SEPHAKU HOLDINGS LTD

YEAR-END FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED

31 MARCH 2023

AGENDA

SEPHAKU HOLDINGS LTD

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FINANCIAL REVIEW

FINANCIAL REVIEW
Salient points

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GROUP

- ▼ **Net profit after tax of R25,6 million**
  - FY2022: R44,6 million
- ▼ **Basic EPS at 10.05 cents**
  - FY2022: 17.52 cents
- ▼ **HEPS at 9.98 cents**
  - FY2022: 17.67 cents
- ▼ **NHEPS at 10.53 cents**
  - FY2022: 17.67 cents
- ▼ **SepCem equity accounted loss of R2,0 million**
  - FY2022: earnings R28,9 million

MÉTIER MIXED CONCRETE

- ▲ **Sales revenue of R981 million**
  - FY2022: R786 million
- ▲ **EBITDA of R98 million**
  - FY2022: R75 million
- ▲ **EBITDA margin of 10.0 %**
  - FY2022: 9.5%
- ▲ **EBIT margin of 6.5% at R64 million**
  - FY2022: 6.1% at R48,2 million
- ▲ **Net profit after tax of R43 million**
  - FY2022: R30 million

SEPHAKU CEMENT

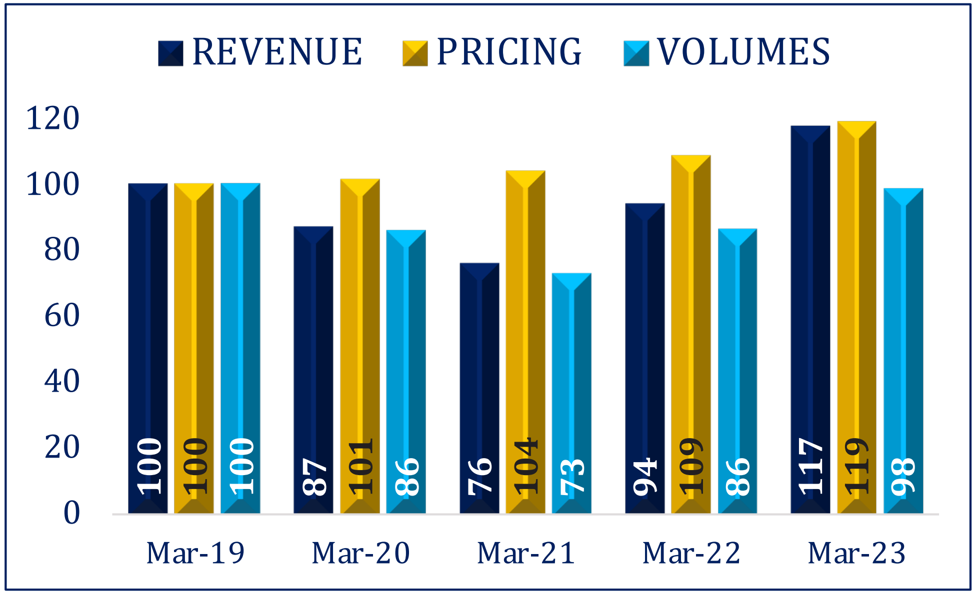
SepCem has a December year-end as a subsidiary of Dangote Cement PLC*.

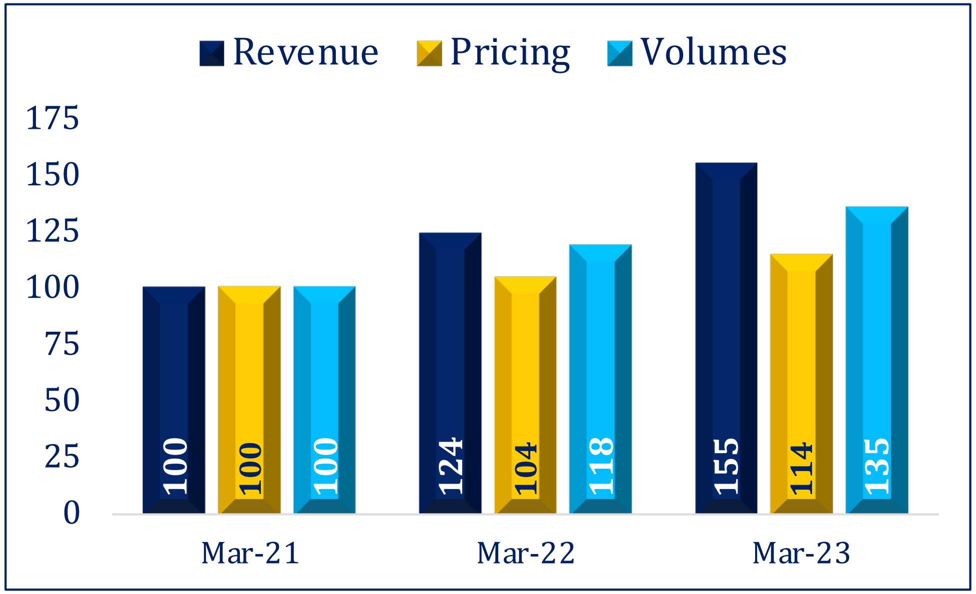
- ▼ **Sales revenue of R2,5 billion**
  - FY2022: R2,6 billion
- ▼ **EBITDA of R279 million**
  - FY2022: R375 million
- ▼ **EBITDA margin of 11.4%**
  - FY2022: 14.6%
- ▼ **EBIT margin of 4.3% at R104 million**
  - FY2022: 8.6% at R219 million
- ▼ **Net loss after tax of R4 million**
  - FY2022: R82 million

** FY2022 refers to the 12 months ended 31 December 2021 for SepCem because the associate has a December year-end.*

FINANCIAL REVIEW

*Revenue trend: Métier**



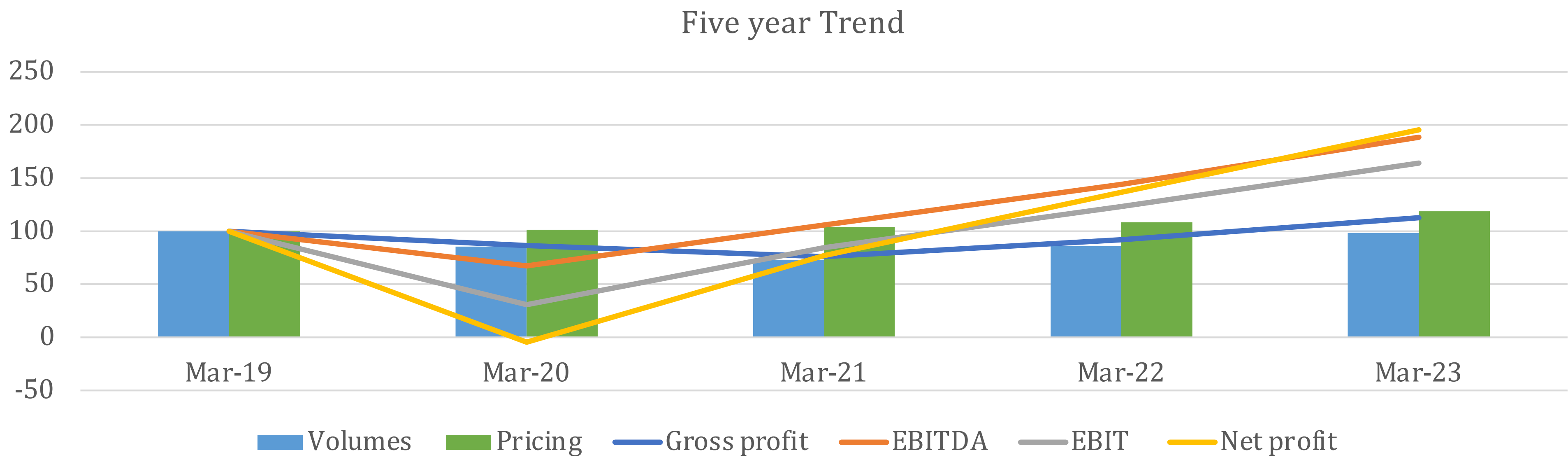


- 25% increase in revenue YoY
  - 14% increase in sales volumes after 25% increase in FY22 after the COVID restrictions
  - 9% increase in pricing on the back of high increases in input costs
- Volume saw a return to pre-pandemic levels last seen in FY18 and FY19, on the back of plant expansion
- As a result revenue has now exceeded FY19 levels for the first time.

