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 "the company" or "the Group")

SHORT FORM ANNOUNCEMENT - SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

SALIENT FEATURES

- Group revenue: R5 006 million (September 2019: R4 948 million)
- Group EBITDA: R996 million (September 2019: R868 million)
- Earnings per share: 19 cents (September 2019: 32 cents, restated)
- Headline earnings per share: 19 cents (September 2019: 32 cents, restated)
- Cash flow generated from operations: R 981 million (September 2019: R 503 million)
- The Group did not declare a dividend in the current or previous period

Roland van Wijnen, chief executive officer, said:

"After a difficult start to the financial year as a result of the COVID-19 related trading restrictions across the jurisdictions in which we operate, I am pleased that we are once again able to serve our customers and play our part in keeping the economy going. My gratitude goes to my colleagues who have been working diligently to keep our operations running while observing stringent health and safety protocols. Our business has benefitted from a strong recovery in cement sales in all our markets post the easing of the lockdown restrictions, and this has resulted in improved financial performance for the Group. Our efforts to improve cost competitiveness and reposition PPC on a sound financial footing are yielding encouraging results, and we are making good progress on our capital restructuring project, which remains a key priority for the Group."

GROUP PERFORMANCE

Despite the initial COVID-19 related trading restrictions, Group revenue increased by 1% to R5 006 million (September 2019: R4 948 million) due to robust cement sales post the easing of COVID-19 restrictions across the jurisdictions in which the group operates.

Cost of sales reduced by 4% to R3 895 million (September 2019: R4 042 million, restated) compared with the previous year due to cost savings, the decline in volumes, and a reduction in depreciation and amortisation. Administration and other operating expenditure declined by 10% to R492 million (September 2019: R548 million, restated) driven by the successful efforts to improve cost competitiveness. Group EBITDA increased by 15% to R996 million (September 2019: R868 million) with an EBITDA margin of 19.9% (September 2019: 17.5%). Operating profits increased by 77% to R610 million (September 2019: R344 million, restated).

Fair value adjustments and foreign exchange movements resulted in a loss of R366 million (September 2019: R120 million loss, restated), mostly as a result of the revaluation of foreign-denominated intercompany loan accounts. The fair value gain on the Zimbabwe financial asset of R139 million (September 2019: R113 million, restated) consists of intrinsic value gain of R202 million and credit risk fair value loss of R63 million (September 2019: R76 million). Zimbabwe blocked funds resulted in a fair value loss of R10 million (September 2019: R212 million loss, restated). The application of IAS 29 Financial Reporting in Hyperinflationary Economies resulted in a net monetary gain amounting to R326 million (September 2019: R514 million).

Finance costs increased by 5% to R330 million (September 2019: R313 million, restated) due to currency movements on foreign currency denominated debt. South African finance costs decreased by 5% to R106 million (September 2019: R111 million, restated) while international finance costs increased by 11% to R224 million (September 2019: R202 million). Excluding unfavourable currency movements, international finance costs declined by 6%.

Taxation decreased to R109 million relative to R195 million, restated in September 2019.

After taking into account the above fair value adjustments and hyperinflation, earnings and headline earnings attributable to shareholders of PPC Ltd declined by 37% to R287 million.

Net cash inflow from operating activities amounted to R769 million (September 2019: R244 million, restated). Cash generation benefitted from improvements in EBITDA and a reduction in working capital absorption to R21 million (September 2019: R342 million absorption). Cash generation and preservation remain a key priority for the group. Capital investments in property, plant and equipment decreased by 26% to R166 million (September 2019: R225 million).

Gross debt amounted to R5 218 million at 30 September 2020 (September 2019: R5 131 million). Gross debt declined by R582 million from 31 March 2020. The currency impact on foreign currency-denominated debt is a reduction of R304 million from 31 March 2020 to 30 September 2020.

CEMENT SOUTH AFRICA AND BOTSWANA

PPC experienced muted cement sales in April and May 2020 as a result of COVID-19 related trading restrictions in South Africa. Cement sales have since rebounded with double-digit year-on-year growth since June 2020. The increase in volumes is primarily retail led. PPC is also beginning to experience the positive impact of increased infrastructure spending.

