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)

GROUP RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024 - SHORT-FORM ANNOUNCEMENT

CHANGES TO THE BOARD OF DIRECTORS

"Awaken the Giant" is the call to action that will define our turnaround strategy. It talks to our confidence of the impact of the internal value that can be unlocked in driving the PPC turnaround. PPC half-year results closed with a strong second quarter rebuilding off a weaker first quarter. We have early positive and encouraging signs in all lines of our business. As we begin to address the challenges, the benefits of the turnaround actions are starting to be realised.

The turnaround process involves a deep recalibration and upskilling of people, organisational culture and processes. This will ensure the organisation is ready to focus on operational efficiency, asset optimisation and contribution margin growth. The challenging heritage and extent of the changes required are pervasive, but we have built a high-calibre team to drive the turnaround.

We have made key changes in our structure, recruiting highly skilled and experienced talent that have strengthened our commercial, logistics, IT and industrial teams. At the same time, we launched an industrial performance programme with clear targets for all equipment from the quarry to dispatch, instilled cost centre ownership and eliminated unnecessary expenses. As we gain access to reliable management information, the market approach will follow, optimising sourcing, products offering and a footprint that will benefit our customers.

Cost discipline and price growth were the main drivers of the recovery in the results and margin of the SA & Botswana group despite the lower sales volumes in the period. PPC Zimbabwe's lower sales reflect a return to a normal market after imports restriction experienced in H1 FY24 was lifted in October 2023. The impact of the normalised volumes was offset by cost saving initiatives reflecting in margin growth.

The PPC board and I are in full alignment on the Awaken the Giant journey to return PPC to profitability leadership. The opportunities far outweigh the risks, but we are conscious of the challenges and complexity ahead of us.

My confidence in the size of the turnaround reward is growing.

Matias Cardarelli, Chief executive officer

Consolidated group
As we implement the "Awaken the Giant" turnaround, its benefits have begun to materialise in the second quarter
Strong cash flow generation in the current period
- Net cash inflow before financing activities increased 36,2% to R500 million (H1 F24: R367 million)
- Revenue down 4,2% to R5 067 million (H1 FY24: R5 289 million)
- EBITDA margin up 0,6% to 15,7% (H1 FY24: 15,1%)
- EBITDA of R796 million (H1 FY24: R800 million)
- HEPS up 22 cents (H1 FY24: 20 cents)
- EPS up 22 cents (H1 FY24: 18 cents)
- Following the approval of the relevant competition authorities of PPC's sale of its investment in Rwanda, a special dividend totalling R521 million was declared and paid during the period.

Individual businesses

SA & Botswana group
Solid performance given prior period tailwinds as cost containment measures start taking effect
- Revenue down 0,6% to R3 526 million (H1 FY24: R3 546 million)
- EBITDA margins up 0,7% to 10,6% (H1 FY24: 9,9%)
- EBITDA up 5,9% to R394 million (H1 FY24: R372 million)
- Net cash inflow before financing activities up R303 million (H1 F24: R199 million)
- The SA & Botswana group's debt facilities were re-structured on 15 September and current drawn facilities are R502 million (H1 FY24 R855 million)

PPC Zimbabwe
Margin expansion despite volumes being negatively impacted by the resumption of imports
- Revenue down 11,6% to R1 541 million (H1 FY24: R1 743 million)
- EBITDA margins up 1,5% to 26,1% (H1 FY24: 24.6%)
- EBITDA down 6,3% to R402 million (H1 FY24: R429 million)
- Net cash inflow before financing activities down R202 million (H1 FY24: R208 million)
- Dividend of US$4,0 million was declared on 6 September 2024, and paid after 30 September 2024 (H1 FY24: US$4,0 million)

Group performance - continuing operations
PPC delivered higher cash flow generation for the six months to 30 September 2024 (the current period) compared to the six months to 30 September 2023 (the prior period), despite an overall decline in cement volumes in both South Africa and Zimbabwe, as well as in the readymix and ash businesses.

