PPC Limited
(Incorporated in the Republic of South Africa)
(Company registration number: 1892/000667/06)
JSE ISIN: ZAE000170049
JSE code: PPC ZSE code: PPC
("PPC", "Company" or "Group")

SHORT FORM ANNOUNCEMENT – SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

SALIENT FEATURES

- Group revenue: R10 241 million (March 2019: R10 494 million, restated)
- Group EBITDA: R1 604 million (March 2019: R1 946 million)
- Loss per share: 124 cents (March 2019: earnings per share 16 cents, restated)
- Headline earnings per share: 27 cents (March 2019: 20 cents, restated)
- The Group did not declare a dividend for the current or previous year

Roland van Wijnen, chief executive officer, said:

"FY20 was characterised by difficult trading conditions, especially in South Africa. The global COVID-19 pandemic, which emerged during the last month of the financial year, further exacerbated an already difficult trading cycle. We acted swiftly to implement protocols to protect our employees, improve our competitiveness and preserve cash. While we have seen a decline in our financial performance, we also see that the actions we have taken to reposition PPC to deliver sustainable value for all our stakeholders are beginning to yield results. After the resumption of trading in FY21, the performance across all of our core businesses has been encouraging. The Group's capital restructuring remains a key priority. Over the next nine months, we will take the strategic and operational actions needed to improve the Group's financial position and performance. It is encouraging to see how PPC employees have come together to drive performance to sustain our purpose to empower people to experience a better quality of life."

GROUP PERFORMANCE

Group revenue declined by 2% to R10 241 million (March 2019: R10 494 million, restated). Excluding Zimbabwe, revenue declined by 7% from R9 047 million (restated) to R8 380 million, mainly due to a decline in revenues from South Africa cement.

Cost of sales reduced by 3% to R8 248 million (March 2019: R8 487 million, restated) compared with the previous year. Administration and other operating expenditure increased by 16% to R1 284 million (March 2019: R1 104 million, restated). This increase is primarily due to the impact of hyperinflation in Zimbabwe and an increase in fees paid to consultants.

Fair value adjustments and foreign exchange movements resulted in a gain of R151 million (March 2019: R126 million loss), mostly as a result of the revaluation of foreign-denominated intercompany loan accounts. The Democratic Republic of the Congo ("DRC") put option carrying value was reduced to zero, resulting in a remeasurement gain of R251 million for the year. The slower than anticipated ramp-up in the DRC resulted in no capital repayments having been made on the US dollar-denominated debt in the DRC, as well as more conservative cash flow forecasts, resulting in the option value being zero.

A fair value gain on the Zimbabwe financial asset of R7 million (March 2019: R236 million) was realised after taking into account a 50% credit risk fair value adjustment of R161 million (March 2019: R37 million, restated), while a loss was recorded on the blocked funds of R258 million (March 2019: Rnil) which included an 85% credit risk fair value adjustment of R332 million. The application of International Accounting Standards ("IAS") 29 *Financial Reporting in Hyperinflationary Economies* resulted in a net monetary gain amounting to R651 million (before tax).

Impairments before tax amounted to R3 074 million (March 2019: R76 million, restated), of which R2 767 million relates to the impairment of property, plant and equipment, R205 million relates to the impairment of goodwill and R102 million to the impairment of intangible assets. The uncertainty around the potential effects of COVID-19 on PPC's operating performance impacted the impairment assessments of cash-generating units, resulting in impairments of R1 946 million in South Africa cement and readymix, and R1 128 million in the DRC.

Finance costs decreased by 4% to R652 million (March 2019: R676 million). South African finance costs decreased by 6% to R216 million (March 2019: R229 million) and international finance costs decreased by 2% to R436 million (March 2019: R447 million).

Profit attributable to shareholders of PPC Ltd reduced to a loss of R1 872 million (March 2019: R235 million, restated) while headline earnings which exclude the impact of impairments and other capital items increased to R406 million (March 2019: R300 million, restated). Earnings per share reduced to a loss of 124 cents (March 2019: 16 cents, restated) and headline earnings per share increased to 27 cents per share (March 2019: 20 cents, restated).

