PPC – Operational Update

Date: 28 March 2022

***Key message**: Overall cement volumes and pricing are up, led by the international cement operations. Zimbabwean cash extraction is improving, and a dividend is likely in FY23.*

- PPC released an operational update for FY22 and hosted a Capital Markets Day and Site Visit to the De Hoek plant.
- Group revenue should be up approx. 16% based on the operational update (group volumes up 4-8%, prices up +10%). We expect the group EBITDA margin to increase to just under 20% (from 17.9%), although some short-term margin pressure from rising fuel and coal costs could impact 1H FY23.
- Cement prices are holding in South Africa, with further increases planned to counter an expected 10% increase in costs due to cost spikes in fuel and coal.
- **Cement South Africa and Botswana:** Sales volumes up 0-3% and prices up 4-7%. We forecast revenue to increase 5% for FY22 with the EBITDA margin increased to 19% (from 16.7%).
- Demand from the private sector remains good but public infrastructure spend is not yet evident. Cement demand has moderated from post-Covid lockdown DIY boom, with 2H revenue expected to be down 5% as a result.
- **Zimbabwe:** Sales volumes up 21-25% and prices up. We forecast revenue to increase 60% for FY22 with the EBITDA margin falling to 25% (from 29.6%). Cash extraction is improving in Zimbabwe with profits generated in forex allowed to be declared as dividends.
- **Rwanda:** Sales volumes up 18-20% and prices flat. We forecast revenue to increase 6% for FY22 with the EBITDA margin falling to 30% (from 30.3%).
- There has been no progress on the ITAC application for cement tariffs on imports and the industry has started a process to apply for anti-dumping duties against Vietnam.
- Our Target Price in the absence of tariffs is R5.45 (from R5.14). Should tariffs be implemented our Target Price increases to R6.89. We assume dividends will resume in FY23.
- PPC is looking at a number of projects to reduce its carbon footprint, including new extender sources and burning waste instead of coal.

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Price (28/03/2022):	R3.97
Target Price:	R5.45
Market cap	R6,210m
Shares in issue	1507m

Financial summary

ZARmn (year to March)	FY20	FY21A	FY22E	FY23E	FY24E
Revenue	8671	8938	10355	11672	12516
EBITDA	1381	1598	2041	2541	2831
Net income	-162	983	1396	1237	1489
Headline EPS (diluted)	54	2	80	82	99
PE Ratio	-1.4	19.2	4.9	4.8	4.0
Dividend	0	0	0	27	33
Dividend yield (%)	0.0%	0.0%	0.0%	6.9%	8.3%

Source: Factset, Company data, Chronux Research estimates

Figure 1 Financial summary

Financial year to March	FY20	FY21A	FY22E	FY23E	FY24E
ZAR/USD exchange rate	14.77	16.35	14.47	14.90	15.28
Per share data					
Earnings (diluted)	(123)	(10)	93	82	99
Headline earnings (diluted)	**54**	**2**	**80**	**82**	**99**
NAV	5.16	4.56	5.40	5.67	6.00
Dividend	0	0	0	27	33
Valuation ratios					
P/E ratio	(1.4)	19.2	4.9	4.8	4.0
EV/EBITDA	4.5	3.5	2.8	2.3	2.0
P/B	0.33	0.53	0.74	0.70	0.66
Dividend yield	0.0%	0.0%	0.0%	6.9%	8.3%
Income Statement (ZARmn)					
Sales	8,671	8,938	10,355	11,672	12,516
Sales growth		*3.1%*	*15.9%*	*12.7%*	*7.2%*
Cost of Goods Sold (COGS)	(6,792)	(6,877)	(7,410)	(8,352)	(8,956)
Gross Income	**1,879**	**2,061**	**2,946**	**3,320**	**3,560**
Gross margin	*21.7%*	*23.1%*	*28.4%*	*28.4%*	*28.4%*
SG&A Expense	1,170	1,007	905	779	729
Other Operating Income/Expense	(1,229)	977	667	0	0
EBITDA	**1,381**	**1,598**	**2,041**	**2,541**	**2,831**
EBITDA margin	*15.9%*	*17.9%*	*19.7%*	*21.8%*	*22.6%*
Depreciation & Amortisation	781	547	559	569	577
EBIT (Operating Income)	**(520)**	**2,031**	**2,149**	**1,972**	**2,254**
EBIT margin	*-6.0%*	*22.7%*	*20.8%*	*16.9%*	*18.0%*
Nonoperating Income - Net	9	15	61	63	66
Net Interest Expense	(349)	(283)	(199)	(139)	(55)
Equity in Earnings of Affiliates	1	2	0	0	0
PBT	**(859)**	**1,765**	**2,011**	**1,897**	**2,265**
Income Taxes	(181)	742	565	607	721
Tax rate	*-21.1%*	*-42.0%*	*-28.1%*	*-32.0%*	*-31.8%*
Consolidated Net Income	(678)	1,023	1,446	1,289	1,544
Minority Interest	516	(40)	(50)	(53)	(55)
Net Income	**(162)**	**983**	**1,396**	**1,237**	**1,489**
Cash flow statement (ZARmn)					
Changes in working capital	(694)	(184)	(147)	(98)	(43)
Cash from operating activities	**463**	**1,364**	**1,191**	**1,760**	**2,079**
Capital expenditure	(544)	(357)	(162)	(830)	(725)
Other	(118)	(35)	0	0	0
Investing cash flow	**(662)**	**(392)**	**(162)**	**(830)**	**(725)**
Changes in borrowings	152	(288)	(686)	(702)	(610)
Dividend paid	0	0	0	(412)	(496)
Other	(33)	(49)	0	0	0
Financing cash flow	**119**	**(337)**	**(686)**	**(1,114)**	**(1,106)**
Change in cash	(80)	635	344	(184)	248
Balance sheet (ZARmn)					
Total assets	**17,093**	**15,807**	**14,122**	**13,840**	**13,950**
Cash and equivalents	398	457	1,214	1,030	1,277
Other current assets	2,991	2,219	2,479	2,675	2,819
Non-current assets	13,704	13,131	10,429	10,136	9,853
Total liabilities	**9,540**	**9,077**	**5,986**	**5,292**	**4,905**
Long-term liabilities	2,607	2,855	4,407	3,764	3,327
Current liabilities	6,933	6,222	1,579	1,528	1,579
Total shareholders' funds	**7,553**	**6,730**	**8,136**	**8,548**	**9,045**
Net debt/(cash) - excl ROU assets	5,402	2,171	728	210	(647)