Group revenue decreased 4,2% to R5 067 million (H1 FY24: R5 289 million) as Zimbabwe's revenue decreased by 11,6% due to the resumption of imports and materials revenue reduced by 9,5% due to lower revenues in the readymix business.

Group cost of sales decreased 5,1% to R4 103 million (H1 FY24: R4 322 million), being a higher rate of decrease than revenue, which, when combined with 6,9% decrease in administration and other operating expenses, resulted in a 7,5% increase in trading profit to R502 million (H1 FY24: R467 million).

Group EBITDA decreased 0,6% to R796 million (H1 FY24: R800 million) but EBITDA margins expanded encouragingly in all the markets notwithstanding the lower sales volumes. Group EBITDA margin increased by 0,6 percentage points to 15,7% (H1 FY24: 15,1%).

No impairments were required in the current period compared to the impairment of R53 million in the prior period relating the mothballing by PPC Cement SA of its Jupiter milling plant.

Finance costs decreased 7,8% to R59 million (H1 FY24: R64 million). Lower overall debt levels compared to the prior year resulted in interest paid decreasing by R9 million, offset partially by higher finance costs on increased lease liabilities. Investment income increased to R37 million (H1 FY24: R14 million) on significantly higher cash balances following the sale of PPC's business in Rwanda.

Profit before tax increased to R474 million (H1 FY24: R357 million) and profit after tax was R318 million (H1 FY24: R269 million). The effective tax rate for the current period is 33% (H1 FY24: 25%). The prior period was positively impacted by a non-cash unwinding of deferred tax due to changes in the functional currency of Zimbabwe.

Earnings per share (EPS) and headline earnings per share (HEPS) both increased to 22 cents (H1 FY24: EPS 18 cents and HEPS 20 cents).

The group's net cash inflow before financing activities increased by 36,2% to R500 million (H1 FY24: R367 million, excluding discontinued operations) due mainly to the unwind of inventory that built up at 31 March 2024 year-end and continued strict control of inventory levels. The positive working capital movement was partially offset by increased cash taxes of R167 million, R20 million of which related to the FY24 financial year. Cash generation and working capital management remains a key focus area.

Discipline in capital allocation continued in the current period and capital expenditure was R186 million (H1 FY24: R172 million). The main drivers of the movement comprised an increase in maintenance expenditure in Zimbabwe of R39 million due to two major kiln stoppages in the current period to replace liners, compared to one short stop in the prior period given the extended kiln shutdown in FY23. This was partially offset by a reduction in maintenance expenditure in the South African cement business of R21 million. Following the conclusion of the sale of PPC's investment in Rwanda, a special dividend totalling R521 million, being 66% of the net proceeds received, was declared and settled during the current period. The ordinary cash dividend totalling R214 million, declared in June 2024, was also settled during the current period. The net cash outlay relating to both the special and ordinary dividends amounted to R703 million after taking into account the dividends received by the subsidiary that effected the share buy-back during FY24.

Group net debt declined to R203 million (H1 FY24: R488 million) but increased compared to the net cash position of R78 million at 31 March 2024. The main drivers of the movement in net cash/debt from 31 March 2024 is a net dividend paid of R703 million, cash generated from operations (before financing activities of R500 million) and a negative R52 million impact exchange differences on closing cash balances.

South Africa and Botswana cement
Overall, cement sales volumes in South Africa and Botswana for the current period were down 5,8% when compared to the prior period, due to a decline in retail or bagged cement sales as bulk cement sales increased. While retail demand is relatively flat period-on-period, aggressive pricing from some competitors drove the lower sales volumes. The benefit of the positive sentiment following the elections earlier this year is still not reflected in the construction market, but PPC has secured new projects with associated growth in several regions of the bulk market.