Cash available from operations decreased by R794 million, from R1 257 million to R463 million. The decrease in cash generated from operations is primarily due to the reduction in EBITDA from R1 946 million to R1 604 million, the stockpiling of strategic inventories, accumulation of critical spares, and the impact of hyperinflation in Zimbabwe on inventory balances. Trade receivables were negatively impacted by delays in payments from customers as businesses in the construction sector focused on cash preservation during the lockdown in the regions we operate. Trade payables were also affected by capex retention payments of US$2,8 million in the DRC, as well as payments made to suppliers in FY20 as part of negotiations to extend payment terms. Cash preservation is a major focus area in the coming financial year.

Capital investments in property, plant and equipment decreased by 16% to R650 million (March 2019: R773 million).

Gross debt increased from R5 002 million in March 2019 to R5 800 million at the end of March 2020. The currency impact on international debt was to increase the reported gross debt by R638 million.

CEMENT SOUTH AFRICA AND BOTSWANA

PPC is the leading supplier of cement in these markets with an extensive footprint and distribution network. With our three mega plants strategy, we focus on improving cost competitiveness by supplying products to customers from the three largest and most efficient plants in our portfolio.

Realised average selling prices for South Africa increased by 8% to 10% as the business continued with its drive to increase cement prices to recover operational costs and improve returns. Cement volumes declined by 15% to 20%, with the coastal regions experiencing a smaller decline. We estimate that the South African cement industry declined by 7% to 10% for the period, driven by muted demand. The construction sector which accounts for a substantial proportion of PPC Cement sales was weaker than the overall market. Retail demand, however, was supported by activity in the DIY market.

Imports and blender activity further exacerbated the competitive environment, with cement imports increasing by 36% to 1,3 million tonnes from April 2019 to March 2020, compared with the previous year. In conjunction with The Concrete Institute (TCI), PPC and other industry players submitted an application to the International Trade Administration Commission (ITAC), highlighting the impact of imports on domestic cement production. PPC continues to engage with the relevant authorities to ensure that non-conforming cement is not sold to the public to reduce the risk of collapsing structures.

Revenue in South Africa and Botswana declined by 11% to R4 843 million (March 2019: R5 431 million). The reduction in revenue, coupled with a reduced ability to absorb fixed costs from the decline in volumes, resulted in EBITDA contracting by 36% to R613 million (March 2019: R957 million) and margins declining from 17,6% to 12,7%.

MATERIALS BUSINESS

Aggregates, ready-mix and ash

Revenue decreased by 11% to R1 178 million (March 2019: R1 318 million), primarily as a result of reduced volumes in the aggregates division due to weak demand in the construction industry. EBITDA increased by 18% to R20 million (March 2019: R17 million) due to improved cost management.

Lime

The lime division's revenue declined by 2% to R816 million (March 2019: R834 million) with volumes and pricing under pressure due to the decline in steel-related activity. EBITDA contracted by 11% to R110 million (March 2019: R123 million) due to lower volumes and higher input costs.

INTERNATIONAL

The international operations hold leading positions in their respective markets and, despite challenging trading conditions in some markets, the businesses are well positioned to deliver sustainable value for stakeholders over the medium term. Shorter term, our focus is to optimise the businesses to enhance competitiveness and improve the quality of the products offered to customers.

Zimbabwe

Trading conditions in Zimbabwe were characterised by weak demand, unstable power supply, and a shortage of foreign currency. PPC Zimbabwe continues to supply quality products to its customers while remaining financially self-sufficient.

PPC Zimbabwe also secured supply contracts for a substantial proportion of the large infrastructure projects in Zimbabwe, in hard currency, which assisted in alleviating some of the volume declines in the other segments of the market. The cost base was also restructured to match demand.

Cement volumes declined by 15% to 20% in a market that contracted by a similar percentage. Cement pricing was adjusted to account for the increase in inflation and the devaluation of the local currency. Revenue increased by 29% to R1 861 million (March 2019: R1 447 million) and EBITDA grew by 53% to R707 million (March 2019: R461 million). EBITDA margins improved to 38,0%, versus 31,9% in March 2019 aided by higher selling prices and lower cost. PPC Zimbabwe continues to meet its debt obligations.

Rwanda

In Rwanda, CIMERWA benefited from robust cement demand, driven by large infrastructure projects, growth in the retail market and export demand in the eastern DRC.

