SEPHAKU HOLDINGS LTD

YEAR-END FINANCIAL RESULTS FOR THE PERIOD ENDED

31 MARCH 2020

AGENDA

SEPHAKU
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1 FINANCIAL REVIEW

2 COVID-19 IMPACT

3 OPERATIONAL REVIEW

4 OUTLOOK

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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**
  - Balance at R2,0 million at year-end

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 R128,7 million
- **Repayment of project loan by R453 million**
  - Capital portion at R275 million
  - Loan capital balance at R1,37 billion by 31 December 2019

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

GROUP INCOME GENERATION
Downward demand trend impacted profitability

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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

SEPCEM: COST BREAKDOWN
Cost control a priority for SepCem

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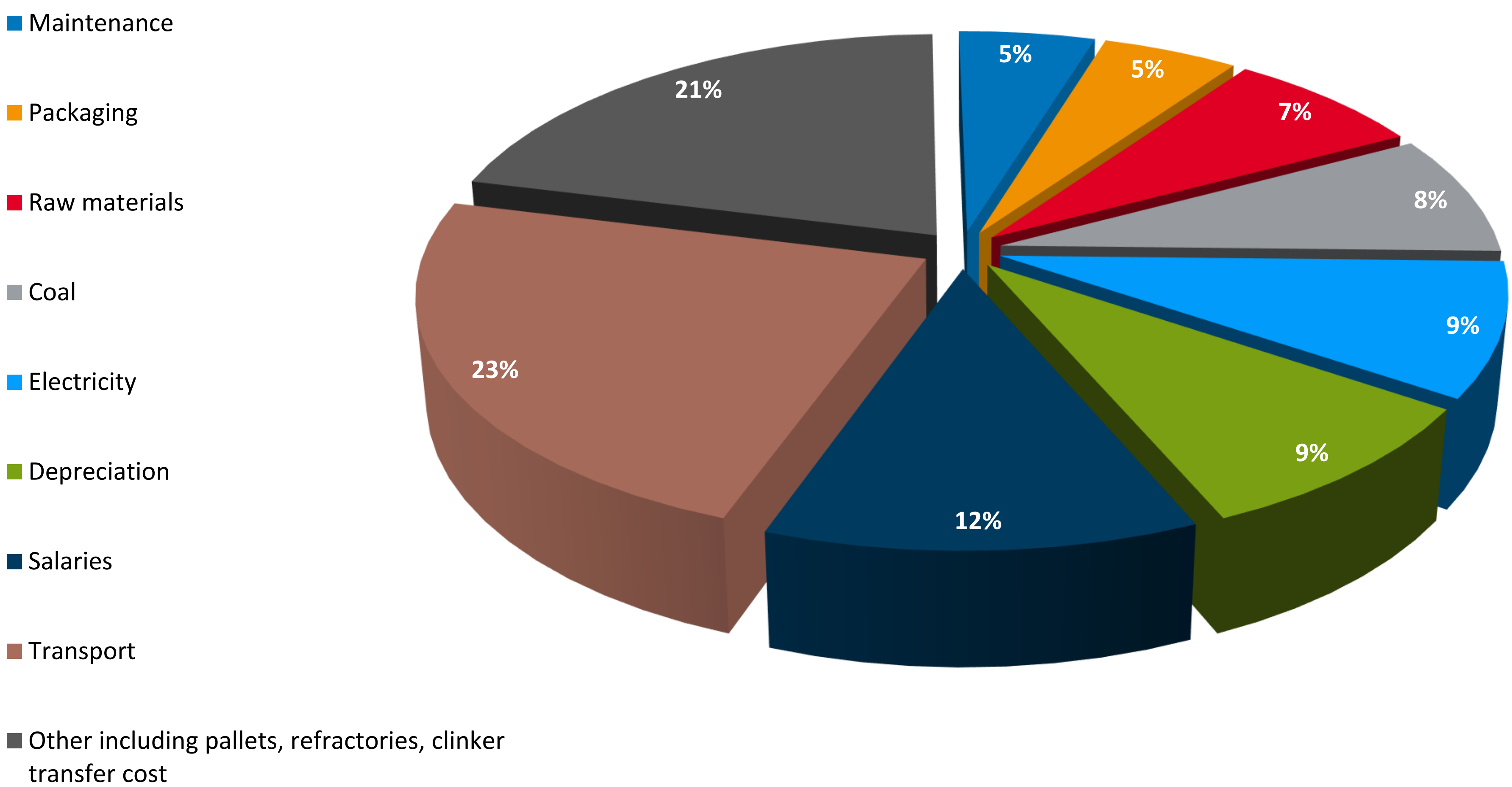