** FY refers to 12 months ended March*

FINANCIAL REVIEW

*Profitability trend: Métier**

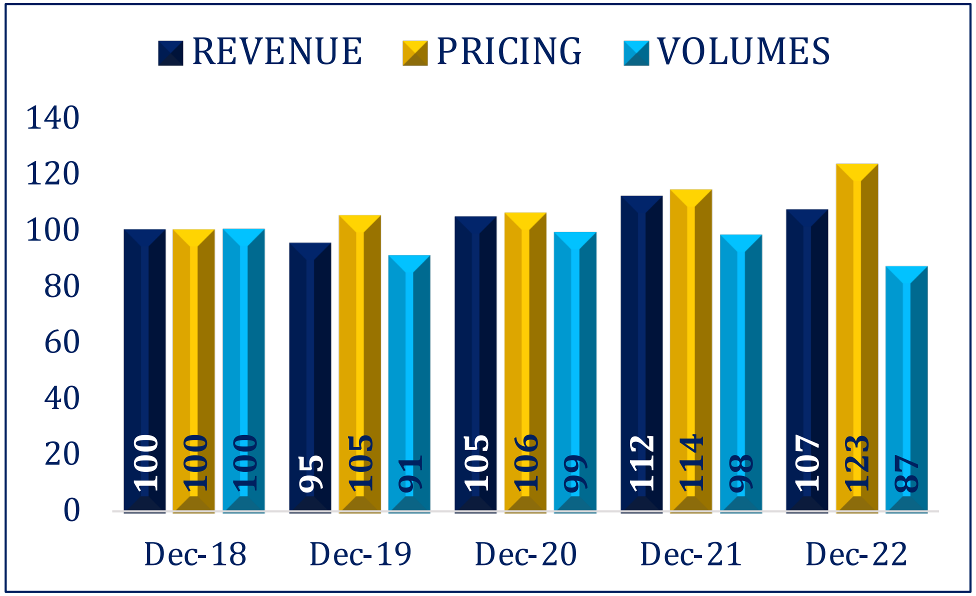


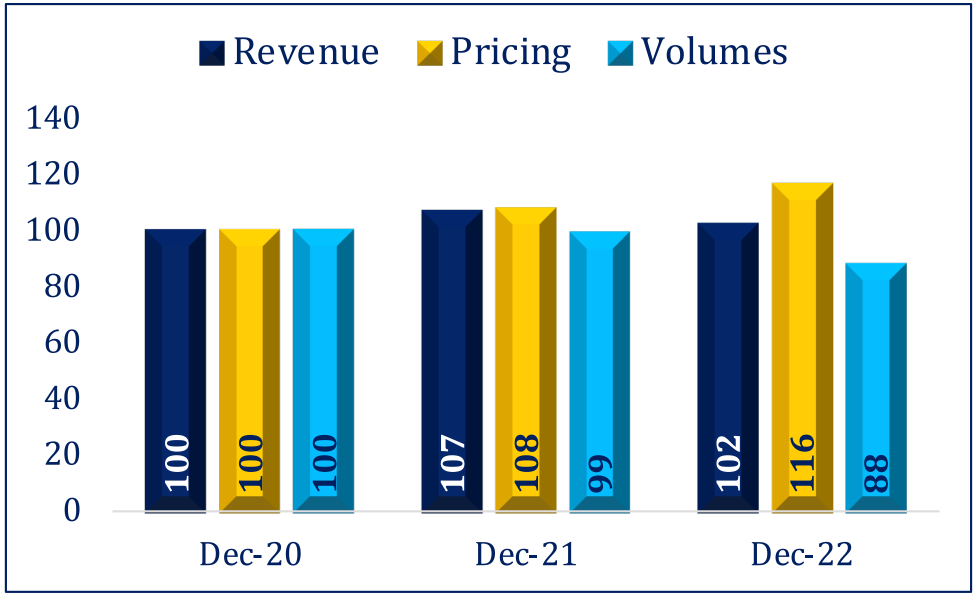
- 31% increase in EBITDA YoY due to the higher revenue
- 33% increase in EBIT from R48 million to R64 million despite increase in operating expenses
  - 16% increase in operating expenses, includes plant expansion
  - 43% increase in net profit supported by lower finance costs
- Opportunities exist for Metier in FY 2024 with growth in the Western Cape and on infrastructure projects
- Métier to overcome cost pressures by continuing to focus on utilization of assets and replacing older assets with more cost efficient assets.
- Hybrid transport model enables effective control of a key cost driver and a responsive increase in fleet when required

** FY refers to 12 months ended March*

FINANCIAL REVIEW

*Revenue trend: SepCem**

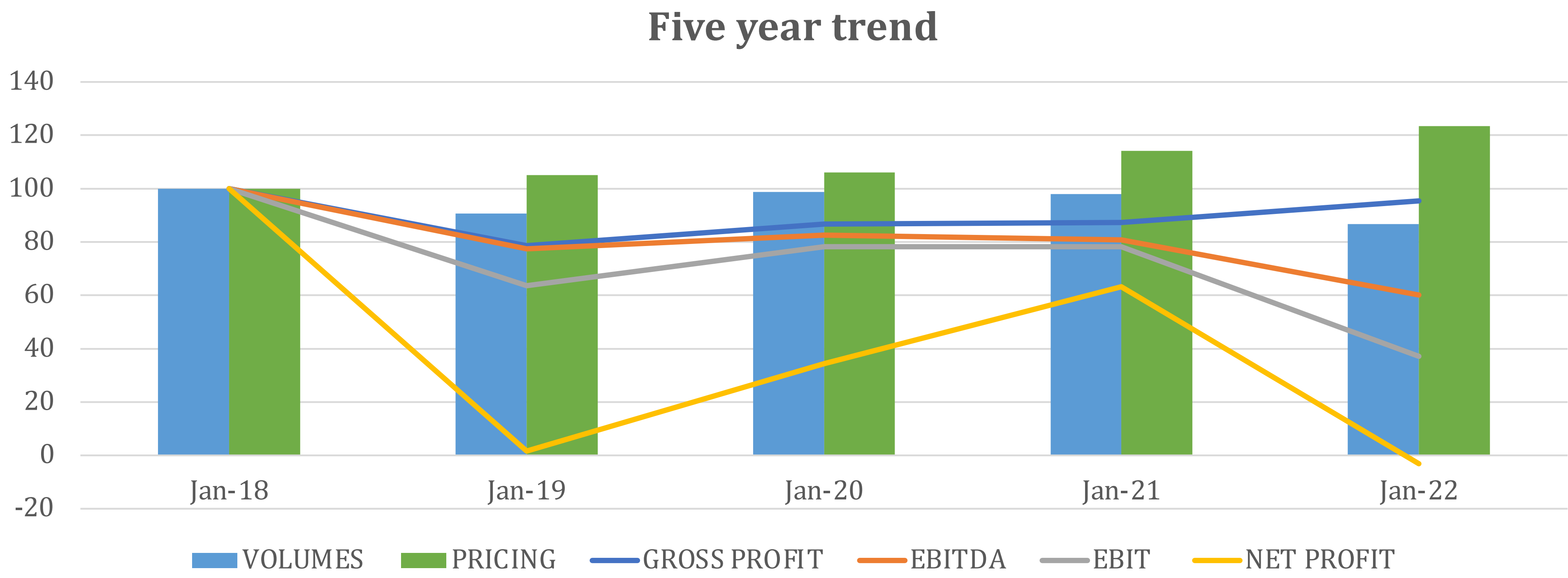




- 4% decrease in revenue YoY as a result of
  - 12% decrease in sales volumes against a prior year decrease of only 1%
  - 8% increase in pricing
- Sales volumes now down from CY 2018 and the lowest in the last five years
- Pricing margins have not kept up with equitable drop in market volumes
- SepCem targeting to enhance margins by:
  - Tight control of cost whilst navigating through energy crisis
  - Maximizing benefits from alternative fuels
  - Optimising market segmentation
  - Price increases to offset costs

