



DELIVERING ON STRATEGIC COMMITMENTS IN A CHALLENGING ENVIRONMENT

- Group revenue of R4,9 billion (Sept 2018: R5,6 billion)
- Group EBITDA of R868 million (Sept 2018: R1 039 million)
- Zimbabwe contribution impacted by currency devaluation and hyperinflation
- Positive operational performance in the DRC and Rwanda
- Price increases and initiatives implemented to ensure sustainable SA cement industry
- R65 costs savings per tonne of R70/tonne savings target realised

20 November 2019 – PPC Ltd. today announced its financial results for the six months ended 30 September 2019. The period was marked by positive operational results in Rwanda and the DRC which partially offset difficult conditions in South Africa and Zimbabwe.

Roland van Wijnen, PPC CEO commented: ***“The positive operational results in Rwanda and the DRC partially offset difficult markets and competitive conditions in South Africa and Zimbabwe. Against this backdrop, we have continued to focus on key strategic and operational initiatives to drive greater competitiveness and improved efficiencies. These included reducing Group overheads, lowering finance costs, delivering savings initiatives and implementing necessary price increases in South Africa to lay the foundation for a sustainable cement market.”***

Group revenue declined by 12% to R4.9bn (Sept 2018: R5.6bn) attributable to a 17% volume decline in Group cement volumes, with Southern Africa cement and PPC Zimbabwe the main contributors to the decline. Group EBITDA in the period is R868m versus R1 039m in Sept 2018, as a result of the impact of Zimbabwe’s currency devaluation and hyperinflation accounting, as well as the difficult trading environment in South Africa and once-off restructuring costs of R83m incurred during the period under review.

PPC Zimbabwe applied hyperinflationary accounting during the period as a result of the significant currency devaluation and rampant inflation. The various accounting treatments had a material impact on the Group’s performance. When excluding PPC Zimbabwe, Group revenue was marginally down by 1% to R4.4bn with EBITDA 3% lower to R668m and EBITDA margins maintained at 15%.

Ronel van Dijk, PPC Interim CFO commented: ***“Our debt levels remained stable during the period with finance costs 3% lower whilst we continue to assess opportunities to structure the Group’s debt optimally. We also managed other costs carefully during the period with Group overheads, excluding the once-off restructuring costs, decreasing by 19%. This was a key driver in achieving R65/tonne towards our R70/tonne savings target for PPC South Africa.”***

CIMERWA, in Rwanda, achieved a 28% revenue growth to R514m and 70% EBITDA growth to R156m due to a 20% volume growth and improved cost per tonne performance. In the DRC, PPC Barnett DRC grew revenue by 26% to R303m supported by stable pricing and production output.

EBITDA grew 30% to R81m as stringent cost controls and the entrenchment of route to market strategies in an oversupplied market were implemented. Progress is also being made on restructuring its debt to reduce reliance on the Group.

In Zimbabwe, the hyper-inflationary environment, sharp depreciation of the Zimbabwean Dollar, power outages and a weaker cement market resulted in a 54% drop in revenue to R497m and concurrent decrease in EBITDA of 43% to R201m, although EBITDA margins improved from 32% to 40%.

“We are pleased by the results delivered in Rwanda and the DRC, with both businesses showing healthy top and bottom line growth supported by sound operational performances. In Zimbabwe, the team’s efforts have ensured that they remain financially self-sufficient, maintain EBITDA margins and preserve cash by investing in inventory as well as accelerating capital expenditure. The business remains well capitalised and is positioned to benefit from future local infrastructure projects and regional growth,” said Mokate Ramafoko, MD PPC International.

Southern African cement revenue, which includes Botswana, realised an 8% to 10% rise in average selling prices as necessary price increases were implemented to recover operational costs and improve returns. PPC cement volumes declined by 15% to 20%, whereby the decline was less in the Coastal region and higher in the Inland markets. PPC estimates the overall market decline to be around 10% to 15% as consumer and construction sector demand continued to show signs of severe pressure.

Domestically, the performance was impacted by another 5% increase in imports and increased blender activity in a low growth environment. Overall revenue from Cement Southern Africa declined 8% to R2.55bn.

“We are co-operating with the industry for ITAC to recognise the impact that imports have on the domestic cement sector overall. We are also engaging with the South African authorities to ensure that blended cement meets the requisite standards after independent tests highlighted extremely serious non-compliances. Our sector is strategically relevant for South Africa and these measures are important to ensure that the cement industry is protected from unfair competition and remains sustainable,” commented Njombo Lekula, MD PPC Southern Africa.

The materials business, comprising the Aggregates, Ready-mix and Lime divisions, is an integral part of PPC’s route to market strategy. The business delivered steady revenues, although profitability was impacted by a very competitive market as well as higher fuel, maintenance and other input costs.

“Although the profitability of the Group came under pressure, we continued to generate positive free cash flow through price and cost management, with further opportunities to optimize fixed and variable costs in Southern Africa. We expect trading conditions in Southern Africa to remain difficult, but the improved growth in output and strong economic climate in Rwanda, coupled with the DRC’s drive to maximise EBITDA, should support the resilience of the Group for the remainder of the year. In the longer-term, we have initiated a strategic review to determine the objectives that will drive sustainable value creation and look forward to sharing the outcome in due course,” concluded van Wijnen.

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About PPC Ltd

PPC is an iconic material and solutions provider of quality and consistent cement, aggregates, metallurgical-grade lime, burnt dolomite, limestone, readymix and fly ash. We also provide technical support to our customers. PPC's story stretches back over 127 years to where we were first incorporated on the outskirts of Pretoria in 1892. As the first cement plant in South Africa, we have established ourselves as a resilient organisation by adapting to ever-changing economic, operating and political environments. We are proud to be a leading provider of quality building materials and solutions to empower people to experience a better quality of life.

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