DEBT REPAYMENT PRIORITY FOR THE GROUP

Group cashflows supported by the rights offer

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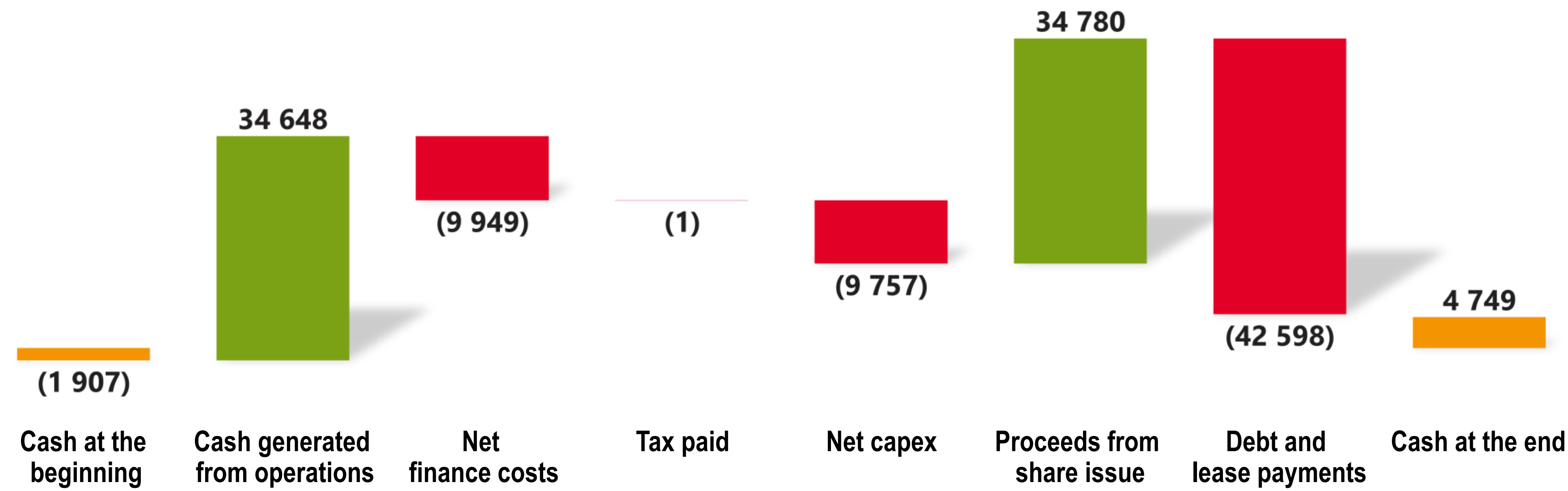
Cash flow analysis (R'000)



- 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

DEBT REPAYMENT PRIORITY FOR THE GROUP
SepCem cash generative in spite of challenging trading environment