Over the first six months of FY21, PPC South Africa and Botswana cement volumes declined by 5% to 10% with declines in the coastal regions offsetting growth in the inland areas. Q1 cement sales declined by more than 35%, followed by a strong rebound of 20% to 25% in Q2. The sales momentum has continued into October and November.

PPC estimates that the South African cement industry sales volumes were in line with prior year despite the COVID-19 related sales restrictions. A shortage of extenders has impacted blender activity, and this has benefitted integrated cement producers such as PPC. The availability of non-conforming cement in the market remains a concern for the industry over the medium term.

Cement imports continue to pose a threat to the sustainability of the South African cement industry. Although imports of cement and clinker decreased by approximately 6% to 621 609 tonnes in the current reporting period due to the lockdown restrictions, this is likely to change as the global economy reopens. PPC, in conjunction with The Concrete Institute (TCI) and other industry players, have applied to the relevant authorities for relief against unfair competition. All the necessary documentation and processes have been completed. PPC has received a verification report confirming receipt of all required information for the application process and is now awaiting the initiation of an investigation by the regulator.

Revenue in South Africa and Botswana declined by 8% to R2 355 million (September 2019: R2 555 million). Average realised selling prices were flat on prior year as change in the product mix offset the impact of price increases. EBITDA reduced by 8% to R337 million (September 2019: R367 million) with EBITDA margin of 14.3% (September 2019: 14.4%).

MATERIALS BUSINESS

Aggregates, readymix and ash

Revenue decreased by 20% to R514 million (September 2019: R645 million), primarily as a result of reduced volumes in the aggregates division. Demand for aggregates is beginning to benefit from increased infrastructure spend with double-digit year-on-year volume growth in September. EBITDA decreased to a loss of R6 million (September 2019: R35 million) due to the decline in volumes.

Lime

The lime division’s revenue declined by 36% to R279 million (September 2019: R434 million) with volumes and pricing under pressure due to the decline in steel-related activity. The shut-down of operations by a major customer further reduced demand for lime products. A number of initiatives have been implemented to improve the performance of this business. EBITDA contracted by 56% to R22 million (September 2019: R50 million) primarily due to a similar decline in volumes. With the reported shortage of locally manufactured steel, PPC expects demand to recover in the latter part of the financial year.

INTERNATIONAL

Zimbabwe

Although trading conditions in Zimbabwe were characterised by a challenging economic environment and the impact of COVID-19 related lockdown restrictions, domestic cement volumes grew by 5% - 10%, supported by ongoing infrastructure projects.

PPC Zimbabwe cement sales grew in the similar range, supported by an increase in volumes of 35% to 40% in Q2. The positive sales momentum has continued into October and November, albeit at a normalised rate.

Revenue increased by 60% to R797 million (September 2019: R497 million). Cement pricing was adjusted to account for the increase in inflation and the devaluation of the local currency. Realised selling prices in US$ increased by 23%. EBITDA improved by 62% to R326 million (September 2019: R201 million) and EBITDA margins improved to 40.9%, versus 40.4% in September 2019. PPC Zimbabwe continues to meet its debt obligations in-country while remaining financially self-sufficient, and recently declared a dividend to its shareholders of US$6.6 million, of which PPC is entitled to US$4.7 million. PPC received US$4.4 million after withholding tax.

Rwanda

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

Like the other jurisdictions in which PPC operates, cement sales were affected by COVID-19 related restrictions imposed by the authorities. CIMERWA cement sales in Q1 were broadly in line with prior year, with a strong recovery in Q2. For the six months ended 30 September 2020, CIMERWA achieved revenue growth of 28% to R659 million (September 2019: R514 million), supported by a 10% increase in volumes, stable pricing in US$, and translation gains. EBITDA increased by 35% to R211 million (September 2019: R156 million) due to higher revenues and stringent cost control. EBITDA margins improved to 32.0% from 30.4% in September 2019.

DRC

PPC Barnet in the DRC achieved revenue growth of 33% to R402 million (September 2019: R303 million), driven by volume growth of 8%, higher pricing in US$ and translation gains. EBITDA improved by 64% to R133 million (September 2019: R81 million) with corresponding margins of 33.1%. EBITDA benefitted from stringent cost control, entrenchment of our route to market strategies, as well as the positive EBITDA impact of clinker and cement inventory movements in the period.

