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")

RESTRUCTURING AND REFINANCING PROJECT UPDATE

OPERATING UPDATE FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2021

Shareholders of the Company ("Shareholders") are referred to the previous announcements released on the Stock Exchange News Service ("SENS"), relating to PPC's Restructuring and Refinancing Project, including the announcement released on 31 March 2021, wherein they were advised on the status of the restructuring and refinancing project underway.

UPDATE ON NEGOTIATIONS WITH THE SA LENDERS TO RESTRUCTURE THE SOUTH AFRICAN BALANCE SHEET AND REMOVAL OF UNDERTAKING TO RAISE EQUITY CAPITAL

PPC has previously advised Shareholders that its South African Lenders ("SA Lenders") had agreed to defer the timing of the proposed equity capital raise to de-gear its South African balance sheet ("Capital Raise") to the end of September 2021. PPC further advised Shareholders that the SA Lenders had also agreed to review the need for the Capital Raise should the South African businesses continue to de-gear towards a sustainable debt metric of c.2x EBITDA.

PPC is pleased to inform Shareholders that it has signed non-binding term sheets with the SA Lenders to refinance its existing debt obligations and remove the undertaking for a Capital Raise subject to the completion of the disposal of PPC Lime by 31 October 2021.

UPDATE ON THE DISPOSAL OF PPC LIME LIMITED

PPC previously advised Shareholders that PPC South Africa Holdings Proprietary Limited had entered into a binding agreement to dispose of its entire shareholding in PPC Lime for a consideration of R515 million ("PPC Lime Disposal") on terms and conditions set out in the announcement. On 20 September 2021 Shareholders were informed that all outstanding conditions precedent in relation to the PPC Lime Disposal had been fulfilled on 17 September 2021.

In terms of the Agreement, the effective date of the PPC Lime Disposal is the last day of the month in which the final condition precedent is fulfilled and will therefore be 30 September 2021. The closing date on which the purchase price, including interest, will be received is expected to be 10 business days thereafter on 14 October 2021.

REFINANCING OF PPC'S SOUTH AFRICAN DEBT FACILITIES

PPC refers Shareholders to previous announcements regarding negotiations with its SA lenders on its existing debt arrangements to enhance the Group's financial flexibility. The new facilities of R2.1

billion, as per the signed non-binding term sheets with the SA Lenders, have an extended maturity profile with the long-term facility of R1.5 billion being repayable over three to five years. The margins have been reduced across all facilities to reflect PPC's improved credit risk profile. PPC will use the new facilities to re-finance the drawn portions of existing facilities, leaving adequate headroom and financial flexibility over the next five years.

DRC CAPITAL RESTRUCTURING

As previously announced, the binding settlement agreement entered into on 31 March 2021 with the DRC Lenders terminated PPC's obligations to make further deficiency funding payments to PPC Barnet. The term sheet, also signed on 31 March 2021, envisaged restructuring of PPC Barnet's balance sheet by 30 September 2021. It is now envisaged that binding long-form restructuring agreements with the DRC Lenders will only be signed after 30 September 2021, with the administrative processes to restructure PPC Barnet's balance sheet to re-store solvency and liquidity to be effective by mid-December 2021. Notwithstanding the delay in the restructuring, the DRC Lenders have no further recourse to PPC Ltd.

OPERATING UPDATE FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2021

GROUP PERFORMANCE

PPC expects total Group cement sales volumes for the six months ending 30 September 2021 to increase by 10%-13% year-on-year, with double-digit volume growth in most business units. Relative to the comparable period in 2019, total cement sales are expected to increase by 6%-9%. The Group's materials businesses also experienced double-digit year-on-year growth in sales volumes.