Source: Factset, Company data, Chronux Research estimates

Valuation

Figure 2 Sum-of-the-Parts Valuation (FY23 Base)

Rm	Methodology/Comment	FY23E EBITDA (Rm)	Multiple applied (x)	Value ($m)	Value (Rm)
Cement - Southern Africa	EV/EBITDA	1247	5.0		6233
Cement - Zimbabwe	EV/EBITDA	822	3.0		2465
Aggregates&Readymix	EV/EBITDA	93	4.0		374
		2162	**4.2**		**9071**
Rwanda - Cimerwa	NPV of project finance SPV @10% nominal (US$M)			46	687
Ethiopia - Habesha	NPV of project finance SPV @12% nominal (US$m)			0	0
Enterprise value					**9758**
(Net debt)/cash - excluding project finance debt and Zimbabwe cash					(1615)
Zimbabwe cash (Treasury Bills and shares@50% recovery)					165
Equity value					**8308**
Shares in issue (m)					**1508**
Valuation (R/share)					**5.45**
Valuation of African projects (Rm)					***687***
Value of African projects (R/share)					***0.45***
Valuation ex-African projects (R/share)					***5.00***

Source: Company data, Chronux Research estimates

- We consider a 4-5 times EBITDA multiple suitable for a manufacturing business.
- PPC and the cement market are operating in a normalised state and therefore normal multiples can start to be applied to the earnings.
- We do perform a valuation in the event that tariffs are implemented and the 8-10% volume boost PPC should enjoy (and the consequent margin uplift due to operational gearing) does push our valuation to R6.89.
- However, as the outcome is binary in nature, we value PPC without ITAC tariffs as the base case.
- We adjust our Target Price to R5.45 (from R5.14).
- Our valuation on a PE basis is shown in the following table. We believe that PPC should trade at a 6-8x PE multiple.

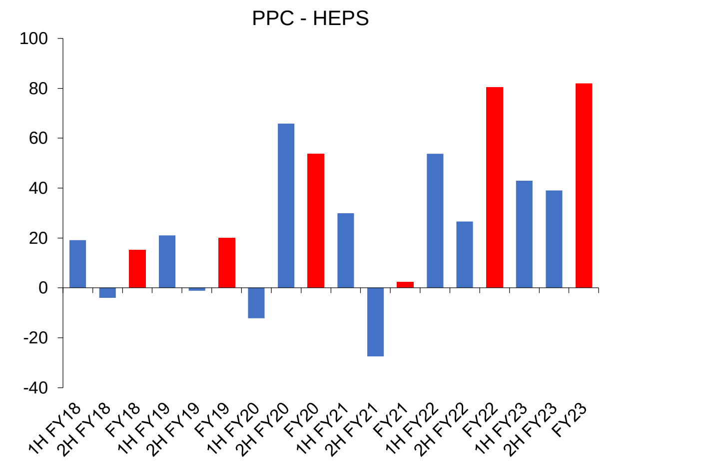
Figure 3 PE Valuation

	FY21A	FY22E	FY23E	FY24E
Diluted HEPS	2	80	82	99
PPC PE	162.8	4.9	4.8	4.0
TP exit PE	223.5	6.8	6.6	5.5

