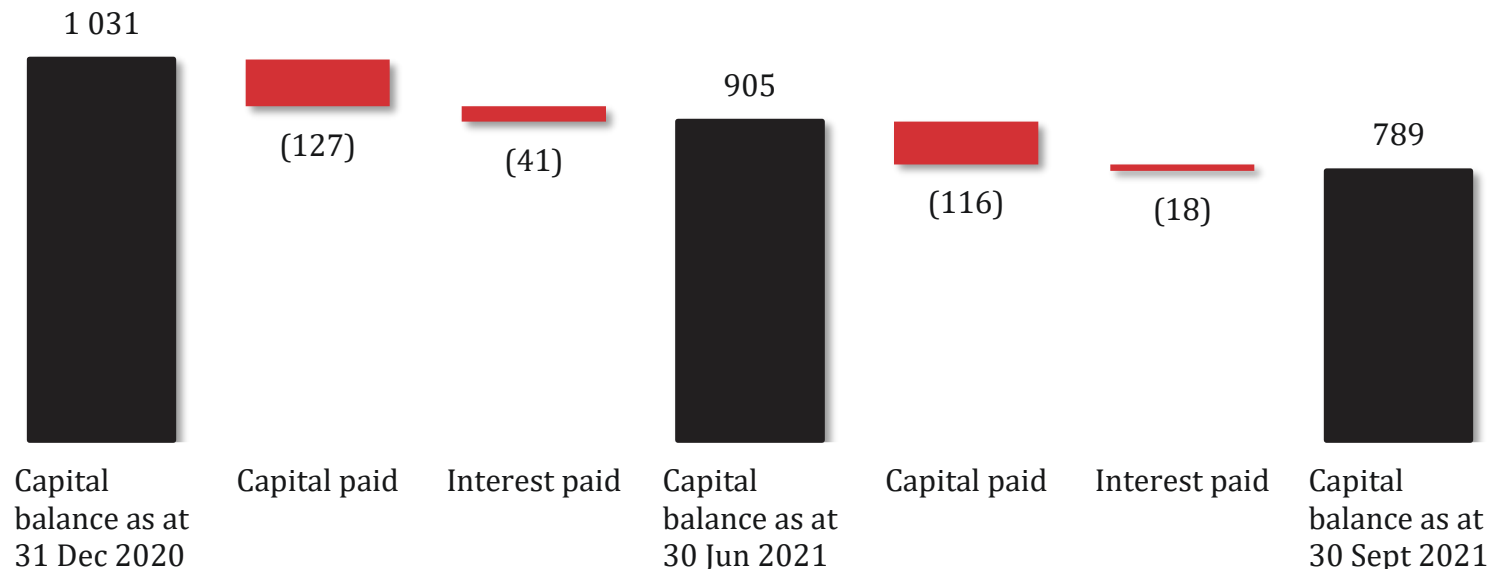




# How has your financial performance recovered post-COVID-19?

*“SepCem's project loan principal reduced by 16% during the interim”*

## SepCem's debt repayment profile (Rm)



- Total debt payments of R168 million by 30 June 2021
  - Interest at 3 – month JIBAR plus 4.5%
- Dangote Cement PLC bridging facility balance at R603 million as at 30 June 2021
  - Balance at 30 September 2021 was R615 million
  - Interest rate of 3 – month JIBAR plus 4%

2

HAS TRADING  
NORMALISED?