** FY refers to 12 months ended December*

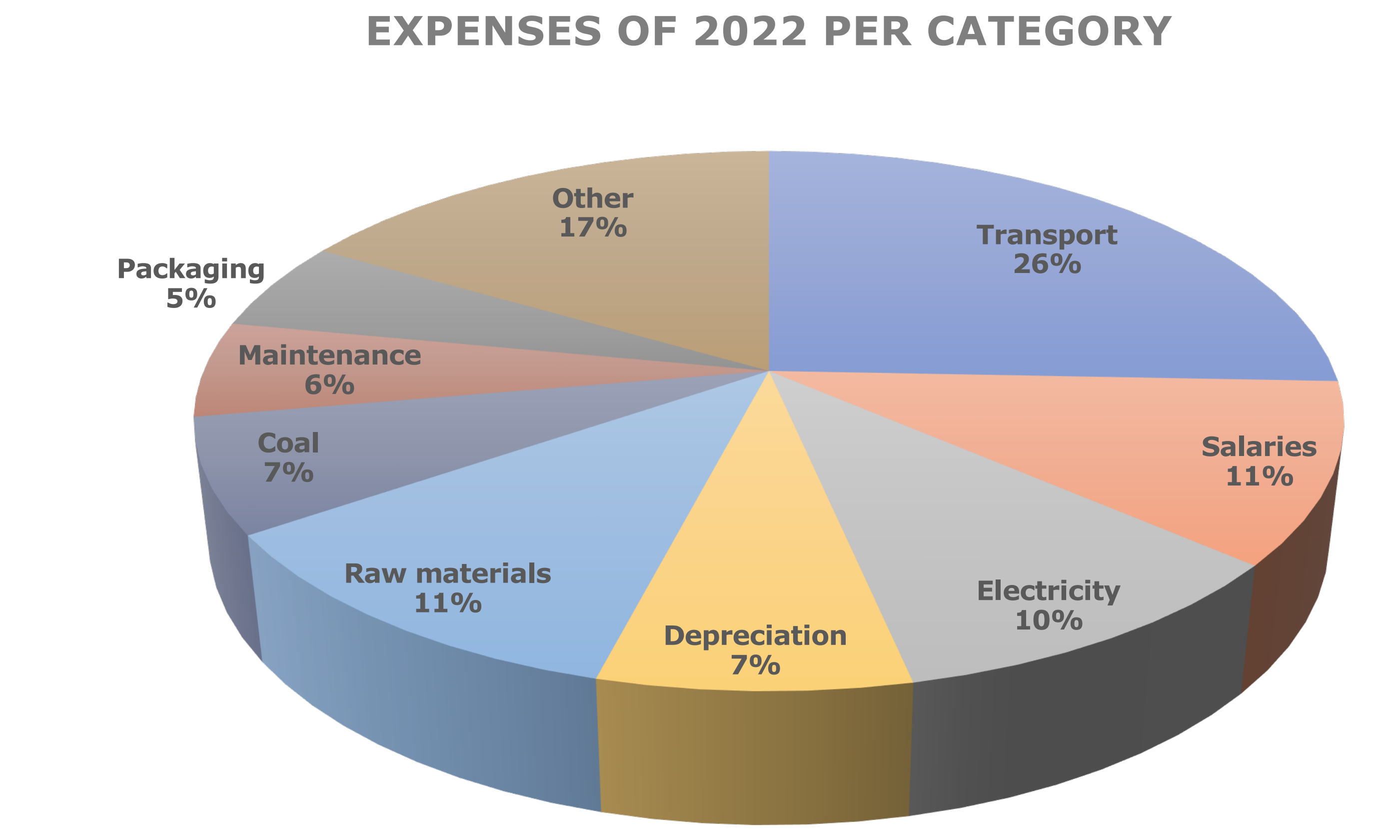
FINANCIAL REVIEW
*Profitability trend: SepCem**



- 25% decrease in EBITDA YoY
  - Declining volumes, predominantly in retail sector.
  - Input cost not fully recovered through pricing.
  - Energy costs had the biggest impact (fuel and coal prices) as fallout from Russian invasion of Ukraine
- Net profit after tax decreased from R81.9m in CY 2021 to a loss of R4.2m in CY 2022
  - This resulted in Group equity earnings being negative by R2m compared to the FY22 profit of R28.9m