Notwithstanding declining volumes, average selling price increases resulted in cement revenues being almost flat. Overall, including clinker sales, the SA & Botswana group revenue increased by 1,5% to R3 015 million (H1 FY24: R2 972 million) for the six months ended 30 September 2024.

Despite the cost inflation and continued high electricity tariff increases during the period, cost of sales increased by 1,4% assisted by the impact on variable costs of the volume decrease and initial benefits from the turnaround actions.

Due to changes in the methodology used by PPC Group Services (Group Services) to charge management fees to the other group companies in the current period versus the prior period and the fact that, with effect 1 October 2024, all the activities undertaken by and employees of Group Services were taken over by PPC Cement SA, it is more meaningful to re-present the relevant segmental information to be on a like-for-like basis and in-line with future practice.

Based on the re-presented information, administration and other operating expenses decreased by 14,8% to R283 million (H1 FY24: R333 million) as cost discipline builds momentum. EBITDA increased 3,9% to R392 million (H1 FY24: R377 million) as margins expanded by 0,4 percentage points to 12,3% (H1 FY24: 11,9%).

During the current period PPC Cement SA refinanced its core borrowing facilities on behalf of the SA & Botswana group to reestablish an appropriate repayment profile and to secure improved pricing. Gross debt of the SA & Botswana group reduced by R278 million to R501 million (31 March 2024: R779 million) (H1 FY24: R854 million) and net leverage levels remain well below the target range of 1,3 to 1,5 times last twelve months EBITDA of the SA & Botswana group.

	SA and Botswana cement		PPC Ltd and other*	
	September 2024	September 2023	September 2024	September 2023
	Rm	Rm	Rm	Rm
Gross revenue	3 173	3 158	(179)	(198)
Cost of sales	(2 680)	(2 645)	182	198
Expected credit losses	(4)	-	-	1
Administration and other operating expenses	(283)	(333)	(38)	(37)
Trading profit	206	180	(35)	(36)
EBITDA	392	377	(26)	(20)
EBITDA margin	12,3%	11,9%		

*Group Services and other in segmental informational on page 12 of the Summarised unaudited consolidated financial statements.

Aggregates, readymix and ash

Overall, revenue for the materials division decreased by 11,0% to R511 million (H1 FY24: R574 million), given significantly lower volumes in the readymix and ash businesses. Cost control and turnaround measures delivered positive results with all three businesses contributing positively to EBITDA. The divisional EBITDA, doubled to R28 million (H1 FY24: R14 million).

Zimbabwe

PPC's operation in Zimbabwe reported a 9,1% decrease in sales volumes compared to the prior period when imports were banned, which reflects the market share adjustment.

Revenue for the current period decreased by 11,6% to R1 541 million (H1 FY24: R1 743 million) comprising the lower sales volumes, relatively flat average US$ selling prices and a strengthening rand. The lower volume of purchased clinker, together with improved logistics costs and lower coal costs due to contract renegotiation, more than offset the 76% electricity tariff increases implemented in November and December 2023. This resulted in a 1,5% improvement in EBITDA margin to 26,1% (H1 FY24: 24,6%). It also partially offset the impact of the lower revenue resulting in an EBITDA decrease of 6,3% of R402 million (H1 FY24: R429 million).

Zimbabwe remains debt-free and had unrestricted cash holdings at 30 September 2024 of R197 million up from R40 million at 31 March 2024 (H1 FY24: R226 million). Some 97% of PPC Zimbabwe's cash is held in hard currencies. Zimbabwe declared a US$4,0 million dividend during the current period which was paid in October 2024.

Strategic plan

In its results for the year ended 31 March 2024, PPC reported that internal gaps had been identified that needed to be addressed with urgency to realise the significant opportunities in the business. During step one of the process, which was largely completed in the current period, PPC implemented key strategic personnel changes, simplified the previously complex organisation structure, concluded a deep-dive process and developed the Awaken the Giant turnaround strategy.