Source: Company data, Chronux Research estimates

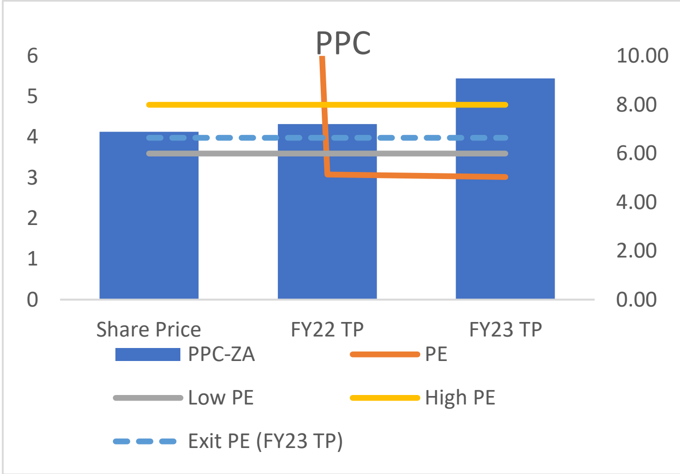
- The following charts show the PE range we believe applicable to PPC and the forward and exit PE multiple. The exit multiple applies to our FY23 Target Price of R5.45.

Figure 4 HEPS



Source: Chronux Research

Figure 5 PE Valuation Range



Source: Chronux Research

Impact of ITAC Tariffs

- The application to ITAC for tariffs on imported cement and clinker will have a significant positive impact on the local market. The local producers would gain back at least 8% of the market and the increased capacity utilisation as a result should push EBITDA margins well over 20% (and reduce required price increases to recover costs).
- PPC is likely to grow market share in this environment as it has the most spare capacity available, particularly on the W Cape.
- However, the process has been tortuously slow and is not guaranteed. Should tariffs be implemented our Target Price increases to R6.89.

Figure 6 Sum-of-the-Parts Valuation (FY23 Base) – ITAC Tariffs

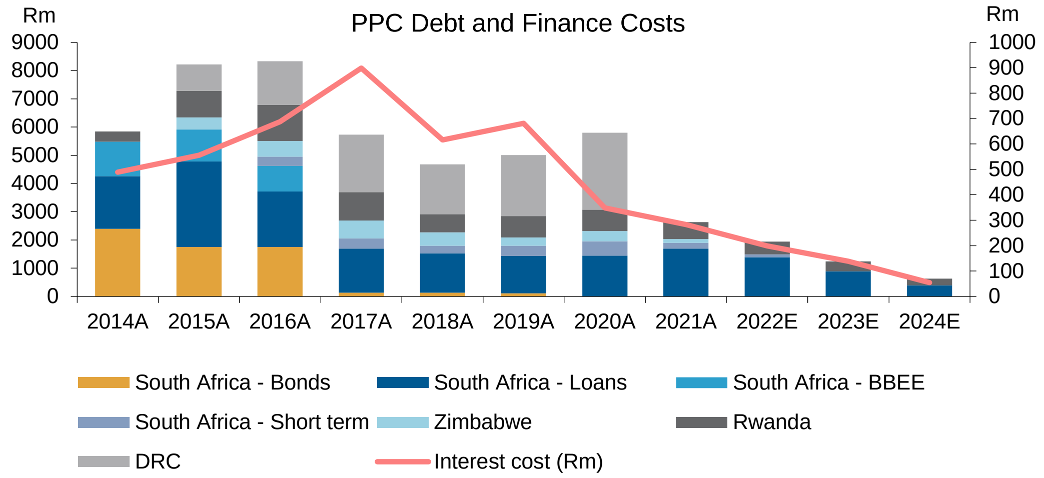
Rm	Methodology/Comment	FY23E EBITDA (Rm)	Multiple applied (x)	Value ($m)	Value (Rm)
Cement - Southern Africa	EV/EBITDA	1686	5.0		8429
Cement - Zimbabwe	EV/EBITDA	822	3.0		2465
Aggregates&Readymix	EV/EBITDA	93	4.0		374
		2601	**4.3**		**11268**
Rwanda - Cimerwa	NPV of project finance SPV @10% nominal (US$M)			46	687
Ethiopia - Habesha	NPV of project finance SPV @12% nominal (US$m)			0	0
Enterprise value					**11955**
(Net debt)/cash - excluding project finance debt and Zimbabwe cash					(1615)
Zimbabwe cash (Treasury Bills and shares@50% recovery)					165
Equity value					**10505**
Shares in issue (m)					**1508**
Valuation (R/share)					**6.89**
Valuation of African projects (Rm)					***687***
Value of African projects (R/share)					***0.45***
Valuation ex-African projects (R/share)					***6.44***