** FY refers to 12 months ended December*

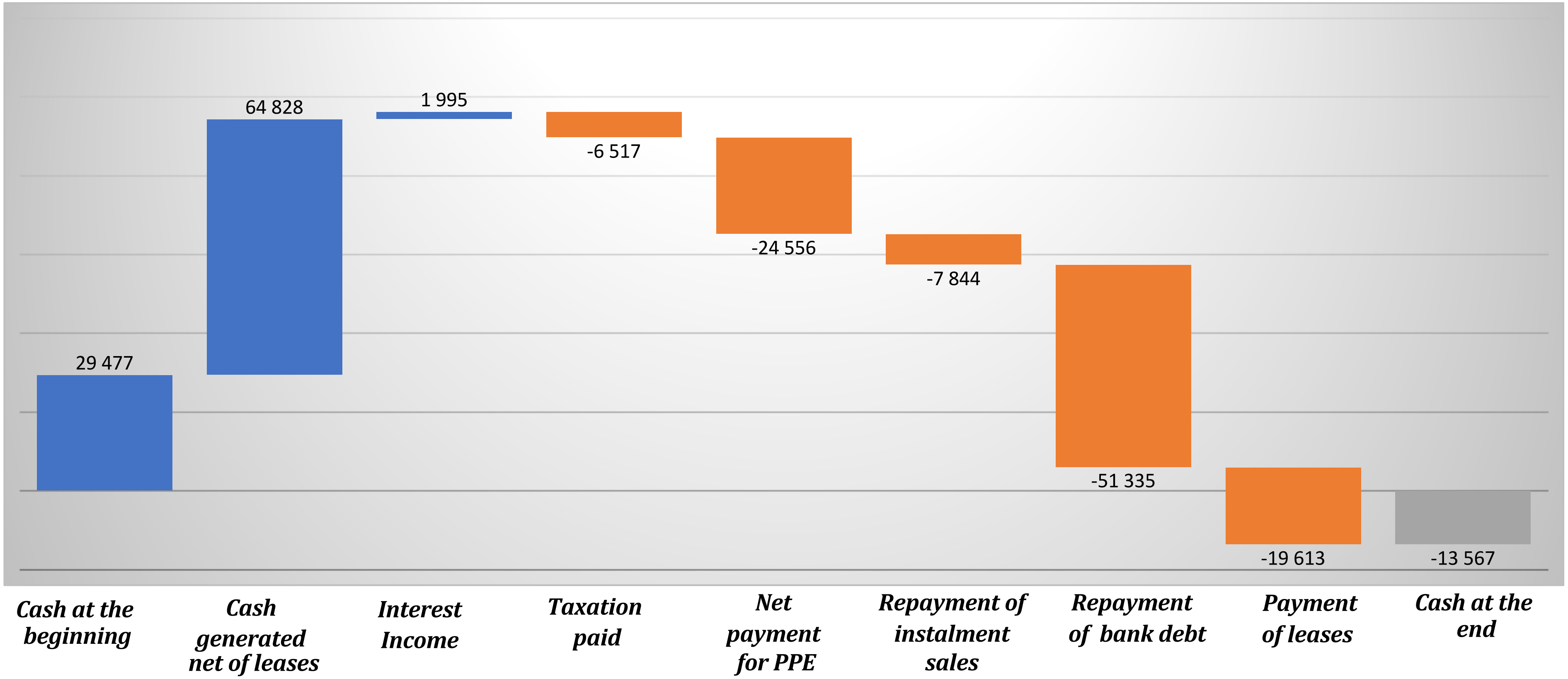
Cost control a priority for SepCem



* Other including pallets, refractories & clinker transfer cost

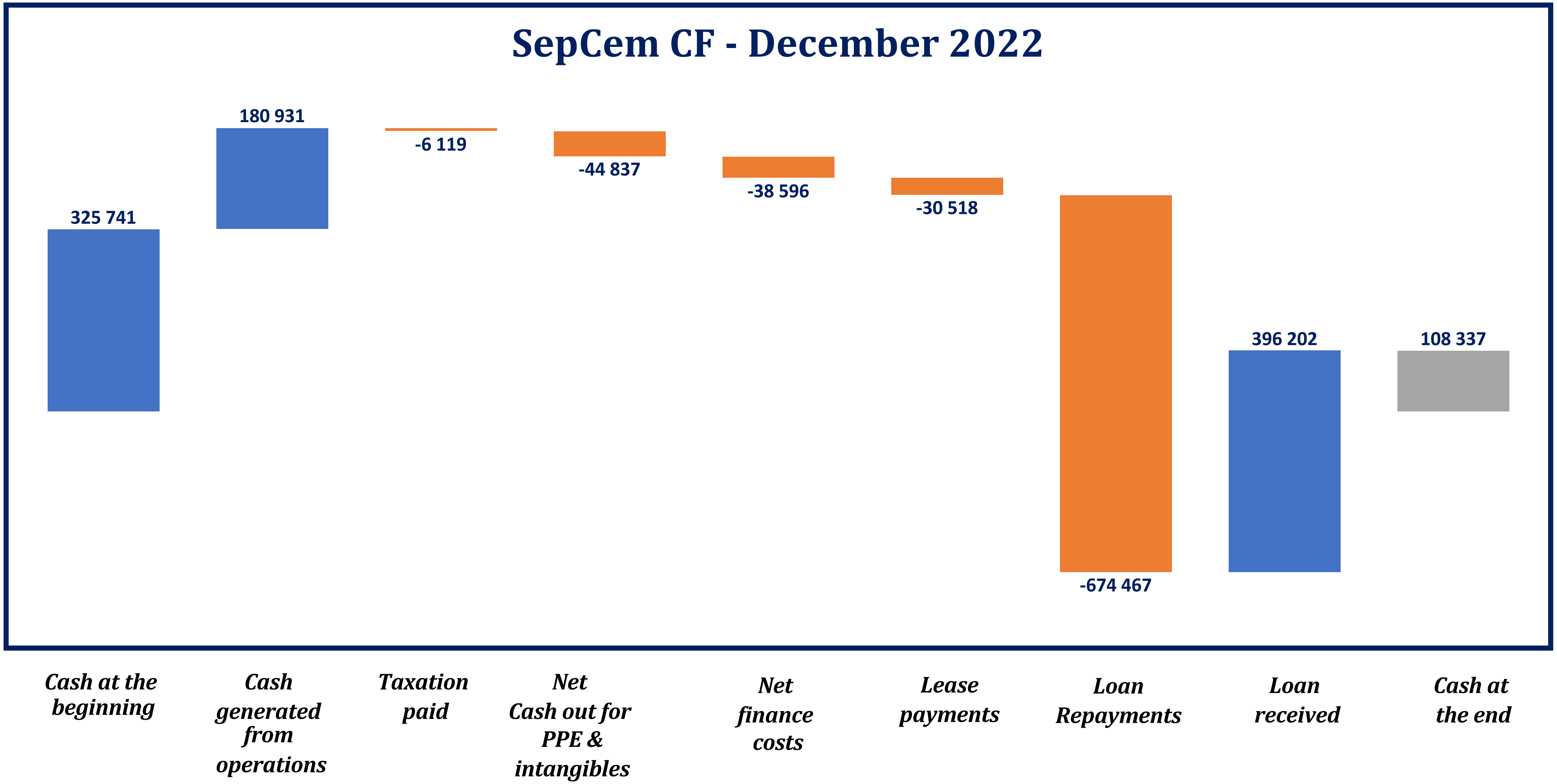
FINANCIAL REVIEW

Group cashflow analysis and Debt repayment



- Metier bank debt of R35m payable in FY24 was paid in Oct 2022.
- Increased utilization of vehicle financing facility to improve age of fleet.
  - Additional vehicles mainly for the Métier Western Cape expansion
- Overdraft of R80m put in place to cover short payment of debtors over month end.

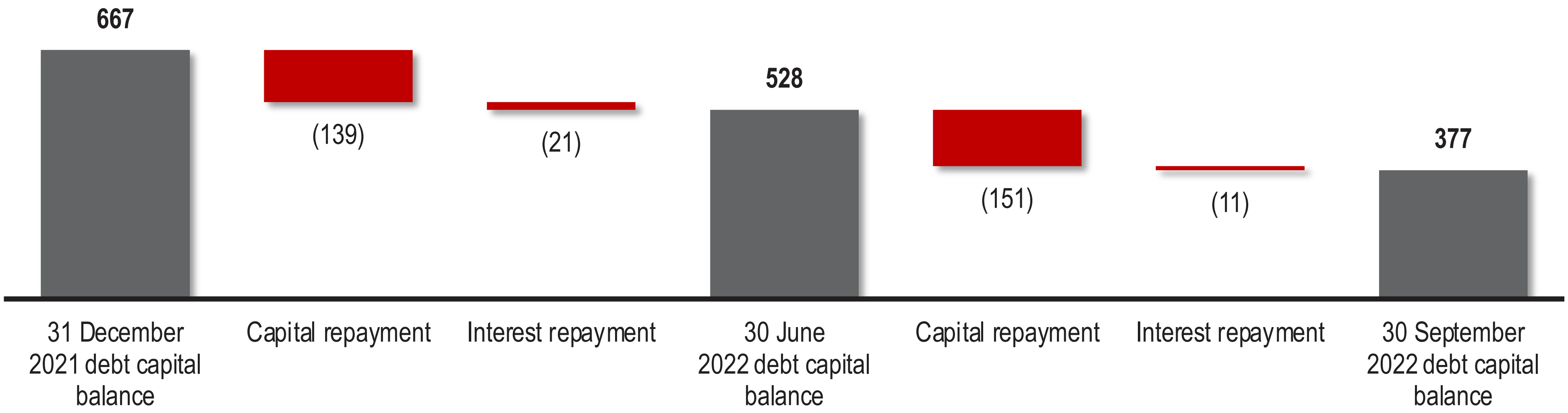
SepCem cashflow analysis



- Loan repayment includes bullet of R376m paid in November.
- Bullet repaid with refinance of R400m plus working capital facility of R200m (unused)

FINANCIAL REVIEW : SEPCEM

Revised debt structure



- Bank debt principal reduced by R290 million to R377 million by 30 September 2022
  - Total interest payment of R32 million

On 1 November 2022

- Final lump sum capital instalment of R377 million was converted to a R400 million , three-year term loan at JIBAR plus 3.25%
- The R200 million working capital facility at prime minus 50bps was made available
- Repayments commenced January and the balance at the end of May is R 336m.

