

**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")



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**OPERATING UPDATE FOR THE FIVE MONTHS ENDED 31 AUGUST 2023**

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**GROUP PERFORMANCE**

For the five months ended August 2023, compared to the five months ended August 2022 (the "comparable period"), revenue for PPC's South Africa ("SA") and Botswana group (previously referred to as SA obligor group), which excludes Zimbabwe and Rwanda (CIMERWA), increased by 5%, driven by an increase of average selling prices despite weaker cement sales volumes. Revenues from the group's operations in both Zimbabwe and Rwanda were materially stronger than the comparable period increasing by 58% (US\$ parallel rate) and 19% (in ZAR) respectively.

Group cement sales volumes (including Zimbabwe and Rwanda) for the five months ended August 2023 were 3% higher than the comparable period due to exceptionally strong growth in Zimbabwe and, to a lesser extent, Rwanda, while cement volumes continued to decline in South Africa. While the materials business continued to see a decline in volumes, the cost reduction actions and price increases implemented resulted in EBITDA turning from negative in the comparable period to neutral in the five months ended August 2023.

EBITDA margins for SA and Botswana cement were flat against the comparable period at 11%, as price increases and cost initiatives enabled the margin to be maintained.

Cash generation in the SA and Botswana group was positive due to the stabilised cement EBITDA, improvement in the materials business EBITDA and lower than anticipated capital expenditure. Cash generation includes a dividend received from Zimbabwe in July 2023 of R76 million (\$3.5 million) compared to R68 million (\$4.2 million) in the comparable period.

**SOUTH AFRICA & BOTSWANA CEMENT**

Cement sales volumes in South Africa and Botswana decreased by 6% period-on-period for the five months ended August 2023. Cement sales volumes in the inland region continued their decline, albeit at a significantly lower rate, while the coastal region saw a downturn in volumes following higher than usual rainfall and weak retail demand.

The average selling price increased by 10% during the period under review as bi-annual increases were implemented in January and July 2023. Notwithstanding the lower volumes, this resulted in revenue growth of 5%. EBITDA for the period also increased by 5% as margins stabilised when compared to the comparable period. PPC will continue its efforts to counter input price inflation through price adjustments, operational efficiencies and improved industrial performance. SA and Botswana group's gross debt remains unchanged from 31 March 2023, but cash has increased from R131 million to R283 million, leaving net debt at R648 million at 31 August 2023 from R800 million at 31 March 2023.

The BEE transaction announced on SENS on 7 August 2023 for 10% of PPC South Africa Holdings Proprietary Limited ("PPC SA Holdings") is for the benefit of PPC's South African employees. Qualifying South African employees therefore participated in the amount paid by PPC Cement SA (Proprietary) Limited to PPC SA Holdings to enable it to declare a dividend to PPC, which will be utilised to fund the share repurchase of R200 million announced in June 2023.

## **MATERIALS**

The materials business is now contributing marginally to the EBITDA of the SA and Botswana group following the implementation of various improvement actions. Price increases across ash, aggregates and readymix together with an improved cost structure resulted in marginally positive EBITDA compared to a negative in the comparable period.

## **ZIMBABWE**

The cement market in Zimbabwe continued to show growth as a result of both residential construction and government funded infrastructure projects. PPC Zimbabwe continued to win back market share during the period following the planned maintenance shut down in the prior year. Cement sales volumes increased 42% period on period.

PPC Zimbabwe's average US\$ selling price increased by 12% (US\$ parallel rate) during the period. The improved volumes and pricing allowed for a meaningful improvement in EBITDA margins to 27%, a significant improvement from 14% in the comparable period, when there was a planned shutdown.

PPC received a US\$3.5 million dividend in July 2023 and anticipates an additional dividend to be declared upon the publication of PPC Zimbabwe's interim results in November 2023.

Shareholders were previously advised that 19% of the 29.6% of PPC Zimbabwe held by various indigenisation parties vested on 5 July 2023 and PPC Zimbabwe expected to re-purchase such shares at US\$ one cent each in accordance with the relevant agreements. The repurchase of such shares was approved at an extraordinary general meeting of PPC Zimbabwe's shareholders on 29 August 2023 and all such shares were subsequently re-purchased at US\$ one cent each and cancelled. Consequently, PPC now holds 90% of PPC Zimbabwe. Economically, PPC will receive 99.5% of all dividends until the notional vendor financing of the remaining indigenous shareholder is repaid. Once-off costs incurred by PPC in connection with the unwinding of the indigenisation transaction amounted to R42 million.

## **RWANDA (CIMERWA)**

Rwanda continues to see strong demand for cement in all its markets, with cement sales volumes increasing by 13% period-on-period for the five months ended August 2023. Rwanda's cement sales continued to benefit from its strong domestic position as demand from infrastructure projects remains robust. Cement exports were impacted by increased competition due to new competitors. Input cost increases were not able to be fully absorbed through pricing increases of 6%, resulting in EBITDA increasing by 9% (ZAR) and a reduction in EBITDA margin to 29% from 32% in the comparable period.

## **OUTLOOK**

PPC's outlook remains unchanged and it will continue to focus its resources on improving profitability and cash generation in South Africa while preserving its sound market positions in Zimbabwe and Rwanda. There continues to be a need for operational efficiencies and cost containment measures to mitigate rising input costs as the economic climate in PPC's key South African market remains muted. As previously highlighted, PPC South Africa is well positioned to benefit from an increase in cement demand. PPC Zimbabwe anticipates a continued recovery and the outlook for CIMERWA in Rwanda remains positive.

PPC is participating in the RMB Morgan Stanley Big Five and Off Piste Investor Conference in Cape Town on 20 September 2023 and the presentation to be given at this conference is available on the company's website [www.ppc.africa/investors-relations/reports/?t=presentations-allocate](http://www.ppc.africa/investors-relations/reports/?t=presentations-allocate)

Dunkeld  
20 September 2023

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