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

OPERATIONAL UPDATE FOR THE TEN MONTHS ENDED 31 JANUARY 2024

GROUP PERFORMANCE

Further to the announcement published on SENS on 25 January 2024 regarding the disposal by PPC of its 51% shareholding in its Rwanda business (CIMERWA), all the numbers in this operational update exclude CIMERWA for ease of comparison, as CIMERWA's results in the current financial year, to the date of deconsolidation, will be shown as discontinued operations.

Group revenue increased by 27.6% for the ten-month period ended 31 January 2024 (the "current period"), when compared to the 10 months ended 31 January 2023 (the "comparable period"). This was driven mainly by continued strong growth in PPC's Zimbabwe operations relative to the low base in the comparable period. This is higher than the 22.1% revenue growth to the end of September 2023 (the "half year") compared to the six months ended 30 September 2022 (the "previous half") calculated on a consistent basis to exclude CIMERWA. Revenue growth in the South African and Botswana cement business continued to be driven by price increases, positively offsetting the declining sales volumes as experienced in the half year.

Group EBITDA margins improved to 13.6% in the current period from 9.9% in the comparable period. However, this is lower than the half-year EBITDA margin (excluding CIMERWA) of 15.3%. The decrease in margins compared to the half year is due to lower South Africa cement margins, a weak performance in the materials business, one-off costs at a group level as well as marginally lower EBITDA margins in the Zimbabwean operations.

Capital expenditure for the group remains behind the guidance of R600 million for the full financial year mainly due to the delay of the fly ash project (expansion capex) in Zimbabwe. This is a timing issue due to a delay in accessing the power plant to complete the plant design and commercial contract. This is now expected to commence early in FY25 as opposed to FY24 thereby delaying the benefits of this expansion project for approximately one year. The South African and Botswana free cashflow, being net cash inflow before financing activities and excluding dividends from Zimbabwe, increased to R364 million in the current period from R242 million in the comparable period. The share repurchase program reached the R200 million approved level during the first half of March 2024.

Following the receipt of the proceeds from the disposal of CIMERWA, South Africa and Botswana turned cash positive during the current period and at 31 January 2024, were in a net cash position of R280 million. Zimbabwe continues to remain debt free and held R95 million in unencumbered cash at

31 January 2024. The Group's targeted gross leverage of 1.3 to 1.5 times the South African and Botswana operations EBITDA (including dividends from Zimbabwe) remains unchanged.

SOUTH AFRICA AND BOTSWANA CEMENT

In the current period, cement sales volumes in South Africa and Botswana decreased by 4% compared to the comparable period. The decline for the first half of the year was 5%. Sales volumes in the coastal region experienced a sharper decline than in the inland region, mainly due to a weaker retail market and a lack of infrastructure projects in the area. Price increases implemented in July 2023 and January 2024 offset the decline in volumes with the South Africa and Botswana cement business increasing revenue by 6% in the current period compared to 5% at the half-year. EBITDA margins increased marginally from 10,7% to 11.4% when comparing the current period to the comparable period but are below the 12.6% reported at the half year. The performance in the South Africa and Botswana cement market has deteriorated since the end of the current period.

MATERIALS

The materials business comprises three distinctly different businesses, namely readymix concrete, aggregates and fly ash. The readymix concrete business has been impacted by a lack of construction projects in the regions in which it operates, which negatively impacted volumes. The aggregates business realised lower volumes in the depressed localised market it serves from its two quarries. The fly ash business continued to benefit from increased volumes due to its diverse customer base.

The materials business saw a notable improvement in negative EBITDA, shifting from a negative R60 million in the comparable period to R7 million in the current period. This change is significant considering the positive R14 million EBITDA contribution at the half-year mark. Despite price increases, the negative EBITDA was due to the substantial decrease in volumes across the readymix concrete and aggregates businesses, which declined even further compared to the half-year. The fly ash business EBITDA continued to show strong growth in the current period.

ZIMBABWE

Cement volumes continued to show strong growth, increasing 41% in the current period, albeit slightly lower than the half-year growth of 44% due to the impact of the stronger base in the comparable period. Growth continues to be as strong as a result of both residential construction and government funded infrastructure projects, constrained imports and a low base in the comparable period due to the extended shutdown.

EBITDA margins were 22% in the current period, an improvement from 18% in the comparable period but lower than 25% at the half-year. This was mainly due to the high cost of clinker imports as local production could not meet demand levels.

PPC Zimbabwe declared dividends of US$4 million in July 2023 and US$7million in November 2023. The next dividend declaration is expected in July 2024.

RWANDA (CIMERWA)

PPC sold its 51% shareholding in CIMERWA on 25 January 2024 for a total selling price of US$42.5 million. PPC received the full selling price and paid capital gains tax in Rwanda of US$474 000 in February 2024. It is anticipated that no further capital gains taxes will be payable in South Africa. The approval by the Common Market for Eastern and Southern Africa (COMESA) Competition Commission, which was not required before implementation of the transaction, is still anticipated to be received within 120 days of the effective date.

OUTLOOK

The short-term outlook for the South African and Botswana markets remains subdued. The short-term outlook for PPC Zimbabwe remains positive.

The reorganised and strengthened executive committee (Exco) team announced on 18 January 2024 now has the right blend of global and local cement industry experience, institutional and technical knowledge and a renewed energy to drive the needed improvements at PPC's operational level. The Exco is conducting a comprehensive review to ensure that PPC is agile, well-managed and resilient in a challenging South African macroeconomic context. The key focus areas include:

i. the optimisation of structure, processes and controls;
ii. the refocusing of the business on contribution margin through an assessment of the South African businesses commercial footprint; and
iii. the reduction in fixed operational and overhead costs.

The above will require improvements to the internal management reporting systems to better support its commercial and operational decision making. The board has targeted achieving a sustainable return on capital for its South African and Botswana business in the medium-term.

PPC intends to increase engagement with regulators and other key market stakeholders as a commitment to developing a sustainable cement industry in South Africa through creating a level playing field among local, regional and international competitors on key issues such as imported cement and low quality standard products.

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

CHANGES TO FUNCTIONS OF DIRECTOR

In compliance with paragraph 3.59 of the Listings Requirements of the JSE Limited, the board of directors of PPC ("the Board") wishes to inform shareholders of the following changes to the functions of a Board member.

Mr Matias Cardarelli has been appointed as a member of the Company's Social, Ethics and Transformation Committee and its Strategy and Investment Committee with effect from 12 March 2024.

Following his appointment the Social, Ethics and Transformation Committee will comprise of the following members:

Nonkululeko Gobodo (chairperson) – independent non-executive director
Jabu Moleketi – independent chairman of PPC
Bjarne Moltke Hansen – independent non-executive director
Kunyalala Maphisa – independent non-executive director
Matias Cardarelli – chief executive officer

The Strategy and Investment Committee will comprise of the following members:

Charles Naude (Chairman) – independent non-executive director
Bjarne Moltke Hansen – independent non-executive director
Dan Smith – independent non-executive director
Kunyalala Maphisa – independent non-executive director
Mark Thompson – independent non-executive director
Matias Cardarelli - chief executive officer

Dunkeld
27 March 2024

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