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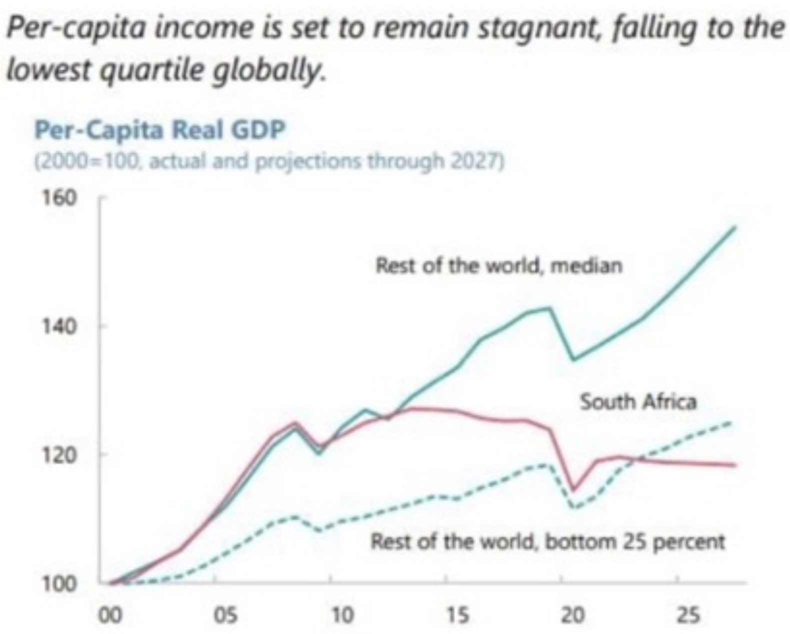
TRADING ENVIRONMENT

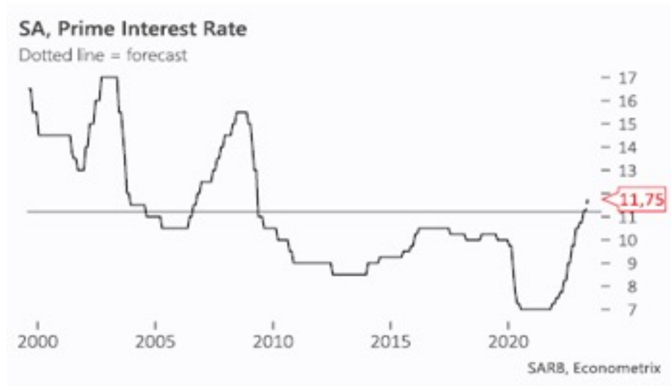
TRADING ENVIRONMENT

Weak macro-economy since 2012

- **2012-2023**: Subdued SA GDP growth against growing population resulting in ever-declining *per capita* Real GDP.
- Variance between RSA and global GDP growth expected to widen
- Consumer-spending under pressure, affecting retail demand for building materials



SOURCE *: IMF*

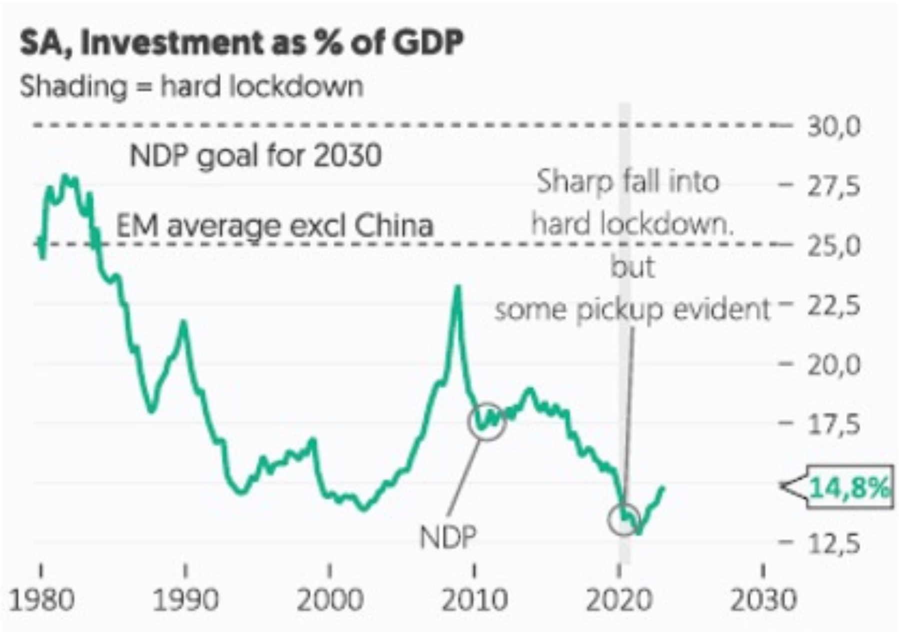


TRADING ENVIRONMENT

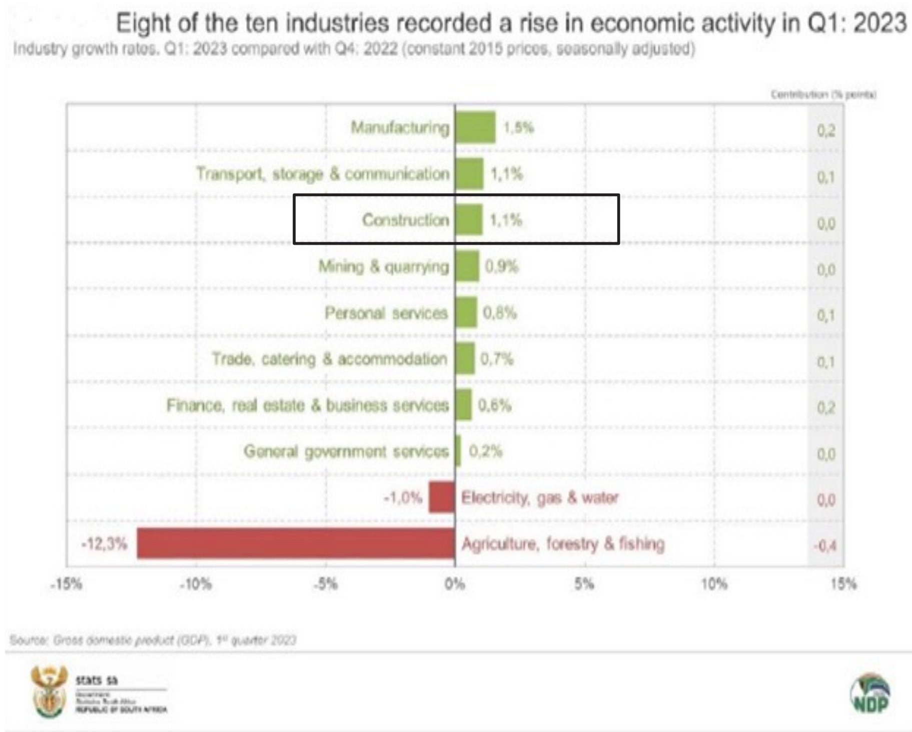
Capital investment appears to have bottomed

- GFCF as a leading indicator of underlying cement demand indicating signs of recovery
- Still way below target, but improving

- Construction sub-sector showing signs of recovery off low base, contributing 5.5% of GDP, up from 5.2%.
- Still below average of 8-10% in recent years