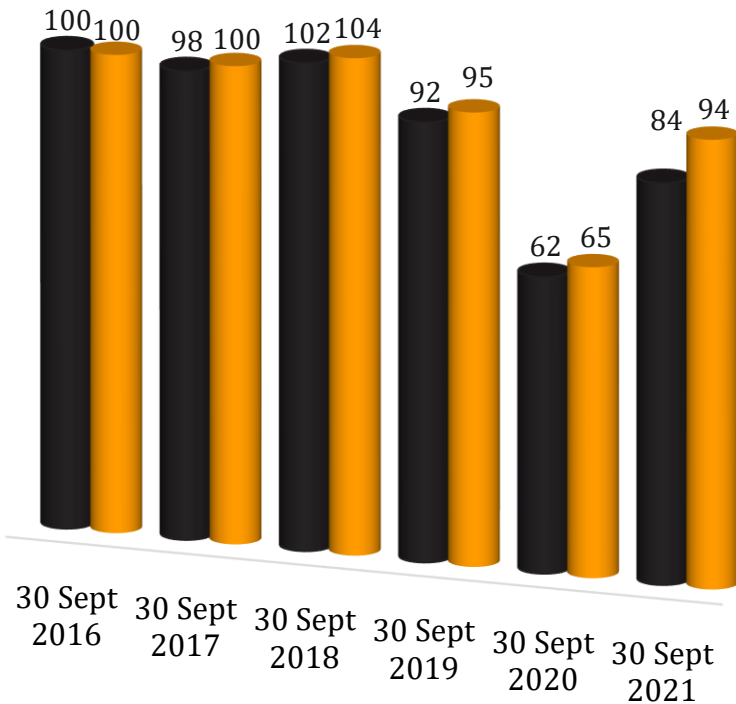




# Has trading normalised?

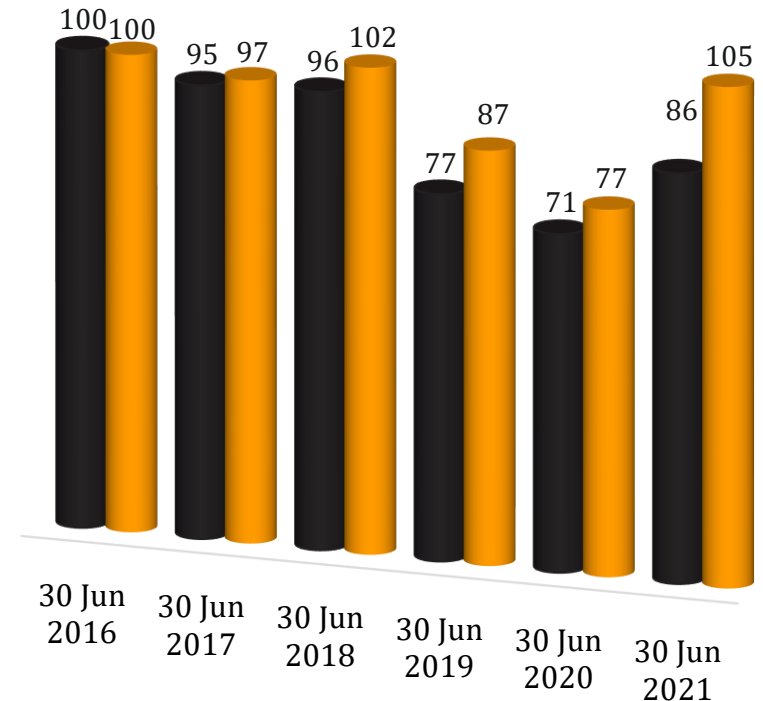
*“Sales volumes & revenue at pre-COVID-19 levels but still under pressure”*