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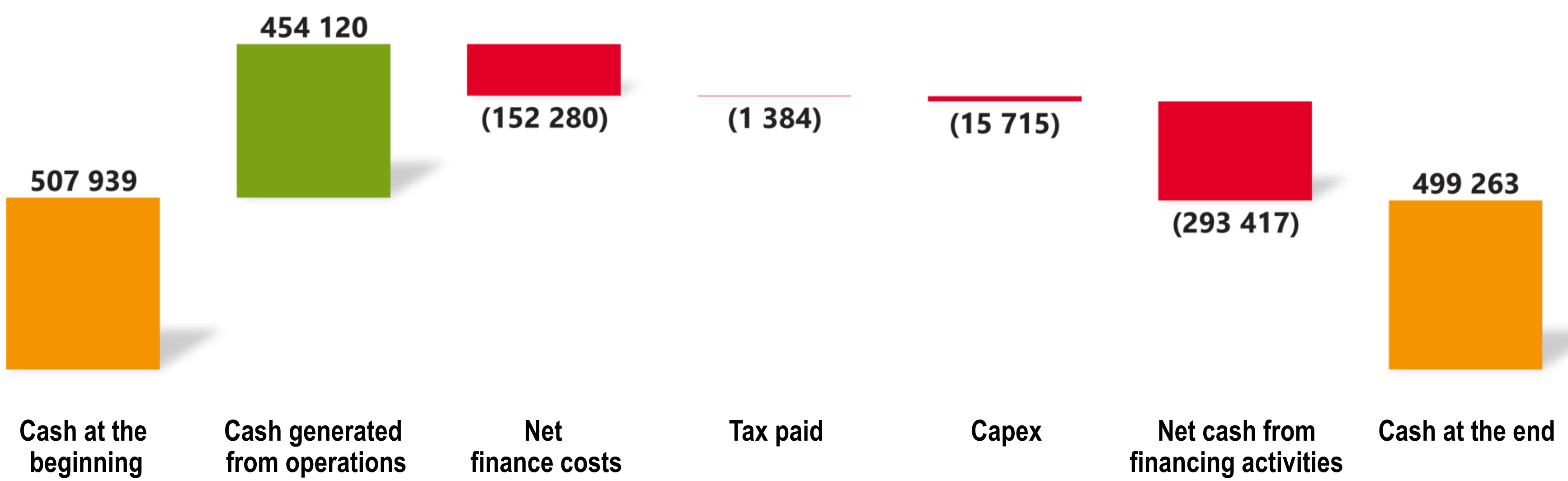
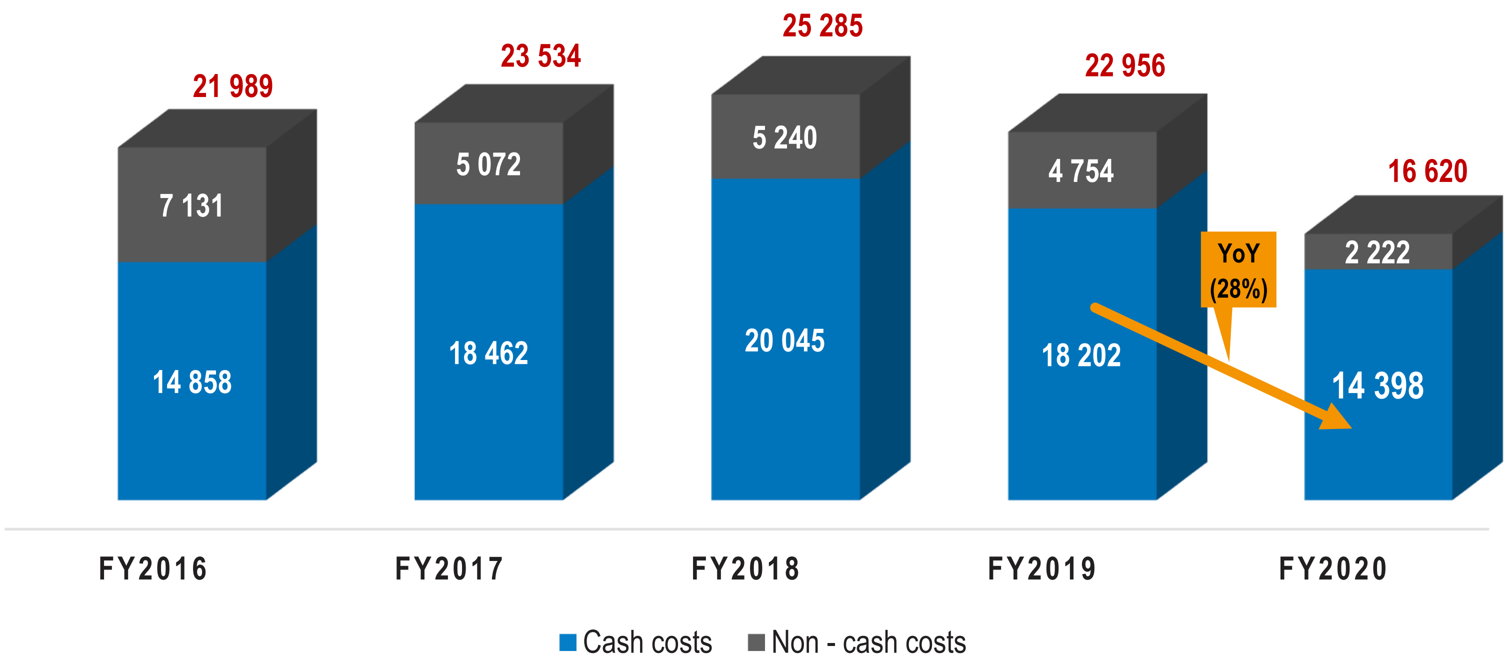
SepCem cash flow analysis (R'000)