CIMERWA achieved revenue growth of 6% to R936 million (March 2019: R885 million) due to increases in pricing and volumes. EBITDA declined by 8% to R226 million (March 2019: R246 million) because of higher operational costs incurred to improve the output of the plant and the lockdown imposed by the authorities. The plant is expected to reach nominal capacity in the next 18 months.

DRC

PPC Barnet in the DRC achieved revenue growth of 5% to R607 million (March 2019: R579 million, restated), driven by higher pricing and translation gains. PPC estimates that market demand increased by 4% to 8%; however, this was offset by an increase in imports from neighbouring countries. Cement producers in the DRC continue to lobby the authorities to increase the enforcement of existing laws banning the importation of cement into the DRC. The business generated EBITDA of R94 million (March 2019: R108 million. EBITDA in FY20 includes management fees not previously charged, as well as a once-off write-off of development costs. Excluding these items, EBITDA improved on last year. The business is in the process of restructuring its debt.

OUTLOOK

PPC´s cement operations ramped up in May 2020 post the COVID-19 restrictions imposed at the end of March 2020 across most of the jurisdictions in which the Group operates. Over the first six months of FY21 (April – Sept) South Africa & Botswana cement sales volumes declined by 5% to 10% year-on-year due to the impact of the lockdown. Following a strong recovery, Cement South Africa & Botswana experienced double-digit year-on-year growth in sales volumes since June. In the last three months (July – Sept) Cement South Africa & Botswana cement sales volumes increased by 20% to 25% year-on-year.

The International operations were less affected by the COVID-19 pandemic. In aggregate, total cement volumes sold also showed strong growth in June 2020 to September 2020 compared to the same period in 2019. For the first 6 months of FY21, PPC Zimbabwe and PPC Barnet (DRC) experienced 5% to 10% volume growth each compared to the prior comparable period. In the last three months (July – September) sales volumes in PPC Zimbabwe and PPC Barnet (DRC) increased by 35% to 40% and 20% to 25% respectively, compared to the period July to September in 2019. In Rwanda, CIMERWA experienced approximately 5% to 10% sales volume growth from April 2020 to September 2020 compared to the same period last year. In the last three months (July to September 2020), sales volumes increased by 15% to 20% year-on-year.

Despite the positive sales momentum, the Group remains cautious on the outlook for the rest of FY21 given the ongoing health crisis and its resultant impact on economic activity. PPC will remain focused on cash preservation, improving cost competitiveness by lowering operational costs, and positioning the business for recovery. Whilst remaining cautious regarding prospects, PPC remains hopeful that the commitment of the South African government to an infrastructure investment led economic recovery will lead to increased cement consumption. If this is the case, PPC, with its national production and logistical footprint, is very well placed to benefit from such an increase.

To strengthen the Group's balance sheet and improve the investment prospects of PPC, the Group has embarked on a detailed refinancing and restructuring project, which will ensure that the Group is sustainably capitalised and self-sufficient on a standalone basis across the regions where it operates. This will be implemented over the course of FY21. Refer to note 36 of the audited consolidated financial statements.

AUDIT OPINION

The Audited Financial Statements were audited by Deloitte & Touche, who expressed an unmodified audit opinion, highlighting certain key audit matters and an emphasis of matter around a material uncertainty relating to the going concern assumption in their report. A copy of the auditor's report on the consolidated financial statements, together with the consolidated financial statements, is available on the following link: www.ppc.africa/corporate/investorsmedia/financial-presentations-report.

SHORT FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors. This is a summary of the information contained in the audited financial results announcement ("full announcement") and does not contain full or complete details. This announcement is extracted from audited results but is itself not audited.

The full announcement can be accessed using the following JSE link:

https://senspdf.jse.co.za/documents/2020/jse/isse/PPC/FY20Result.pdf

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published today, Friday 9 October 2020, on the company's website at www.ppc.africa/corporate/investorsmedia/financial-presentations-report

A copy of the full announcement is also available for inspection at the company's registered office (by appointment, observing COVID-19 restrictions), and may be requested from the Company Secretary Kristell Holtzhausen at Kristell.holtzhausen@ppc.co.za at no charge, weekdays during office hours.

A live and recorded video webcast of the results presentation will be held today at [time to be added SAST] and can be accessed via this link: https://www.corpcam.com/PPCFY20

Sandton
9 October 2020

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