PPC Ltd
(Incorporated in the Republic of South Africa)
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("**PPC**" or "the **group**")

CAPITAL MARKETS DAY AND OPERATIONAL UPDATE FOR THE TWELVE MONTHS ENDING 31 MARCH 2023

PPC CAPITAL MARKETS DAY

PPC is hosting a Capital Markets Day today at 09h00 (SAST) at the Vineyard Hotel in Cape Town. The event, which will provide deeper insight into PPC's strategy, operations and financial information will also be broadcast live via a webcast with live question and answer sessions. Further details can be accessed at the following links:

Investor presentation:
https://www.ppc.africa/investors-relations/reports/?t=presentations-allocate

Webcast:
https://www.corpcam.com/PPC16032023

A recording of the event will be available on the PPC website from late afternoon on the Capital Markets Day.

OPERATIONAL UPDATE FOR THE TWELVE MONTHS ENDING 31 MARCH 2023

GROUP PERFORMANCE

The twelve months ending 31 March 2023 has been characterized by different market conditions in each of the markets in which PPC operates, being South Africa & Botswana, Zimbabwe and Rwanda. In South Africa & Botswana, the market has been affected by a decline in disposable income and the absence of any material increase in demand from infrastructure spending. Zimbabwe and Rwanda continue to experience growth in cement demand supported by infrastructure spending and retail demand in both countries. The one common factor across the markets has been a significant increase in input costs due to the rise of energy costs globally.

Deleveraging continued to be a priority in South Africa & Botswana. PPC expects net debt in South Africa & Botswana to be between R725 million and R775 million at year-end down from R1,075 million at 31 March 2022 and R935 million at 30 September 2022. Gross debt is anticipated to reach our targeted levels by year-end, which would allow for distributions while maintaining gross leverage at 1.3 – 1.5x of the full South African and Botswana operations EBITDA, which includes dividends from Zimbabwe and Rwanda. In Rwanda, CIMERWA's debt continues to decrease and matures in August

2024. Both PPC Zimbabwe and CIMERWA expect to be in a net cash position at 31 March 2023 with sustained dividend payments being a key priority. CIMERWA declared its first dividend in the current financial year, which is anticipated to be paid out before end March 2023.

SOUTH AFRICA & BOTSWANA CEMENT

PPC expects cement sales volumes in South Africa & Botswana to decrease by 4% to 7% year-on-year for the twelve months ending 31 March 2023 (“FY23”). A decrease of 2.6% was reported for the first six months of FY23 (“H1”) and the negative trend in market demand has continued in the second six-month period of FY23 (“H2”).

These numbers mask a relatively sound performance in the coastal region while trading in the inland region continues to be very challenging. In the Western Cape, PPC has been able to increase its market share as imports reduced over the reporting period. Conversely the cement market share of PPC in the highly competitive inland areas has come under pressure following price increases implemented in June 2022 to offset rising costs. Rising input costs and the objective of maintaining our market share continues to cause margin pressure. Average selling prices (“ASP”) for the full year are expected to increase between 5% and 7%. At 30 September 2022, the ASP was reported to have increased by 5% in the first six months of FY23 compared to the same period in the previous financial year (“FY22”). PPC will continue with its bi-annual price increases in the 2024 financial year to restore EBITDA margins.

PPC contained its production cost inflation to approximately 11% during FY23. Cost mitigation measures and improved operational performance reduced the impact of the external input cost inflation. Efforts to contain fixed costs and administration/other expenses resulted in these costs only increasing between 3% to 5%.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) margin was 17.6% for H1 FY22 and 14.5% for FY22. This declined due to cost pressures in H1 FY23 to a reported 12.2%. Price increases in H2 FY23 have not kept pace with cost inflation and PPC expects the margin for the South Africa and Botswana Cement business to decline to a between 9% and 11% for the full year from 14.5% reported for FY22.

Recovery of cement demand in South Africa remains dependent on the implementation of the much awaited and needed infrastructure programmes as well as an improved macro environment. Consumer spending on building materials is not expected to increase in the short-term. Despite lower international freight costs, PPC does not anticipate a significant increase in imports in the short-term due to rand weakness and continued port challenges across South Africa, which should provide some reprieve. However, in the medium-term, imports and the associated impacts on direct and indirect employment remain an issue for the South African cement industry. In addition, PPC has noticed with concern that sub-standard cement continues to be sold in the South African market, especially in areas with intense competition. PPC therefore continues its engagements with regulators to create a level playing field among local, regional and international competitors.

MATERIALS

PPC operates three distinctly different business lines reported as Materials, namely readymix concrete, aggregates and fly ash. All these business lines are subject to similar construction market trends as described above for the South African cement demand, but are slightly less impacted by changes in the retail sector. The readymix concrete business is a significant consumer of PPC cement and is expected to have similar sales volumes in FY23 compared to FY22 on the back of a growth in market share. The aggregates business serves its customers from two quarries. The lack of demand across its customer portfolio has caused an expected decline in sales volumes in FY23 of 20% to 25% compared to FY22. The fly ash business expects a decline of sales volumes similar to that of aggregates.