SOUTH AFRICA & BOTSWANA CEMENT

PPC expects cement sales volumes in the region to increase by 10%-13% year-on-year for the six months ending 30 September 2021 due to strong retail demand. Relative to the comparable period in 2019, cement sales in the region are expected to increase by 3%-6%. Growth in cement sales volumes in the informal and rural markets continues to outpace other segments of the market. After experiencing a lagged recovery relative to the inland region, PPC experienced double-digit year-on-year growth in cement sales volumes in the coastal region, albeit from a lower base, with most of the recovery in sales occurring after July 2021. PPC remains cautious on the outlook for demand in the coastal area due to a slow recovery in commercial construction activity. PPC implemented price increases to offset input cost inflation with realised selling prices increasing by 5%-10% year-on-year for the six months ending 30 September 2021.

Cement imports continue to threaten the sustainability of the South African cement industry, with total imports increasing by 14% year-on-year after adjusting for the impact of the hard lockdown in the prior comparable period. PPC estimates that imports will account for approximately 10% of total industry volumes by the end of 2021.

Although the South African cement industry has experienced an upswing in demand following the initial COVID-19 related hard lockdowns in 2020, total industry demand is below levels that will incentivise new investments in the industry. In addition, the lack of relief against unfair competition [Dumping] is threatening the financial sustainability of a vital component of the manufacturing and construction sector. It is also eroding the industry's ability to create jobs.

In conjunction with Cement & Concrete SA (CCSA) and other industry players, PPC is awaiting a decision from the relevant authorities on an application that seeks relief against unfair competition. The application has been updated to include both clinker and cement. PPC is committed to working with all parties to achieve a speedy outcome.

The South African cement industry is also awaiting a decision from the authorities to classify locally produced cement as a designated product, making it compulsory for locally produced cement to be used in government-funded construction projects and to prohibit the use of imported cement in such projects. Upon implementation, the local cement industry is expected to benefit from increased demand due to the new designation once the Government's infrastructure build programme gathers pace. PPC continues to work with the relevant stakeholders on this matter.

MATERIALS

Due to increased construction activity, the readymix and aggregates businesses experienced a recovery in demand for the six months ending 30 September 2021. PPC expects readymix volumes to increase by 33%-37% year-on-year, while aggregates volumes are expected to increase by 22%-26% year-on-year. Fly ash sales volumes are expected to increase by 2%-5%. Overall, revenues for the materials division are expected to increase due to the increase in sales of readymix and aggregates.

ZIMBABWE

PPC Zimbabwe continues to trade ahead of expectations despite the challenging macro-economic environment. For the six months ending 30 September 2021, PPC Zimbabwe’s cement sales volumes are expected to increase by 14%-18% year-on-year benefiting from retail demand, increased sales to concrete product manufacturers, and support from Government-funded projects. Relative to the comparable period in 2019, cement sales volumes are expected to increase by 25%-29%.

RWANDA

COVID-19 related lockdowns imposed by the authorities to control the spread of the virus continue to have an unfavourable impact on CIMERWA's cement sales. In addition, the prior year benefited from government infrastructure projects which did not reoccur in the current period. Despite this, cement sales volumes for the six months ending 30 September 2021 are expected to be in line with the prior comparable period. Relative to the same period in 2019, CIMERWA expects cement sales volumes to increase by 7%-10%. Revenue in Rands for the six months ending 30 September 2021 is expected to decline year-on-year due to Rand strength against the functional currency. PPC expects additional improvements in sales over the coming months as economic activity gathers momentum on the back of improving vaccination rates and infrastructure projects.

LIQUIDITY & CASH FLOW

Cash generation benefited from the Group's financial performance improvements and its numerous cash generation and preservation measures. As a result, South Africa gross debt declined to R1.8 billion (31 March 2021: R1.9 billion) and will reduce further by approximately R550 million when the proceeds of the disposals of PPC Lime and PPC Aggregate Quarries Botswana Proprietary Limited are received in October 2021.

OUTLOOK

Although PPC continues to face uncertain trading conditions, the Group is well-positioned to benefit from growing cement demand in the territories in which it operates. PPC will also continue to take the necessary measures to ensure that it can continue serving its customers, protecting its employees, and implementing strategic initiatives to ensure financial sustainability through all demand cycles.

Sandton

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