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

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

STRENGTHENED BALANCE SHEET

Métier term loan fully repaid in April 2020

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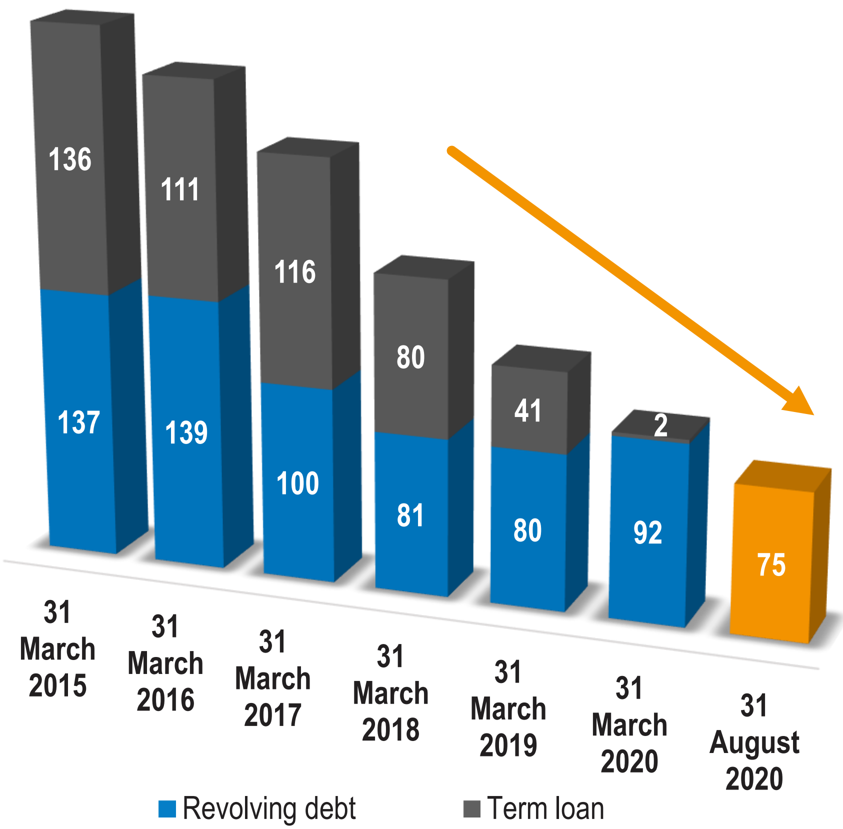
Métier bank debt profile (R million)



- Métier repaid R39 million of the term loan
  - Outstanding balance of R2 million by 31 March 2020 was paid on 15 April 2020
- R100 million revolving facility balance at R92 million by year-end
  - Facility refinanced and reduced to R90 million at quarterly interest rate of JIBAR plus 5.25% at year - end
  - Bullet capital payment of R15 million by end of August 2020 to further reduce the facility to R75 million
- The lender has agreed to suspend the repayment of capital on the loan until December 2020
  - Interest payment from March 2020 to December 2020
  - Capital and interest to be paid on a monthly basis from January 2021
- Final instalment to be paid on 31 March 2023