SOURCE *: StatsSA, Econometrix*



TRADING ENVIRONMENT

Subdued Building activity continuing

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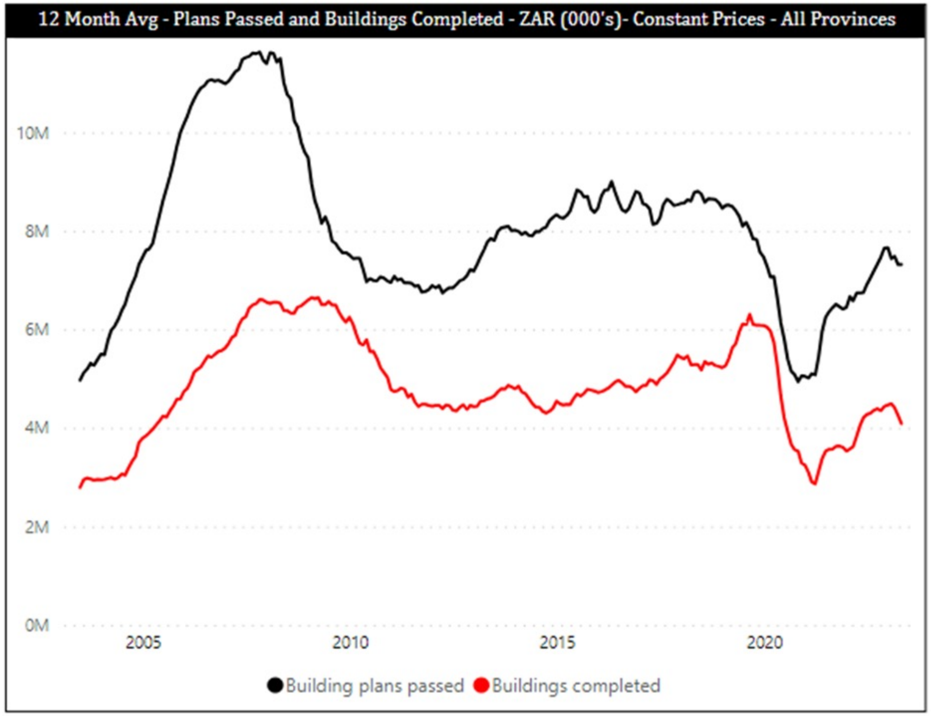
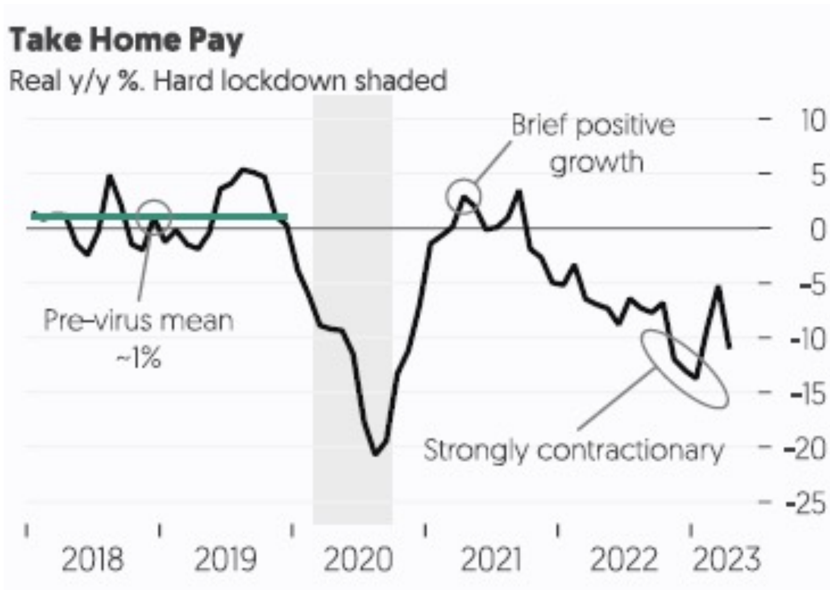
- Building plans passed and project completion still way below historical (pre-2018) levels.

- Some recovery in residential demand post-lockdown, but at 2014 levels
- Increasing interest rates expected to negatively impact the residential property demand

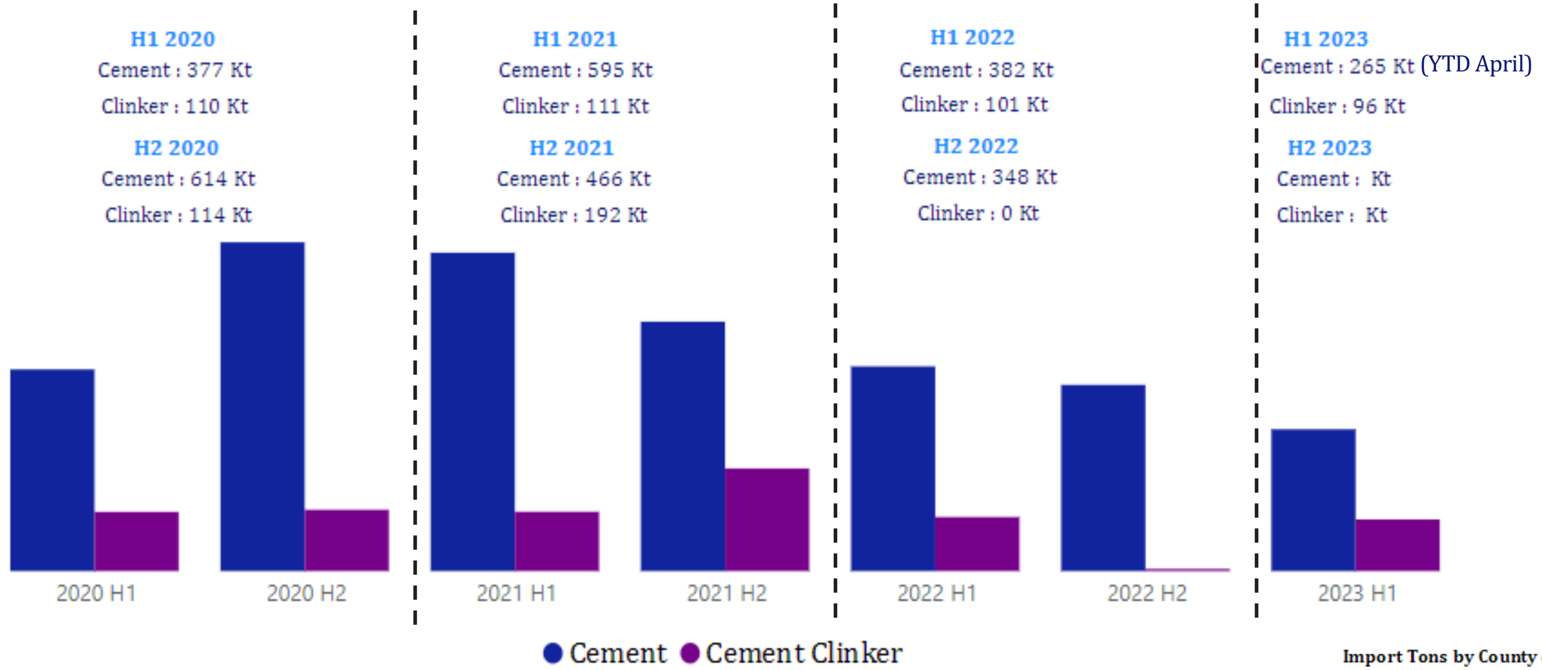


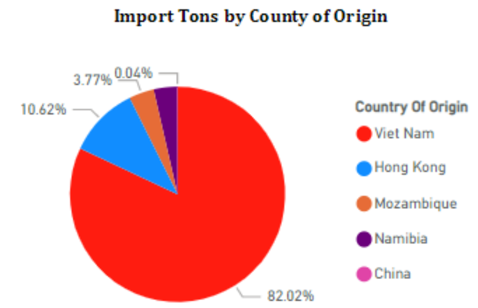
SOURCE *: StatsSA*



SOURCE *: BankservAfrica, Econometrix*

Cement import volumes
Tonnes



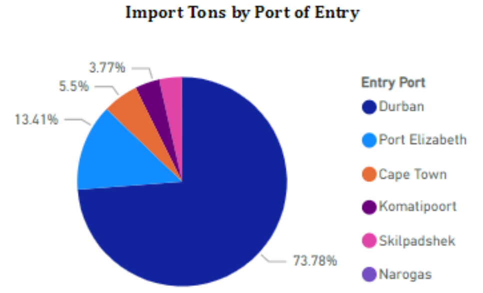


Cement imports

- **Jan to Apr 2023 has seen 265kt imported into the country v 324kt for SPLY.**
  - 82% of all imports from Vietnam, and imports via Hong Kong not previously seen.
  - 73.8% imported through Durban, and a once off import into Cape Town of 20kt in April 2023.
  - Namibian & Mozambican imports now at 7% of all imports.