**Métier**



■ Volume ■ Revenue

**SepCem**

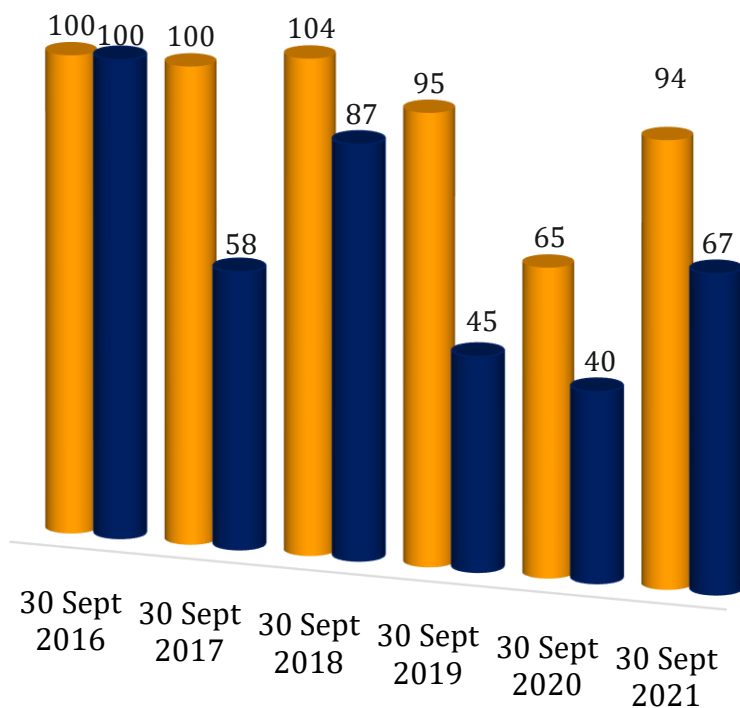


■ Volume ■ Revenue

# Has trading normalised?

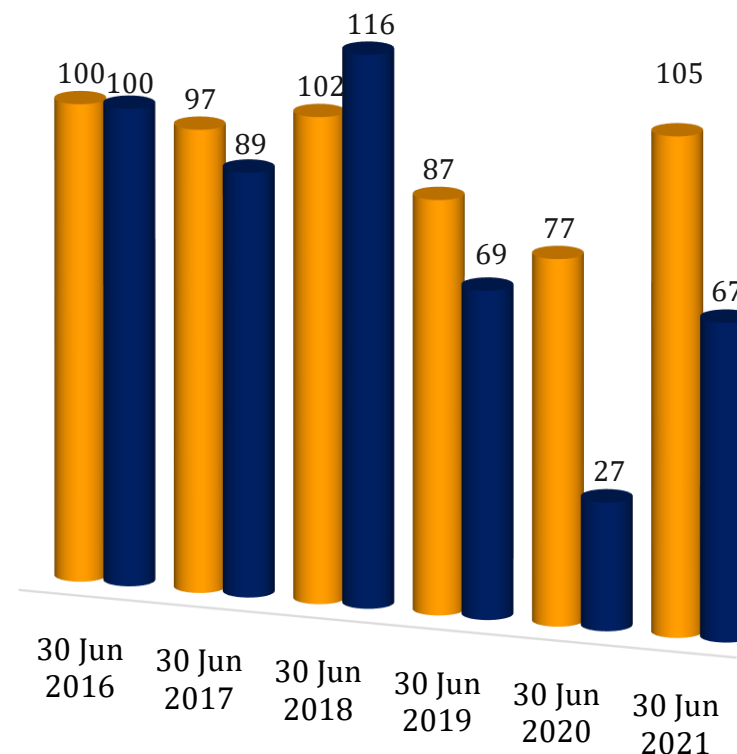
*“Sales revenue & EBITDA at pre-COVID-19 levels but still under pressure”*

**Métier**



■ Revenue ■ EBITDA

**SepCem**



■ Revenue ■ EBITDA

# 3

**HOW ARE THE  
MÉTIER &  
SEPCEM'S  
OPERATIONS  
GOING?**



# How are Métier's operations going?

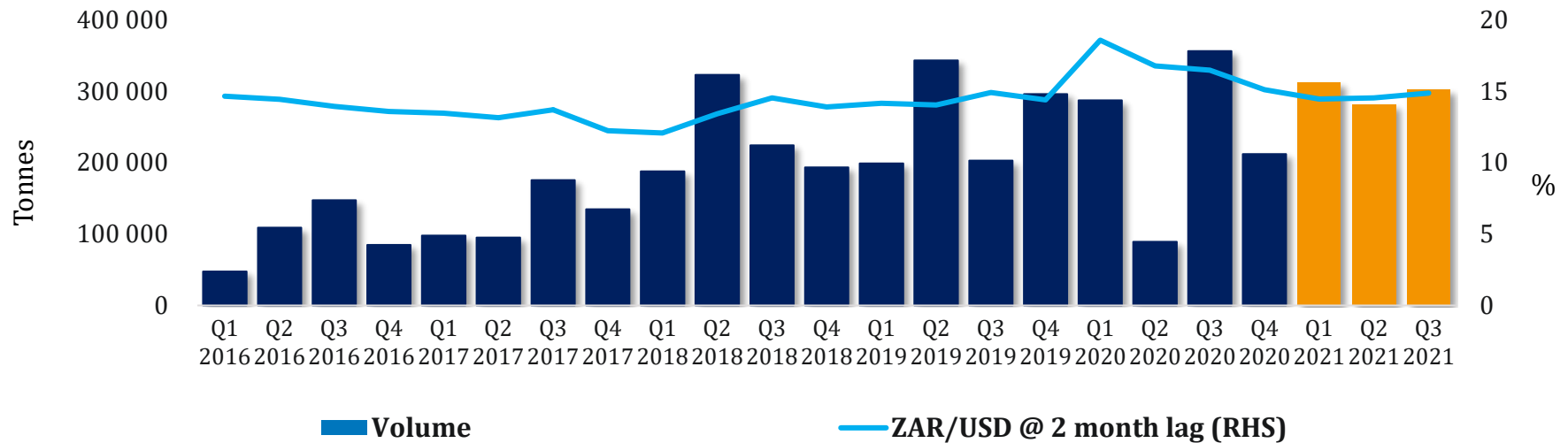
*“Expansion into Western Cape is strategic for long-term growth opportunities”*