Unlike cement factories, the operations in Materials are fully exposed to loadshedding unless back-up generators are installed. This has caused numerous disruptions and cost increases. The EBITDA contribution of the Materials division reported a loss of R14 million at 30 September 2022 for the first six months of FY23. For the full year, PPC expects this negative EBITDA contribution to increase disproportionately. In the second half of FY23, a turn-around plan was formulated that will significantly decrease the fixed costs associated with the Materials business. The plan will be implemented in March and April 2023.

ZIMBABWE

At 30 September 2022, PPC Zimbabwe reported a decline in sales volumes of 13% for the first six months of FY23 due to the impact of a longer than usual kiln stoppage to implement operational and environmental performance improvements with the expectation that sales volumes would recover in H2 of FY23. Notwithstanding market conditions in Zimbabwe remaining positive due to continued infrastructure investments, sales volumes in H2 FY23 have been muted due to significant power interruptions and a more gradual than anticipated recovery of market share lost to imports. For the full year, PPC Zimbabwe therefore expects sales volumes to decline by 14% to 18% compared to FY22. PPC Zimbabwe has engaged the authorities to reduce the impact of the lack of electricity on critical industrial sectors such as cement manufacturing and to ensure a level playing field with importers. The outlook for PPC Zimbabwe remains positive and it is expected that EBITDA and EBITDA margins will continue to recover to the levels of FY22 over the coming months. For FY23, PPC received USD8.8 million in dividends from PPC Zimbabwe (USD6.2 million in FY22). The bi-annual dividend declarations are expected to continue and grow over time.

RWANDA

At 30 September 2022, CIMERWA reported an increase of cement sales volumes of 11% for the first six months of FY23 compared to the same period in FY22 when COVID restrictions were still affecting the Rwandan market. Whilst market conditions continue to be positive, the sales volumes of CIMERWA are expected to be 8% to 11% lower in H2 FY23 due to the impact of a planned kiln shutdown for annual maintenance and the comparatively high H2 FY22 sales volumes following the removal of COVID restrictions in Rwanda. CIMERWA therefore expects sales volumes to be more or less flat for the full year and an increase of ASP in the range of 14% to 17%. Material future growth of sales volumes depends on the speed of implementation of planned investments to increase CIMERWA's capacity. EBITDA margins were reported to be 32% for the first six months driven by the implementation of cost reduction measures and an increase in the ASP. Despite maintenance costs associated with the kiln stoppage in H2 FY23, CIMERWA expects to report EBITDA margins in the range of 28% to 32% for FY23. The outlook for cement demand in Rwanda and eastern Democratic Republic of Congo remains optimistic although PPC does note increased competitor pressure both in Rwanda and from neighbouring countries. The shareholders of CIMERWA approved the payment of a Rwf10.5 billion dividend at the annual general meeting in February 2023. PPC expects CIMERWA to pay 51% of this dividend (approx. R80 million after withholding taxes) in late March 2023.

LIQUIDITY & CASH FLOW

The group manages the cash flow and financial position in its three geographic areas (South Africa & Botswana, Zimbabwe and Rwanda) separately. Each of these areas is ringfenced so that South Africa & Botswana receives dividends and management fees from the subsidiaries outside this area. South Africa & Botswana reported a net debt of R1,075 million at 31 March 2022 and R935 million at 30 September 2022. It expects that the net debt position will further improve to between R725 million and R775 million by the end of March 2023. The ratio of gross debt to EBITDA (that includes the dividends received) is expected to be approximately at the targeted level of 1.3 – 1.5x.

Prudent allocation of capital remains a priority and the capital expenditure for the whole of South Africa & Botswana is expected to be in the range of R280 million to R310 million for FY23 compared to R324 million in FY22. Capital expenditure in South Africa & Botswana mainly relates to the categories of maintenance and compliance although FY23 does include expenditure for a new cement blending facility that PPC expects to commission in the first quarter of the 2024 financial year to further reduce costs in delivering product to the customer. Net working capital ("NWC") in South Africa & Botswana is expected to increase by R60 million to R80 million driven by the need for additional inventory to optimize kiln shutdown periods.

The financial position of both PPC Zimbabwe and CIMERWA remains solid with both companies reporting positive free cash flow after capital expenditure and NWC movements. Both companies will end the financial year in a net positive cash position. Future capital expenditure requirements for both these companies will not require financial assistance from PPC South Africa & Botswana.

OUTLOOK

PPC plans to implement further cost reduction measures across its portfolio to protect and restore EBITDA margins. This is in particular important for South Africa, where the business environment is expected to remain difficult as loadshedding and other challenges persist. Further cement price increases will be necessary to ensure the long-term sustainability of the domestic industry and PPC will continue to implement the required price increases whilst protecting its leading market position.

However, PPC remains prepared and able to activate additional capacity when the impact of infrastructure programs materialises. This can be done in a matter of weeks without significant fixed costs or capital expenditure.

The subsidiaries outside South Africa & Botswana are well positioned to continue to deliver a strong performance with regular and increasing dividend declarations to South Africa.

With the South African gross debt to EBITDA ratio expected to be at the stated optimal level, PPC intends to prioritize returning cash to shareholders through dividends or a share repurchase program in the absence of any value enhancing corporate activity.

Sandton
16 March 2023

Sponsor
Questco Corporate Advisory Proprietary Limited

Financial Communications Advisor:
Instinctif Partners
Louise Fortuin
Mobile: +27 71 605 4294