Clinker imports

- 96kt of clinker imported in 2023 to date, with all of it coming from the UAE shipped into Port Elizabeth.



ITAC safeguard application

- **This process has stalled through the current industry body.** Anti-dumping to be considered as alternative to safeguard.

SOURCE *: SARS*

3

OPERATIONAL REVIEW

MÉTIER
Feedback on FY 2023 focus areas

- **To further establish the Metier brand in the Western Cape**
  - Volumes and customer base has grown steadily during the year
- **To replace ageing assets**
  - Improved average age of loaders a programme that will continue into 2024
  - Improved the average age of the fleet within Metier targets, to ensure effective on time delivery to clients and reduce maintenance costs
- **To restructure and reduce bank debt**
  - Reduced the bank debt to zero and implemented an overdraft facility to cater for late month end debtor payments
- **To grow margins above the Construction Material Composite Price Index**
  - CMCPI – 9.1% at March 2023 while Metier margins improved by 11%
  - Improved margins on value added products and services
- **Health & safety**
  - Zero operational fatalities

SEPCEM

Feedback on CY 2022 material matters

- **Input cost pressure**
  - Thermal substitution increased to >30%, including use of waste tyres to mitigate extraordinary coal price increases
  - Introduction of costing benchmark for transport to ensure tariff optimisation
  - Moratorium placed on short-term incentives
  - Austerity measures on all discretionary expenditure

- **Low demand**
  - Ongoing market and supply chain optimisation

- **Community disruption**
  - Approval of the SLP accelerated key elements of social delivery
  - Industry forum established in Ditsobotla municipality to fast-track high impact upliftment projects in partnership with DMRE and local government.

- **Availability of power**
  - Downstream value-add customer base severely affected by ongoing load shedding.
  - DCSA is contracted to practice load-curtailment when required, as opposed to load shedding.
  - Time-of-use optimisation implemented to maximise off-peak opportunities
  - Solar PV under investigation for both Aganang and Delmas plants as a permanent solution.

- **Shortage of technical skills**
  - Key focus on retention of critical skills
  - Ongoing training and development of technical staff

SEPCEM FIRST QUARTER TO 31 MARCH 2023

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- Revenue increase of 5.4% YoY to R 583 million.
- SepCem sales volumes marginally up YoY within an ongoing sluggish economic environment defined by:
  - ✓ Low construction activity, specifically residential building activity.
  - ✓ Higher than average rainfall in inland region.
  - ✓ Reduced consumer discretionary incomes primary due to high inflation and increasing interest rates.
  - ✓ Record levels of load shedding impacting downstream customer base, e.g. brick-and-block makers.
- SepCem's quarterly EBITDA decreased significantly to R31,3 million (Q1 2022: R89,7 million) mainly due to comparative inventory depletion typical during planned kiln outages. YoY inventory movement of R120 million.

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OUTLOOK

OUTLOOK

Medium-term demand expected to be flat

- Medium-term demand expected to remain flat
  - Demand for mortgages expected to decline as interest rates increase
  - Non-residential construction activity expected to persist
- Implementation of government infrastructure plan could provide demand impetus and growth in building materials sector
  - Government releasing projects in targeted sectors of road and water infrastructure
  - Low confidence in the macro-economy continues to reduce private investment
- Group focus will be:
  - SepCem to be vigilant on cost control and to drive its price growth strategy
  - Métier to grow the Western Cape plant network
  - Métier to secure it’s share of infrastructure construction

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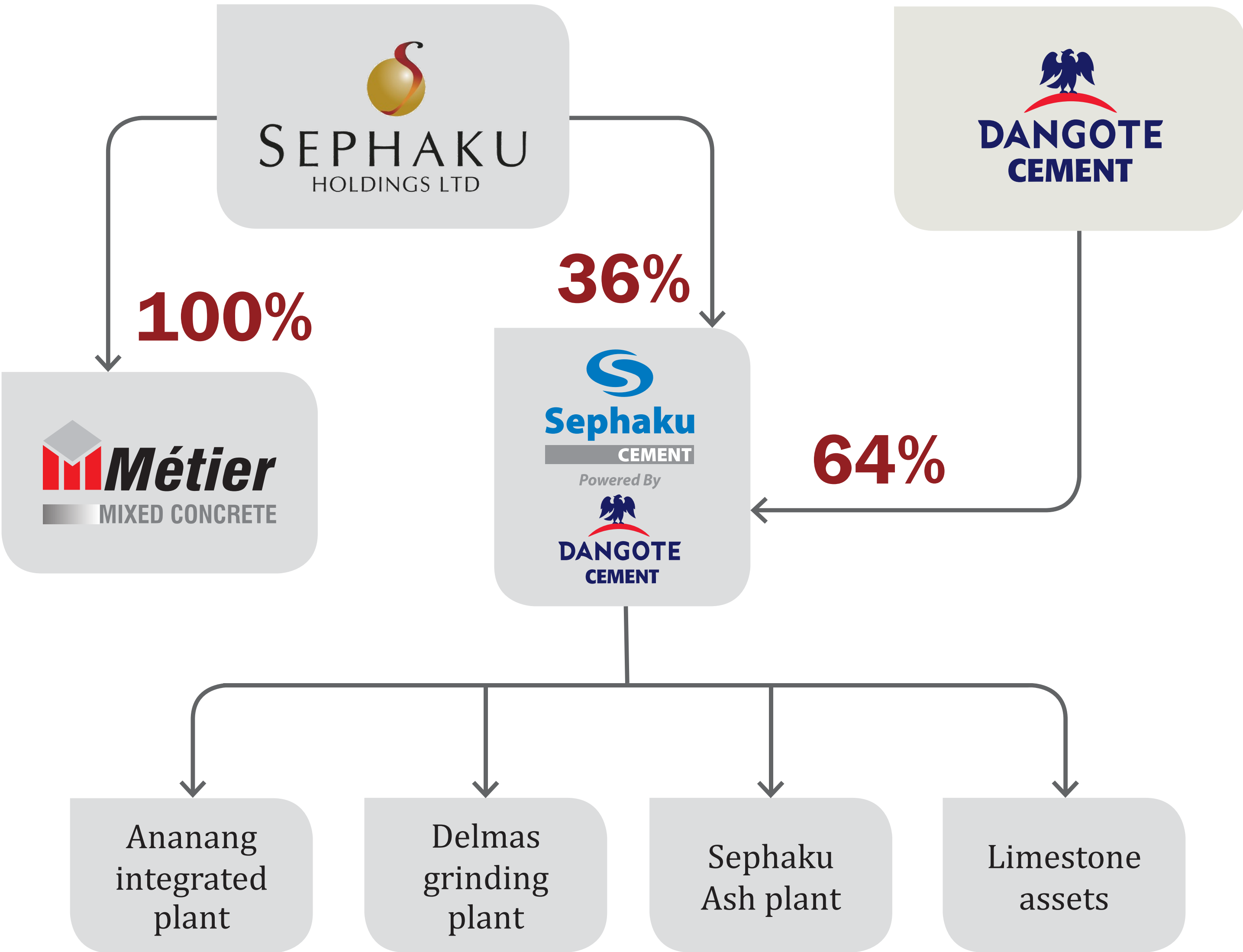
APPENDICES