The realigning of the organisational culture to have the right focus and a sense of urgency is progressing demonstrated by the positive impact of cost discipline on the first half results. Training, seasoned managers and upgraded processes are driving the upskilling in technical areas and the development of key leadership skills.

Step two is implementation of the Awaken the Giant turnaround plan, which comprises eight key focus 'commandments', covering the following three pillars:
- Operations and supply chain - operational efficiencies and competitive costs of production
- Commercial - an enhanced commercial footprint: right channels with the right products
- Cost mindset - a lean agile structure focused on manpower costs, general and administration expenses and rigorous capital expenditure control

This is underpinned by safety as the core central value. The key financial metrics that will reflect success are absolute EBITDA; EBITDA margin; cash flow generation; and return on invested capital.

Simplification and back-to-basics in our plants coupled with the performance programme will drive productivity and the output needed to support the commercial growth strategy. The go-to-market strategy aims to win back customers by reinstating a more competitive offer through leveraging our competitive advantages. The logistics area is also critical, and this function will be in-housed in Q4 FY25.

As part of the operational efficiency pillar, PPC signed a strategic cooperation agreement with Sinoma Overseas Development Co. Ltd, the leading cement equipment and engineering company in the world to improve efficiencies at our cement operations and review key capital expenditure improvement/expansion plans.

The "turnaround mindset" is becoming entrenched resulting in an organisation focused on execution and pace rather than perfection.

Outlook

There are positive signs in the economy reflecting increasing confidence from the private sector and a more dynamic tender process in the public sector.

Now is the time for industry players, regulators, customers, suppliers and the government to unite and take decisive action on important infrastructure projects. This collaboration will help secure a prosperous and sustainable future for the cement industry, the country and generations to come.

To build a successful local cement industry, it's essential to establish checks and balances to hold all producers -both local and international - accountable. This is critical to ensure that local consumers receive high-quality products from cement producers and blenders.

Collaboration between the private and public sectors will be crucial in the non-fossil energy fuels transition. This will help reduce carbon dioxide emissions, protecting the environment for both current and future generations, while also lowering production costs.

PPC's long-term sustainability does not solely rely on an improved overall economic environment. Instead, our turnaround strategy, which focuses on unlocking internal value, will place us in a strong position as infrastructure projects begin to materialise.

The turnaround impact will continue to unfold in the second half of the financial year that is cyclically weaker due to the slowdown of the construction sector in December and January. Further turnaround impacts are expected to become evident in the next financial year.

The group will continue to apply its strict capital allocation policy and will assess a dividend to shareholders in terms of the stated policy at the full year-end.

Matias Cardarelli
Chief executive officer

SHORT-FORM ANNOUNCEMENT

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 Monday, 18 November 2024, via the JSE link as follows: https://senspdf.jse.co.za/documents/2024/JSE/ISSE/PPC/PPC30Sep.pdf

and also available on the Company's website at https://www.ppc.africa/investors-relations /reports/?t=interim

A copy of the full announcement is also available for inspection at the company's registered office and may be requested from the Company Secretary Kevin Ross at (Kevin.Ross@ppc.co.za) at no charge, during office hours.

A live webcast of the presentation will be held today at 10am and can be accessed via this link:

https://www.corpcam.com//PPC18112024

CHANGES TO THE BOARD OF DIRECTORS

In accordance with paragraph 3.59(b) of the JSE Limited Listings Requirements, the board of directors of the Company (“the Board”) wishes to advise shareholders that due to other professional commitments, Mr. Daniel Smith has on 15 November 2024 tendered his resignation as non-executive director, and accordingly as member of the Strategy and Investment Committee of the Company, with effect from 31 March 2025.

The Board extends its appreciation and sincere thanks to Daniel for his commitment, service and valuable contribution to the Company and wishes Daniel continued success in all future endeavours.

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Directors:
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CH Naude, D Smith, MR Thompson
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Company secretary: KR Ross

18 November 2024
Dunkeld

Sponsor: Questco Corporate Advisory (Pty) Ltd