PPC Ltd

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

TRADING STATEMENT AND OPERATIONAL UPDATE FOR THE TWELVE MONTHS ENDED 31 MARCH 2023

PPC is currently finalising its results for the twelve months ended 31 March 2023 ("the current period").

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

"Despite challenging times in our core South African market, I am pleased that we achieved positive cashflow generation, further reduced our debt and are in a strong financial position to weather the local economic cycle. Increased demand through an enhanced infrastructure investment program and a stronger economic climate is required to enable us to more effectively utilize the capacity available in our primary market. We therefore remain hopeful that the South African government will roll out its infrastructure development plans and protect the local cement market through the introduction of import tariffs to create a level playing field for domestic producers. Increased cash dividends were received from both Zimbabwe and CIMERWA (Rwanda) during the period under review."

SA obligor group

The SA obligor group operationally comprises the South African and Botswana cement and materials businesses. The coastal region of the cement business continued to see relatively better demand for cement compared to the inland region and benefited from muted imports given the weaker rand over this period. However, trading conditions in the inland region remained difficult, resulting in overall cement volumes reducing by 5.8% compared to the year ended 31 March 2022 ("the prior period"). Positively, during the current period, PPC was able to continue to increase its selling prices on a bi-annual basis and achieved an average selling price increase of 8.0%. PPC South Africa and Botswana cement revenue increased by 1.7% during the current period. High input cost inflation remained a key feature requiring rigorous cost mitigation measures to cushion the impact of these high input costs. Overall, total costs increased by 4% compared to the prior period.

The smaller materials business was challenged during the year due to difficult trading conditions, including high fixed costs while also being negatively impacted by loadshedding, particularly in the second half of the year. Volumes reduced across all its key business lines, readymix, fly ash and aggregates, resulting in an EBITDA loss of R65 million (March 2022: R41 million profit). Measures were implemented prior to 31 March 2023 to restructure, in particular, the aggregates business to decrease absolute fixed costs and convert certain fixed costs to variable costs as part of the turnaround efforts for the overall materials businesses.

EBITDA for the SA obligor group, excluding the dividends received from Zimbabwe and Rwanda, declined to R570 million from R769 million (26%). EBITDA margin decreased from 11.8% in the prior period to 8.7%.

The SA obligor group's net debt reduced to R800 million (31 March 2022: R1 063 million), while gross debt (excluding capitalized transaction costs) declined from R1 210 million at 31 March 2022 to R931 million at 31 March 2023 in accordance with the debt repayment terms. The reduction in gross debt results in a gross debt to EBITDA ratio, including dividends from Rwanda and Zimbabwe, of 1.2 times.

PPC Zimbabwe

Volumes year-on-year were down 16% despite robust cement demand from concrete product manufacturers and government-funded infrastructure projects. This is due to the impact of the planned kiln shut down for maintenance which took place in the first half of the year, which negatively impacted the performance. In addition, plant stoppages due to power interruptions negatively affected performance in the second half. PPC Zimbabwe has gradually recovered market share lost over this period and is well positioned to deliver strong volume growth going forward.

Revenue decreased by 19%, but PPC Zimbabwe was able to implement US$ price increases to cover input cost inflation and enhance margins. EBITDA declined by 7% to R365 million (March 2022: R393 million).

PPC Zimbabwe is debt-free and had unrestricted cash holdings at 31 March 2023 of R118 million. PPC received US$8.8 million in dividends during the year, compared to US$6.2 million in the prior year. In rand terms, PPC received R147 million in the current year net of withholding taxes compared to R91 million in the prior period.

CIMERWA (Rwanda)

CIMERWA's volumes increased by 1% for the current period, in line with expectations given the planned kiln shut down for maintenance in the second half. Revenue increased by 29% assisted in part by the 9% depreciation of the rand and strong price increases to offset cost inflation. EBITDA increased by 31% to R447 million (31 March 2022: R341 million).

CIMERWA gross debt declined to R265 million (31 March 2022: R383 million). Cash declined from R221 million at 31 March 2022 to R160 million at 31 March 2023, due to the maiden dividend paid in March 2023 of R172 million. The dividend received by the SA obligor group, net of withholding taxes, amounted to R79 million.

PPC CONSOLIDATED GROUP

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 twelve months ended 31 March 2022 and that a trading statement is required in terms of the JSE Limited Listings Requirements.

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

1. Significant non-cash tax items in the current year of R195 million (31 March 2022: R56 million), relating primarily to hyperinflation accounting and deferred tax not recognised on losses.
2. Lower earnings generation in the SA obligor group and PPC Zimbabwe.
3. The positive impact of the strong CIMERWA performance not flowing fully to EPS and HEPS given the operations are only 51% held by PPC.

PPC accounted for the PPC Barnet DRC business as a discontinued operations up to 29 April 2022, whereafter it was de-consolidated.

EPS and HEPS for the group including discontinued operations:

EPS for the group, including discontinued operations, for the current period is expected to be a loss of between 21.5 cents and 22.5 cents per share, compared to the 5.0 cents per share profit for the prior period. HEPS for the group, including discontinued operations, is expected to be a loss of between 8.0 cents per share and 10.5 cents per share, compared to the 13.0 cents per share loss in the prior period, being an improvement of between 38% and 19% respectively.

The following EPS and HEPS for continuing operations are expected:

	Current period Expectation range	**Prior period** **Actual**
EPS (cents) [1]	(15.50) to	**(5)**
HEPS (cents) [1]	(7.75) to (8.25)	**(3)**

[1]*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 audited financial statements for the twelve months ended 31 March 2023, which are expected to be released on or about 26 June 2023.

Outlook

PPC will continue to focus its resources on Southern Africa, which includes Zimbabwe, while preserving its sound market position in Rwanda. Further operational efficiencies and cost containment measures have been identified to mitigate rising input costs as the economic climate in its key South African market remains muted and competition remains high across the portfolio. PPC will continue to implement bi-annual price increases to achieve margin recovery. Without a significant increase in infrastructure spending and economic growth, South Africa's cement demand is expected to remain subdued. PPC South Africa is well positioned to benefit from an increase in cement demand with additional capacity readily available to capture an upswing in demand without additional capital expenditure required. PPC Zimbabwe anticipates a continued recovery and the outlook for CIMERWA remains positive.

PPC's focus will continue to be on cash generation and capital allocation efficiency. With the South African gross debt to EBITDA ratio now at the targeted level, PPC intends to prioritise returning cash to shareholders through dividends or a share repurchase program in the absence of any value enhancing corporate activity.

Sandton
15 June 2023

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Questco Corporate Advisory Proprietary Limited Financial Communications Advisor

Instinctif Partners Louise Fortuin

Mobile: +27 71 605 4294