THE SEPHAKU HOLDINGS STRUCTURE



INVESTMENT PROPOSITION

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- The South African cement and ready mixed concrete manufacturing sector presents promising growth opportunities through infrastructure development
- The group invests in modern, efficient capacity for this sector and is well positioned to capitalise on opportunities to generate growth and create value for shareholders over the long term

The group strives for sustainable returns through

Strategically focusing on the building and construction materials sector and its potential earnings and growth opportunities	State-of-the-art production plants with cost efficiencies that enhance competitiveness	Profitable concrete operations with a renowned concentration of technical skills that provide solid earnings and positive net operating cash flows	Operational management with deep industry skills and experience, and the ability to successfully execute the strategic objectives

STRATEGIC OBJECTIVES

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The group's strategic objectives focus on financial sustainability, product quality and operational efficiency

Maintain sustainable sales volumes	Maximise margins	Strengthen balance sheets	Increase free cash flow
▪ Achieve targeted sales volumes ▪ Produce high-quality products	▪ Source competitively priced inputs ▪ Reduce expenses ▪ Rationalise distribution	▪ Focus on reducing debt	▪ Prudent debtor management ▪ Increase pricing

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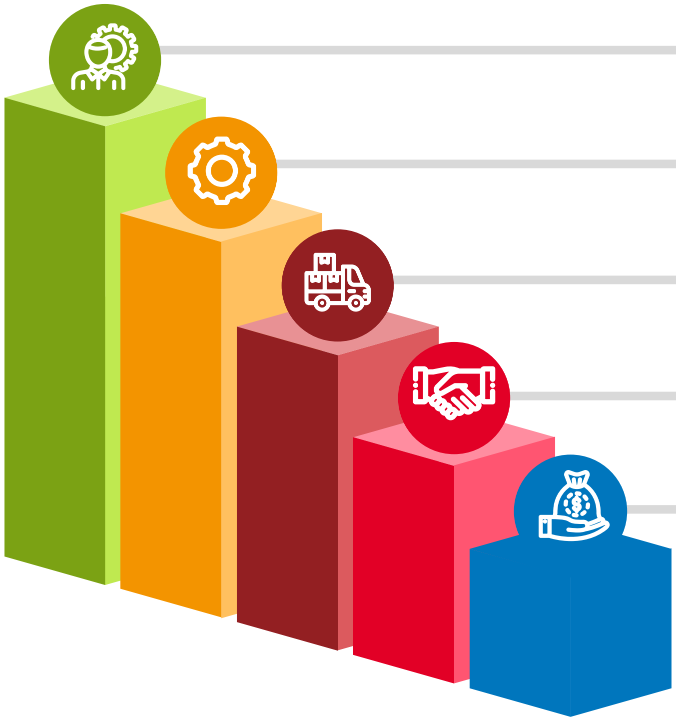
The group's five value creation pillars are based on its founding principles and core values

- The values are reflected in the codes of ethics and conduct to obligate the board, executive management and employees to act ethically
- The directors and employees are required to conduct business with stakeholders in line with these codes
- The board reviews the codes of ethics biannually to ensure it sufficiently inculcates a group-wide ethical culture



Technical skills and industry experience
are critical to the group's strategy and to our understanding of the building and construction materials market dynamics to maximise profitability

Leading technologies
enable us to produce the highest-quality cement and mixed concrete

Service excellence
distinguishes us, and is driven by our high-performance culture, and improves our value proposition

Strategic relationships
and deal-making abilities position the group as a major South African building and construction materials manufacturer

Sustainability
emphasises responsible mining and manufacturing by continually seeking ways to minimise our negative environmental impacts

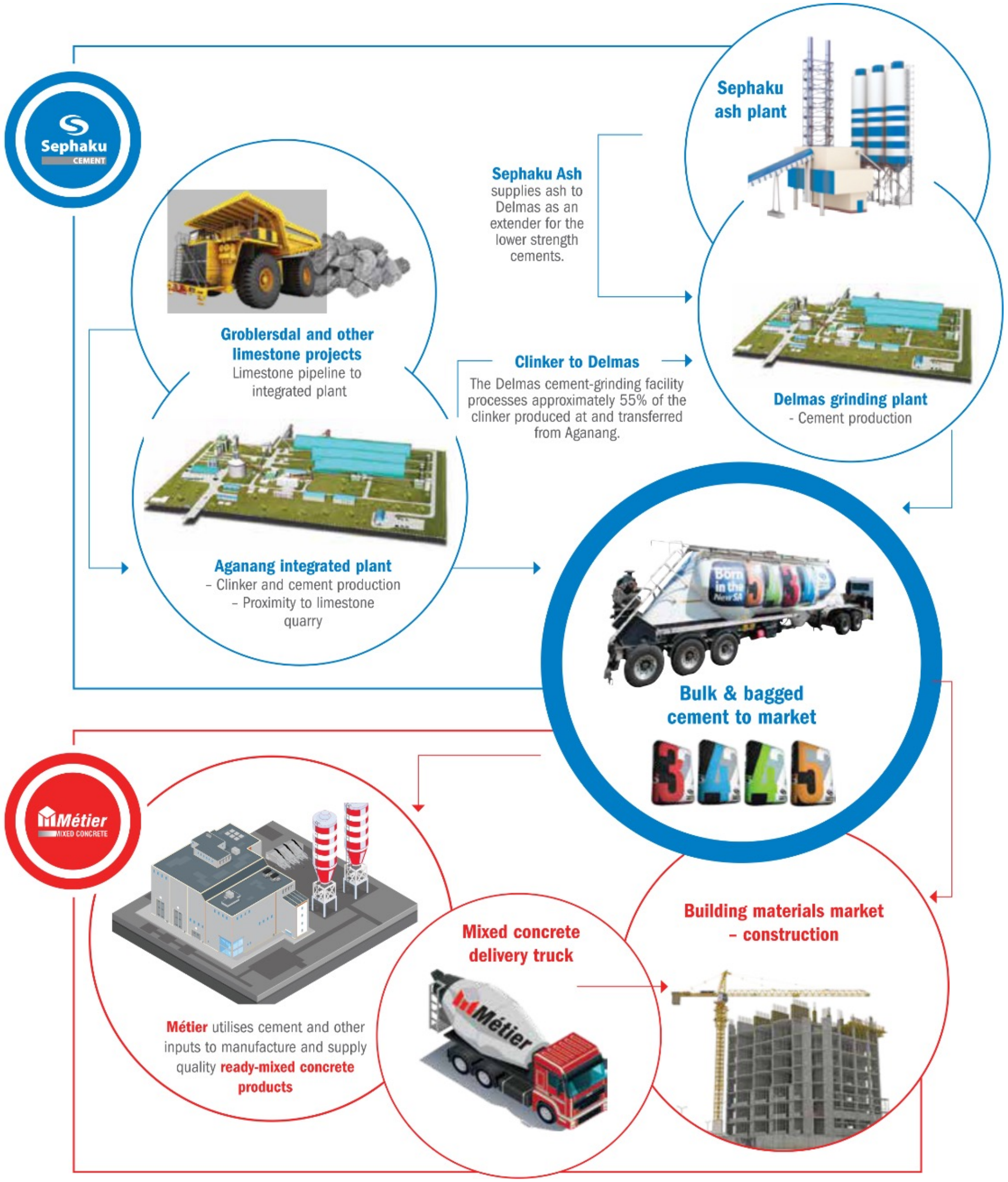
VALUE CREATION PROCESS

The group's manufacturing and exploration projects aim to create sustainable shareholder value by enhancing the five value creation pillars on which earnings and growth are based.

Métier and Sephaku Cement create value for the group's stakeholders through the production of concrete and cement, respectively.

The operations utilise the cash they generate, equity from shareholders and borrowings from lenders to source inputs and services to sustainably manufacture building materials.

The group recognises that business sustainability entails environmental and social responsibility. To that effect, Métier and SepCem have ongoing and planned initiatives to mitigate their negative environmental impact and to uplift communities surrounding their operations.



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