

**PPC Ltd**

(Incorporated in the Republic of South Africa)

(Company registration number 1892/000667/06)

JSE ISIN: ZAE000170049

JSE code: PPC ZSE code: PPC

("PPC" or "company" or "group")



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**TRADING STATEMENT AND OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

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PPC is currently finalising its results for the six months ended 30 September 2022 ("the current period").

Roland van Wijnen, chief executive officer of PPC provides the following context:

"The PPC group continues to deliver sound cash generation and deleverage the balance sheet despite difficult trading conditions in its core South African and Botswana cement market, offset by positive trading conditions in its Zimbabwe and Rwanda (CIMERWA) operations. To maintain volumes in the South African and Botswana cement markets, sales price increases were limited to 5% in the period under review. Key input costs, especially those related to fuel and energy, increased at double-digits in percentage terms. Whilst various cost mitigation initiatives are underway, these actions take time to implement, and for the period under review were not able to fully offset cost increases, resulting in EBITDA margin compression. CIMERWA delivered strong results based on continuous operational improvements and solid market dynamics. We remain focused on mitigating inflationary cost pressures as much as possible and being prudent in our capital allocation in this business. As expected, PPC Zimbabwe's financial performance was negatively impacted by a planned kiln shut down during the first quarter but has since recovered and is experiencing robust demand while the business maintains its ability to repatriate dividends. Hyperinflation in Zimbabwe skews the group's results and analysing the group excluding Zimbabwe is therefore more meaningful. Looking forward, we are encouraged by the recent announcements by SANRAL to award large construction projects in South Africa as well as the comments on increased infrastructure spending made in the recent mid-term budget speech of the South African Minister of Finance. PPC is well positioned to benefit from increased cement demand to support the much-needed construction work across South Africa."

**South Africa and Botswana Cement**

Increases in sales volumes in the coastal region due to stronger demand and a decrease in imports were offset by difficult trading conditions in the inland region leaving cement sales volumes slightly down overall by 2.6%. Revenues increased by 4% assisted by price increases and product mix. Despite cost control efforts, margin levels remained under pressure due to significantly higher fuel and energy costs and decreased from 18.7% to 12.2%. EBITDA decreased from R515 million to R368 million (28.5%) for the current period. Cash generation remained robust with net debt reducing by R140 million during the current period to R935 million.

**CIMERWA**

CIMERWA's volumes increased by 11% and EBITDA increased by 63% to R249 million (September 2021: R153 million), with margins improving period-on-period from 28.4% to 32.3%. CIMERWA also

de-gearred and ended the current period with cash holdings of R345 million.

#### PPC Zimbabwe

Despite robust cement demand from residential construction and government-funded infrastructure projects, PPC Zimbabwe's volumes declined period-on-period by 13% due to the planned kiln shut-down in the first quarter and margins were negatively affected by the use of imported clinker primarily from PPC South Africa and increased maintenance costs. Volumes, compared to the first quarter, increased during the second quarter of the current period. The reported numbers are materially impacted by hyperinflation accounting with reported EBITDA declining 48% to R148 million (September 2021: R287 million), with margins reducing from 23.2% to 17.3%. PPC observed an increase in foreign currency availability in the Zimbabwe economy and PPC Zimbabwe paid a dividend of US\$4.4 million to PPC in June 2022. PPC Zimbabwe ended the current period with R253 million in hard currency cash.

#### Group

The impact of the above-mentioned factors on the group's operations resulted in group EBITDA declining by 23% to R728 million (September 2021: R945 million). Excluding PPC Zimbabwe, with its related hyperinflation accounting adjustments, EBITDA decreased by 12% compared to the six months ended September 2021.

The net debt of the group continued to improve, with group net debt reducing to R677 million on 30 September 2022 (March 2022: R1 009 million).

Shareholders are advised that PPC is satisfied that a reasonable degree of certainty exists that the expected earnings per share ("EPS") and headline earning per share ("HEPS") for the current period will differ by at least 20% from that for the previous corresponding period, being the six months ended 30 September 2021 ("the prior period") and that a trading statement is required in terms of the JSE Limited Listing Requirements.

This is primarily due to the reported EPS and HEPS numbers being impacted as follows:

1. Lower earnings generation in South Africa and Botswana cement and aggregates, readymix and ash segments and PPC Zimbabwe.
2. The full impact of the positive impact of the strong CIMERWA performance not flowing fully to EPS and HEPS given the operations are 51% held by PPC.
3. Hyperinflation accounting in terms of IAS29 for PPC Zimbabwe including a significant negative swing in the net monetary impact in the income statement from a positive R440 million in the prior period to a negative R206 million in the current period.
4. The impact of discontinued operations which resulted in a R153 million positive contribution in the prior period and a R107 million negative contribution in the current period.

The group accounted for its PPC Lime, Botswana Aggregates and PPC Barnet DRC businesses as discontinued operations in the prior period while in the current period, PPC Barnet DRC was accounted for as a discontinued operation up to 29 April 2022 after which it was accounted for as an investment in an associate.

EPS for the group, including discontinued operations, for the current period is expected to be a loss of between 7 cents and 11 cents per share, compared to the 61 cents per share profit for the prior period. Headline loss per share for the current period for the group is expected to be between 4 cents per share and 8 cents per share, compared to the 42 cents per share profit for the prior period.

The following EPS and HEPS for continuing operations are expected

	Current period	Prior period	Current period	Prior period
	Expectation range	Actual	Expectation range	Actual
	Including PPC Zimbabwe		Excluding PPC Zimbabwe	
EPS (cents) <sup>1</sup>	(1) to (5)	53	3 to 7	8
HEPS (cents) <sup>1</sup>	(3) to (7)	55	2 to 6	10

<sup>1</sup> brackets denote expected losses per share

The financial information on which this trading statement is based is the responsibility of the directors of the company and has not been reviewed or reported on by the group's independent external auditor. Full details of the groups' performance will be contained in the group's unaudited interim financial statements for the six months ended 30 September 2022, which are expected to be released on or about 21 November 2022.

## Outlook

In light of the current economic climate, the group will continue to improve cash generation and enhance operational efficiencies in an effort to further strengthen its financial position and reduce the impact of rising input cost inflation. Without a significant increase in infrastructure investments, cement demand in South Africa is anticipated to remain subdued. PPC South Africa is well positioned to benefit from an increase in cement demand with additional capacity available to capture an upswing in demand without additional capital expenditure required. PPC Zimbabwe anticipates a recovery for the balance of the financial year and the outlook for CIMERWA remains positive.

Sandton

16 November 2022

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