- Western Cape expansion plan
  - Supply has commenced with sales growth expected
  - Purchased own trucks
  - Initial plant location strategically positioned for a hub and spoke model in the province
- Stagnant SA construction industry : cost control key in current operating environment
- Diesel price : 33% increase during 2021 resulting in pressure on transport costs
  - Recovery through pricing in 2022
- July social unrest: No damage to Métier operations however lost one week of sales



# How are SepCem's operations going?

*“Competitive forces remain intense as cement imports increase”*



- Approximately 901 kt cement imported September 2021 YTD compared to 733 Kt in September 2020 YTD
  - Approximately 83% (752 kt) of the volumes imported through Durban
  - Approximately 72% (645 kt) imported from Vietnam
- Treasury ban of imported cement and clinker for government projects challenged by a clinker importer who has been granted one –year reprieve
  - Positive impact of the directive limited by inertia in the implementation in government infrastructure projects
- Cement industry continues to lobby ITAC to impose safeguard tariffs on all imported cement
  - Decision is expected soon



# How are SepCem's operations going?

*“Industry overcapacity continues to intensify competition”*

## **Competitive landscape intense**

- Incumbents have adopted various unsustainable survival strategies
  - Low prices to secure critical mass sales volumes
  - Supply of bulk cement downstream exacerbating competition
  - Compromised approach to plant maintenance to minimise costs

## **Momentum on proposed government infrastructure plan low**

- Implementation of the fifty planned government infrastructure strategic integrated projects and twelve special projects as part of a drive to stimulate the economy yet to materialise
  - Infrastructure Fund announced in October 2021 submission to National Treasury for approval , four projects valued at R21 billion
  - The Fund finalising four additional projects valued at approximately R85 billion for submission in 2022
- Approval of the projects will provide requisite impetus to building materials demand





# How are SepCem's operations going?

## *“Post-period performance impacted by plant outages”*

### **Nine months performance for the period ended 30 September 2021**

- Sales volumes increased by 6% year-on-year (y/y)
- Revenue increased from R1.6 billion to R1.9 billion y/y
- EBITDA increased from R214 million to R243 million y/y
  - EBITDA margin flat at 13%