STRENGTHENED BALANCE SHEET

SepCem has paid R1 billion towards debt for the past 5 years

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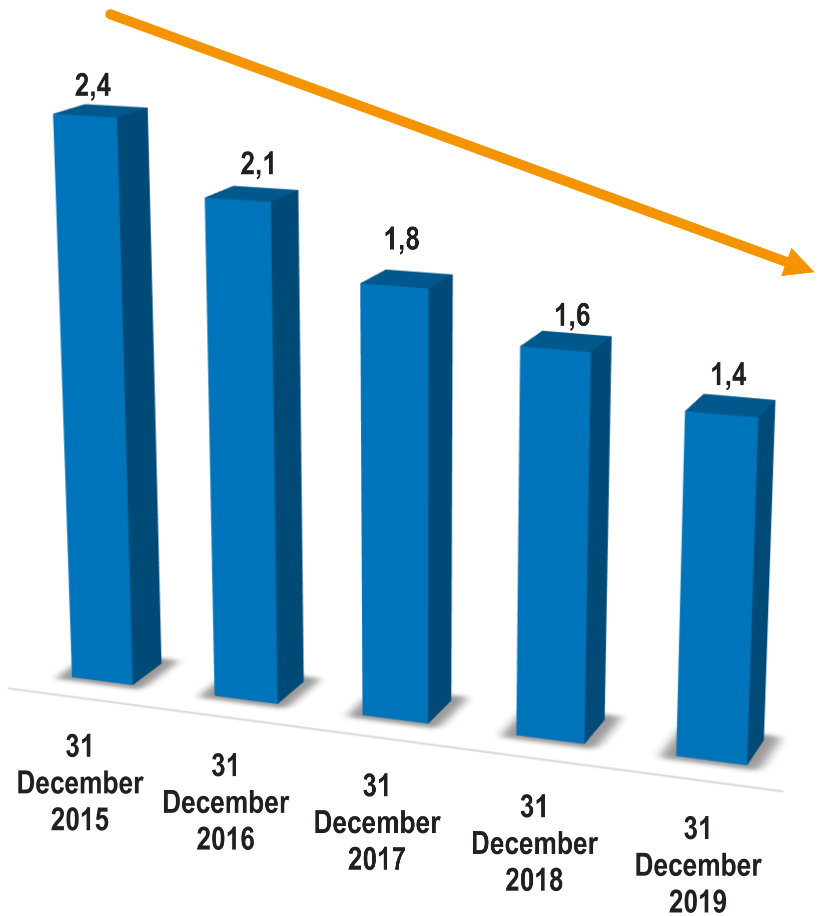
SepCem project debt profile (R billion)



- Total debt payments R453 million
  - R275 million capital and R178 million interest
  - Balance of R1,37 billion at 31 December 2019
- Dangote Cement PLC (DCP) loan balance at R521 million (FY2019 : R474 million) at interest rate of JIBAR plus 4%
- Opening cash balance in January 2018 of ~R500 million enabled commencement of negotiations with the lenders for a R200 million prepayment
  - Agreement limited by impact of COVID-19 related lock-down
- Revised negotiations from April 2020 to July 2020 resulted in an agreement for lenders to waive 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
- Final repayment of project loan in November 2023

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COVID-19 IMPACT
Contingencies in place

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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

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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

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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

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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MÉTIER
Feedback on FY2020 focus areas

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To reduce debt

- The acquisition loan was fully repaid

To evaluate potential supply opportunities

- Métier successfully commissioned two new plants

To enhance customer focus to accurately understand their needs and deliver an enduring experience

- Métier was able to retain its existing customers

To improve technical innovation by leveraging on the deep technical expertise

- Métier used several projects to showcase its technical expertise

MÉTIER
Response to a constrained trading environment

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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 only deals with reputable customers with consistent payment histories
- Customer credit limits are in place and are regularly reviewed

