

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



Trading statement for the twelve months ended 31 March 2020

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied, with a reasonable degree of certainty, that the financial results for the period to be reported upon next will differ by at least 20% from those of the previous corresponding reporting period. The SepHold's annual financial results for the twelve months ended 31 March 2020 ("FY2020") will be released on SENS before the end of August 2020.

Accordingly, shareholders are advised that, for FY2020, when compared to the twelve months ended 31 March 2019 ("FY2019"):

- earnings per share ("EPS") of the Company is expected to be between (9.37) and (7.67) cents, from the EPS reported for FY2019 of 21.21 cents; and
- headline earnings per share ("HEPS") of the Company is expected to be between (8.41) and (6.72) from the HEPS reported for FY2019 of 21.08 cents.

The main reason for the decrease in earnings was the low demand for building materials during the FY2020.

Métier Mixed Concrete (Métier or subsidiary)

The concrete sector performance is closely linked to the highly cyclical construction industry. By March 2020, South Africa had experienced over 70 months of a downturn in the business cycle, the longest on record. This prevailing trading environment resulted in intense competition, with the subsidiary experiencing high competition in both the Gauteng and KwaZulu-Natal (KZN) markets. The mixed concrete pricing competition continued to intensify mainly due to vertically integrated manufacturers offering extremely low prices as channels for the cement and aggregates volume. In the interim period to 30 September 2019, the subsidiary's overall sales volumes decreased by 9.7% year-on-year ("y-o-y") due to pervasive low demand and excess supply capacity.

The inflationary price increases in raw materials combined with the product mix exerted additional downward pressure on profitability resulting in the net profit after tax declining to R7,7 million from R20,3 million. The performance during the second half of the year is normally negatively impacted by the builders' holiday in December and January which was exacerbated by the abrupt cessation of operations during the last week of March 2020 due to the COVID-19 lockdown.

To support profit margins, Métier engaged its suppliers to negotiate for lower price increases, completed the fleet optimisation programme and reduced the employee headcount.

Dangote Cement South Africa (SepCem or associate) *

Cement demand was largely constrained, with a decline observed in the rural consumer markets during the year. In the first six months of the year to 30 June 2019, SepCem's sales volumes were 19% lower than the comparative period. Sales volumes were impacted by an increase in imported cement and competition from blenders. SepCem introduced a competitively priced brand called Falcon Cement to compete against the imported cement in KZN and lower strength class cements in selected inland markets.

SepCem's second half of 2019 improved markedly with sales volumes increasing by 20% compared to the first half of 2019 and marginally higher than the same period in 2018. SepCem's full-year 2019 volumes were 9% lower than 2018, an improvement from the 19% decrease recorded for the interim period.

SepCem post-period performance and Métier operational update

During the national alert level 5 lockdown from 27 March to 30 April 2020, SepCem and Métier complied fully with the government directive and closed all operations to safeguard the health of all its employees. They resumed operations at 50% manufacturing capacity during alert level 4 in May 2020 and full capacity at alert level 3 from 1 June 2020.

SepCem

Following the Dangote Cement PLC results announcement for the six months ended 30 June 2020 released on 24 July 2020, SepCem recorded an 8.5% y-o-y sales volumes contraction partly due to COVID-19 lockdown restrictions that resulted in a loss in 23 of the 124 working days during the period. SepHold is pleased to state that there has been sales volume recovery for May and June 2020 with double-digit average monthly increases compared to 2019.

Métier

Métier's sales volumes during lockdown were zero, however, in June the sales volumes increased to 80% of expectations.

Detailed information on the group performance during FY2020 will be disclosed in the year-end financial results announcement.

The financial information on which this trading statement is based has not been reviewed or reported on by the Company's external auditors.

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

Centurion
27 July 2020

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About Sephaku Holdings Limited

Sephaku Holdings Limited is a building and construction materials company with a portfolio of investments in the cement and mixed concrete sectors 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. SepHold's strategy is to generate income and realise value for shareholders through the production of cement and ready mixed concrete in Southern Africa.
www.sephakuholdings.com