

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



Operational update

SepHold hereby provides a pre-close update on Métier Mixed Concrete (Pty) Ltd.'s ("Métier" or "the subsidiary") and Dangote Cement SA (Pty) Ltd.'s ("Sephaku Cement", "SepCem" or "the associate") operational performance.

Métier

Métier's EBITDA for the six months ended 30 September 2021 increased by 118% - 122% year-on-year (yoy), mainly due to the two months of zero sales in April 2020 – May 2020 during the Level 5 pandemic-related lockdown. Compared to the interim period ended September 2019, the EBITDA is higher by 90% - 95% despite 8% - 12% lower sales volumes. As part of its turnaround strategy, the subsidiary's cost-saving measures and price improvement have been maintained, resulting in improved profitability.

Métier's expansion into the Western Cape has been established by opening its first plant in Bellville, Cape Town. The subsidiary has started supplying customers, and sales are expected to grow in the coming months. The expansion costs have been minimal because the subsidiary transferred under-utilised assets to penetrate the market. Métier will be prudent in its approach to securing market share by leveraging its superior technical knowledge and service capabilities.

Sephaku Cement

In the six months to 30 June 2021, SepCem volumes were 22% and 12% above those achieved in 2020 and 2019, respectively. The pandemic restrictions negatively impacted the 2020 volumes during the second quarter.

The sales volumes for the nine months ended 30 September 2021 are expected to be 4% - 6% higher yoy and 11% - 15% higher than achieved in 2019. The associate's ability to commence operations ahead of its competitors after the COVID-19 related national lockdown in 2020 has resulted in a high comparative base. The volumes in 2019 were impacted by the intense competition, particularly from blenders in the inland markets and importers in KZN, where 16% - 22% of the associate's sales volumes are supplied.

SepCem implemented price increases in February 2021 and August 2021, but although bulk cement prices were held, the price increases on bagged cement were discounted due to intense competition. The effective weighted average price per tonne for six months ended 30 June 2021 was approximately 8% - 10% higher yoy.

SepCem implemented its scheduled major maintenance on the kiln in February and a minor one in August. Unfortunately, an unplanned kiln maintenance stoppage in late September 2021 will likely adversely impact the sales volumes for the associate's fourth quarter ending 31 December 2021. Although SepCem's EBITDA for the nine months is expected to be 12% - 15% higher than achieved in both 2019 and 2020, the cumulative effect of plant maintenance in 2021 will likely result in comparatively flat EBITDA for the full year. SepCem management has confirmed that this will not impact the associate's debt repayment schedule and related covenants.

Interim results for the period ended 30 September 2021

SepHold will release the interim financial results for the period ended 30 September 2021 during the week ending 19 November 2021, incorporating the related SepCem figures for the six months ended 30 June 2021. The announcement will provide additional disclosure on the operational performance and the full impact of the unscheduled kiln maintenance.

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30 September 2021

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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