SEPCEM
Feedback on FY2020 focus areas

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To further reduce debt

- By 31 December 2019, SepCem had repaid more than R1 billion of the project loan capital

To be vigilant on cost control

- SepCem improved plant efficiencies resulting in a 6.2% electricity consumption saving on cement milling and improved coal efficiency by 15.6%

To attain the social and labour plan approval

- This focus area is outstanding due to the leadership vacuum in the Aganang community

To conclude on alternative fuels

- SepCem completed a multi-stage plan on the introduction of alternative fuels

SEPCEM

Increase in average cement pricing expected to sustain

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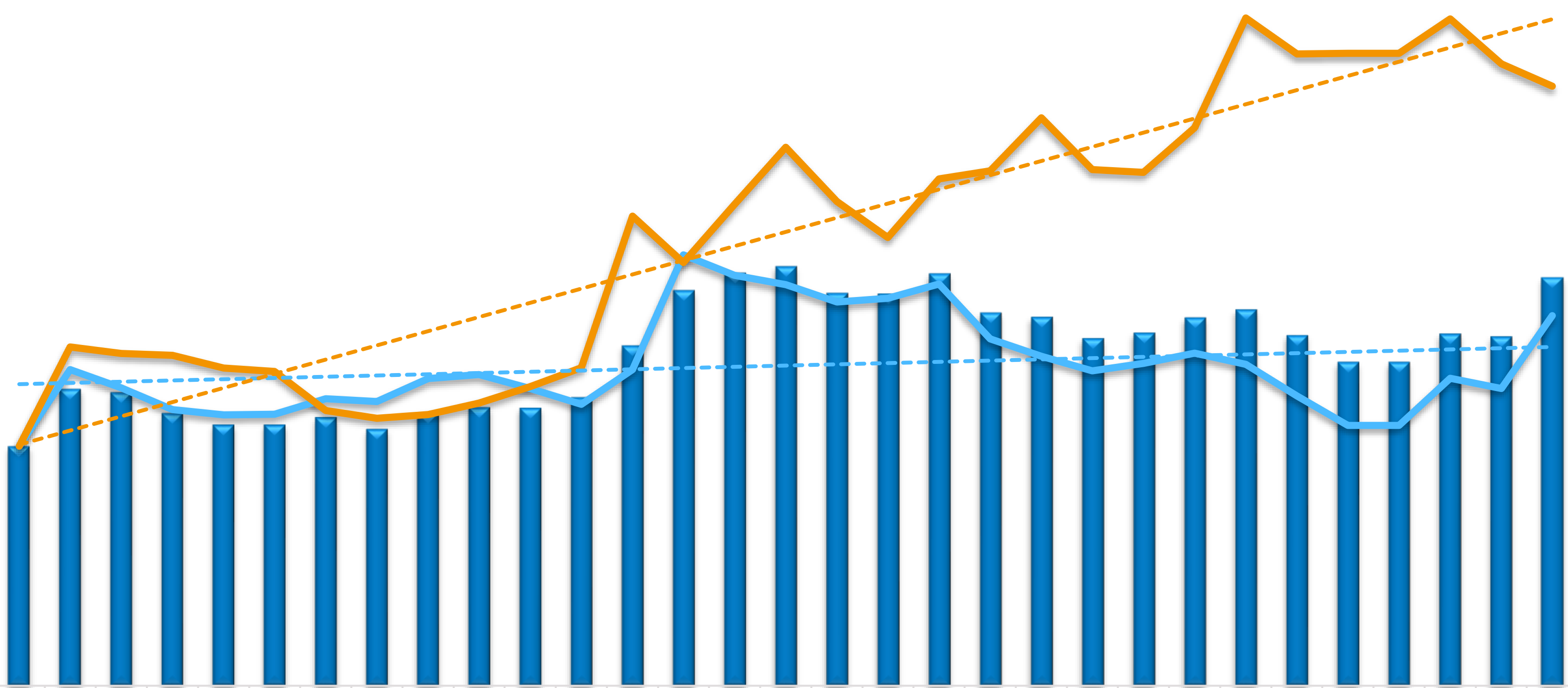
Indexed average pricing per tonne of cement



