

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



Summarised provisional audited financial results for the year ended 31 March 2021

SepHold hereby reports on the group's audited financial results for the year ended 31 March 2021. SepHold, Métier Mixed Concrete (Pty) Ltd ("Métier" or "the subsidiary") and Dangote Cement SA (Pty) Ltd ("SepCem") are collectively referred to as the group.

Salient points

SepHold

- Group consolidated revenue: R634 million (FY 2020: R727 million)
- Group net profit after tax: R20 million (FY 2020 net loss after tax: R17 million)
- Basic earnings per share: 7.83 cents (FY 2020 basic loss per share: 8.12 cents)
- Headline earnings per share: 6.09 cents (FY 2020 headline loss per share: 7.97 cents)

Métier

- Sales revenue: R634 million (FY 2020: R727 million)
- EBITDA: R55 million (FY 2020: R35 million)
- EBITDA margin: 8.7% (FY 2020: 4.8%)
- Net profit after tax: R17 million (FY 2020 net loss after tax: R0,6 million)

SepCem¹

- Sales revenue: R2,4 billion (FY 2020: R2,2 billion)
- EBITDA: R382 million (FY 2020: R359 million)
- EBITDA margin: 15.9% (FY 2020: 16.4%)
- Net profit after tax: R44 million (FY 2020: R1,3 million)

¹ SepCem has a December year-end as a subsidiary of Dangote Cement PLC. The FY 2021 figures are for the 12 months ended December 2020, and FY 2020 figures are for the 12 months ended 31 December 2019.

Remarking on the results, the SepHold CEO, Neil Crafford-Lazarus said, *"The 2021 financial year has been a contrast of what I can term the pandemic hard lockdown and the post-hard lockdown phase. The Level 5 restrictions during the hard lockdown halted all our operations with limited administrative and maintenance activity throughout the group. The uncertainty of this initial phase led us to negotiate with the lenders on amending the debt repayment terms to accommodate the lack of activity. I am pleased to confirm that we successfully provided the prerequisite capital injections for both Métier and SepCem to enable the lenders to suspend capital repayments for nine months and five months of FY2021, respectively.*

By the time the pandemic hit our shores in March 2020, the board had decided to re-appoint Kenneth Capes on 1 April 2020 as CEO of Métier following a three-year hiatus, with the mandate to restructure the subsidiary's business model to better align with the prevailing trading environment. The severe macroeconomic impact of the pandemic accelerated the implementation of the restructuring process to ensure that Métier emerged a lean and profitable business by the end of the financial year. The improved comparative results bear proof of quick action by Kenneth and the success of restructuring. Unfortunately, the ready-mixed concrete sector continues to experience low demand and high competition as a result of the significantly lower cost base of the independent manufacturers and forward integration by the aggregates producers.

Nonetheless, we are confident that the restructured Métier is well positioned to be profitable and competitive in new markets such as the Western Cape, where a plant is being constructed with production targeted to commence during FY 2022.

On the cement front, we were pleasantly surprised by the surge in bagged cement demand in the post-hard lockdown phase, largely assumed to be an unexpected result of additional consumer discretionary income. The increase in cement demand appears to be linked to the increased home renovations as numerous people worked remotely during the year. The increase in the sales of other home improvement materials as reported by the major building materials merchants confirmed this possible trend. As detailed below, SepCem had a revenue increase of approximately 10% year-on-year (“y-o-y”), mainly due to increased sales volumes. The unit price increase was unfortunately muted due to competition from other cement producers, blenders and imports. In the first quarter of the 2021 calendar year to 31 March 2021, SepCem’s revenue was 16% higher y-o-y due to the combined effect of higher price increases and a 6% increase in sales volumes. We remain cautiously optimistic about the bagged cement uptrend but acknowledge that a longer-term trajectory will require impetus from civil infrastructure.

Sadly, we lost our SepCem CEO, Pieter Fourie, in May 2021 due to complications related to a stroke. Pieter was part of the SepHold founding management which dared to disrupt the long-standing cement industry oligopoly. He became CEO of SepCem in May 2007, following the company revising its initial minerals exploration model to one focused on selected downstream industries, including cement manufacturing to create long-term shareholder value. Pieter had successfully established SepCem as a formidable cement brand in South Africa at his passing. He will be sorely missed and will remain an indelible part of the company story of success. Duan Claassen, the operations executive who has been part of the executive team since inception, has been appointed the acting CEO. He is highly capable and experienced to lead SepCem to achieve its strategic objectives in the interim.

As we enter FY 2022, we continue to operate within the COVID-19 protocols that include rotational office attendance and remote working where appropriate throughout the group to mitigate workplace infections. We will retain the cautious approach by implementing stipulated guidance from government, own governance processes and progress in the national vaccination programme.”

Investor presentation conference call

The results conference call will be hosted on Friday, 25 June 2021, at 10:00 SAST. Therefore, all participants must pre-register using the link: [Sephaku FY 2021 YE Conference Call](#) to receive unique access details. In addition, the presentation of the results will be available on the company’s website 15 minutes before the call via the link: <http://sephakuholdings.com/investor-centre/presentations/>.

Audit report

The Company’s independent auditor, BDO South Africa Incorporated, has issued an unqualified audit opinion on the underlying annual financial statements. The independent auditor’s report includes a section on key audit matters. The full auditor’s report and annual financial statements are available for inspection at the company’s registered office and may also be requested by email at info@sephold.co.za. The full auditors report and annual financial statements are also available on the Company’s website: www.sephakuholdings.com/investor-centre/results-and-reports.

Director’s statement

The contents of this short-form announcement are the responsibility of the board of directors of the Company. Shareholders are advised that this short-form announcement represents a summary of the information contained in the full announcement, published on the JSE Stock Exchange News Service (SENS) at <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/SEP/FY2021.pdf> and on SepHold’s website at www.sephakuholdings.com on 24 June 2021.

The full announcement is available for inspection at no charge during normal business hours at SepHold’s registered office. Copies of the full announcement may also be requested by email at info@sephold.co.za. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement as a whole, and shareholders are encouraged to review the full announcement, which is available for viewing on SENS and the Company’s website as set out above.

24 June 2021

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Sponsor: Questco Corporate Advisory Proprietary Limited

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