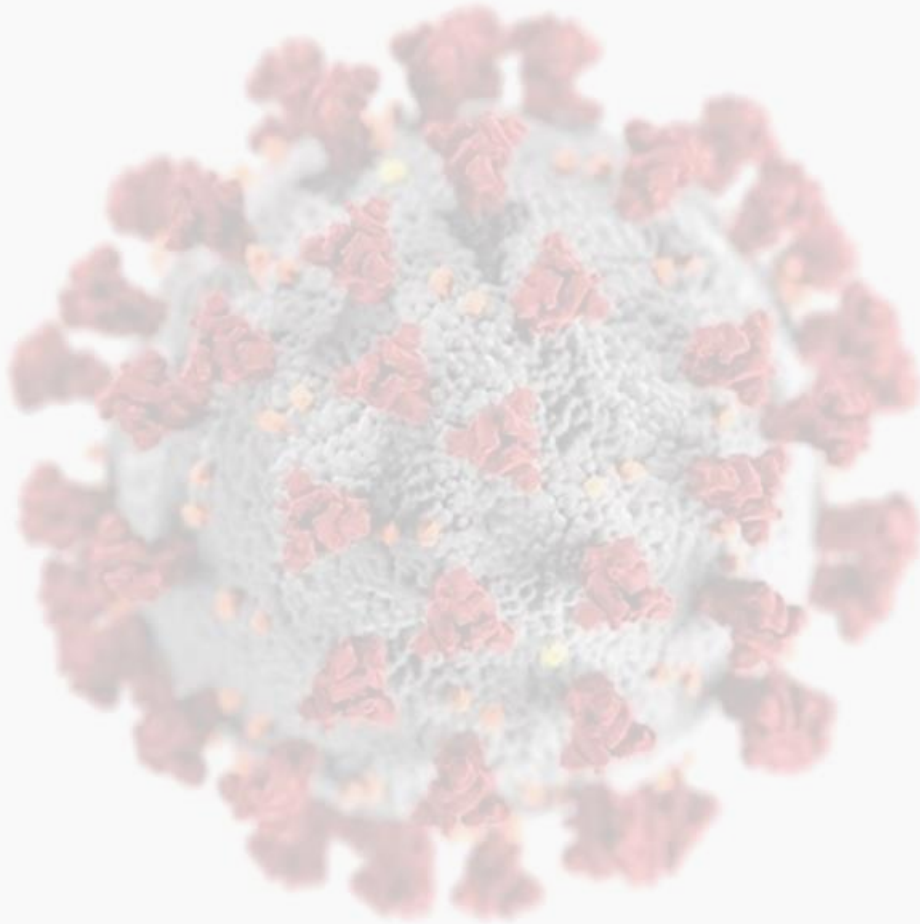
### **Aganang plant outages**

- Two unplanned Aganang plant outages in September & October 2021 resolved
- First outage due to a corrosive element in a raw material resulted in damage to the preheater refractory . The raw material was replaced with an alternative
- Second outage to repair kiln internals to prevent further damage . An interim solution was implemented, with long term solution scheduled for Q1 2022
- Full impact of the outages will be reflected in the full year financial results for the 12 months ending 31 December 2021



# 4

**ARE THERE  
LINGERING  
COVID-19 IMPACTS  
AND HOW ARE THEY  
AFFECTING  
THE BUSINESS?**



Are there lingering COVID-19 impacts and how are they affecting the business?

*“No there are not , but safety protocols are still being implemented”*

### Métier

- Nineteen total recorded infection cases since onset of the pandemic
  - Relatively low infection rate related to the outdoor working context
- No fatalities related to the pandemic recorded

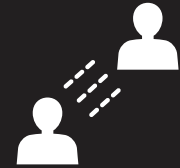
### SepCem

- One hundred and thirty-seven infection cases since onset of the pandemic
- Unfortunately two fatalities recorded
- Infection rates have reflected national trends

**Both operations practicing safety protocols to limit workplace infections**



**Wash hands often**



**Keep a safe distance**



**Stay at home as long as you can**



**Cover your cough**



5

**WHAT ARE YOUR  
VIEWS ON THE  
MEDIUM -TERM  
PERFORMANCE  
OF THE  
INDUSTRY?**



# What are your views on the medium-term performance of the industry?

*“We remain cautiously optimistic”*

- Imposition of tariffs on imports essential in improving the cement sector profitability
  - Tariffs can release up to a million tonnes per annum of demand to domestic producers
- Recent increased residential construction activity unlikely to sustain in the medium term
  - As inflationary pressures increase, a contractionary economic approach likely to lead to increasing interest rates
  - Pandemic related refurbishment rally seems to be tapering based on declining hardware retail y/y statistics
- Recent local government elections resulting in coalition political arrangements likely to stall decision –making for municipal driven infrastructure projects



## THEREFORE, the Group will

- Steadfastly **reduce bank debt** to strengthen the balance sheets
- Sustainably **minimise costs** to support profitability
- **Explore viable** corporate action **opportunities**



CONTACT:

Sakhile Ndlovu

Investor relations officer

Tel: +27 12 684 6300

Email: [info@sephold.co.za](mailto:info@sephold.co.za)

Website: [www.sephakuholdings.com](http://www.sephakuholdings.com)



SEPHAKU  
HOLDINGS LTD