	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
Average	100	102	102	101	101	101	101	101	101	102	102	102	104	107	107	108
Bag	100	103	102	102	101	101	102	102	103	103	102	102	103	108	107	107
Bulk	100	104	104	104	103	103	101	101	101	102	102	103	110	108	110	112

	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	106	106	107	106	105	104	105	105	106	105	104	104	105	105	107
Bag	106	106	107	104	104	103	103	104	103	102	101	101	103	102	105
Bulk	110	109	111	112	114	112	111	113	118	116	116	116	118	116	115

Average — Bag — Bulk — Linear (Bag) — Linear (Bulk)

PROFILE OF QUARTERLY IMPORT VOLUMES

Increase in imports intensifying competition in coastal markets

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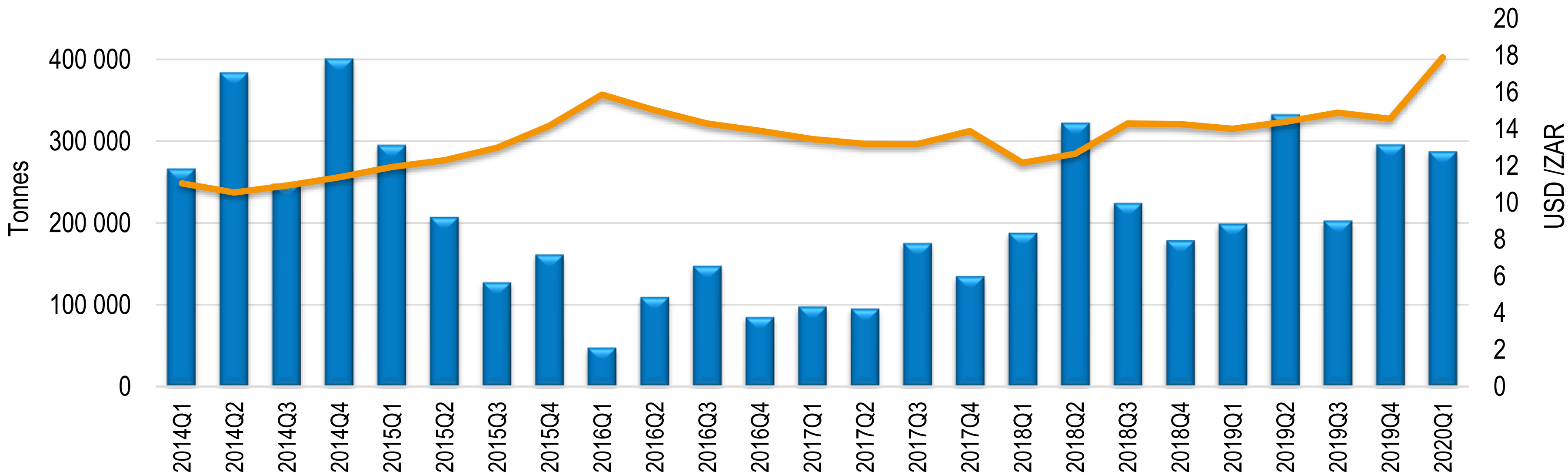

Source: SARS

- Total tonnage of 1 million tonnes for the 12 months ended 31 December 2019
  - YoY increase of 13% from 913kt
  - 755kt imported through Durban port
  - 941kt imported from Vietnam
- Approximately 290kt imported in 2020 up to May 2020
- Awaiting decision on ITAC application on flat tariff that is not country specific

SEPCEM FIRST HALF PERFORMANCE TO JUNE 2020
Strong rebound in cement demand from May 2020

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- 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 for May and June with double-digit average monthly increases compared to 2019
- Revenue decreased to R884 million (2019: R997 million) due to lower sales volumes

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CONSTRAINED TRADING ENVIRONMENT FOR THE NEXT 6–12 MONTHS

Strategic infrastructure projects providing rejuvenation

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- 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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