The financial information contained in this announcement has neither been reviewed nor reported on by the Company´s external auditors.

RESTRUCTURING AND REFINANCING UPDATE

PPC continues to make good progress against key milestones in its restructuring and refinancing project with the objective of implementing a sustainable capital structure and improving the investment prospects of the group.

In South Africa, PPC has signed facilities agreements with its two primary South African lenders, who provide R1.85 billion of long term facilities and R625 million of short term facilities. The final terms of these agreements are substantially the same as those disclosed in note 36 to the audited consolidated financial statements for the year ended 31 March 2020. PPC is also finalising documentation relating to the provision of security, including a security pool arrangement comprising immovable property, debtors and inventory.

PPC has also agreed revised terms with its third South African lender for a working capital facility of R175 million, which has now removed the requirement of being part of the security pool arrangement.

In the DRC, PPC has signed a formal standstill agreement with its DRC lenders. The final terms of the agreement are substantially the same as those of the termsheet agreed at the end of August 2020, as disclosed in note 36 to the audited consolidated financial statements for the year ended 31 March 2020. PPC is actively engaging with the DRC Lenders, who have now appointed financial and legal advisors, on a detailed restructuring plan.

Following a number of unsolicited approaches regarding PPC Lime, PPC has decided to accelerate the sale of PPC Lime and appointed financial advisors to manage a structured sales process of the business. PPC is targeting deal certainty by the end of Q1 2021.

OUTLOOK
Although the group is experiencing positive sales momentum across most of its markets, PPC 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 and improving cost competitiveness by lowering operational costs.

Management changes

During the first 6 months of the year, PPC restructured its Group Administration functions with the aim to increase country responsibility and reduce overhead costs. This resulted in the Group Human Resource department being reduced whilst the Legal & Compliance and Company Secretarial departments were merged. Consequently, the Group HR Executive, Ms. Phindokuhle Mohlala and the Group Company Secretary, Ms. Kristell Holtzhausen, have agreed to leave PPC. Mr. Kevin Ross has been appointed as the Group Company Secretary effective 1 January 2021, in addition to his responsibilities as Group Head Legal & Compliance. The Board wishes to thank Ms. Mohlala and Ms. Holtzhausen for their dedicated service to PPC and wishes them well in their future endeavours.

The Group CFO, Ms. Ronel van Dijk, has decided to step down with effect from 31 March 2021 to rebalance her other commitments. Ms. Brenda Berlin will join PPC as Group CFO Designate from 15 February 2021 to formally take over as Group CFO on 1 April 2021. Ms. Berlin is currently CFO and acting CEO at MC Mining and will contribute a wealth of experience and knowledge to PPC's Finance function. Prior to MC Mining, Ms. Berlin served as CFO of Impala Platinum Holdings Limited ("Implats") for seven years. To ensure a smooth handover, Ms. van Dijk has agreed to assist the Company with the upcoming year-end results and the audit process on a consultancy basis starting 1

April 2021. During her time at PPC, Ms. van Dijk played a pivotal role in guiding the Company through one of its most difficult periods, which included negotiations with lenders to address the impact of COVID-19 lockdowns. She has also introduced various initiatives aimed at improving the Group's reporting processes and internal controls. The Board appreciates the dedication of Ms. van Dijk who has been instrumental in the delivery of the 2020 audited financial statements under very difficult circumstances. The Board welcomes Ms. Berlin to Team PPC and looks forward to her contribution in further strengthening the financial reporting and controls of the Company.

SHORT FORM STATEMENT

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement accessible from Tuesday, 8 December 2020, via the JSE link and also available on the Company's website at https://www.ppc.africa/corporate/investors-media/financial-presentations-reports.

The JSE link is as follows:
https://senspdf.jse.co.za/documents/2020/JSE/ISSE/PPC/PPC30Sept.pdf

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 11:00am (SAST) and can be accessed via this link:
https://presentations.corpcam.com/RegistrationPage.aspx?id=PPCDecember2020

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8 December 2020

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