Source: Company data, Chronux Research estimates

Debt

- Debt levels are shown in the following chart. PPC deconsolidated the DRC financials from FY21, and this reduced the debt burden significantly. At the same time the strong cash generation in South Africa is allowing a paydown of local debt.

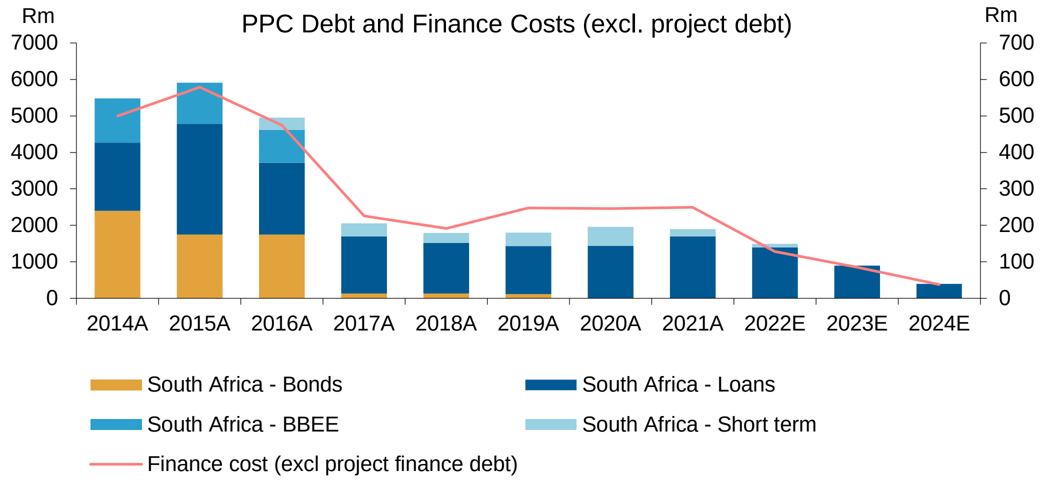
Figure 7 Debt and Interest Cost



Source: Company data, Chronux Research estimates

- The South African debt levels have declined over the years, and we expect the short-term loans to be repaid over the next 12-18 months through operational cashflows.
- South African debt has been renegotiated and restructured for the next five years. Funding costs are 120bps lower.

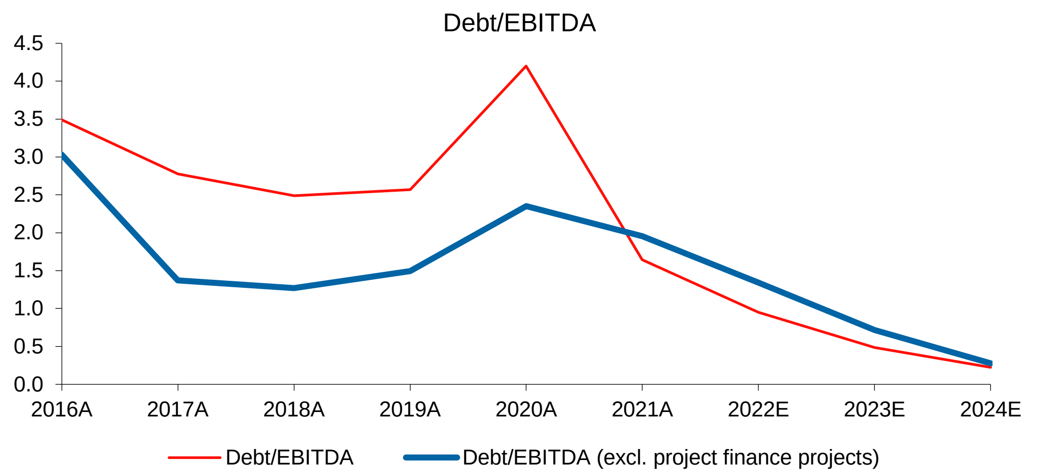
Figure 8 Debt and Interest Cost (excl. project debt)



Source: Company data, Chronux Research estimates

- Gross Debt: EBITDA levels are shown in the following chart.

Figure 9 Gross Debt: EBITDA



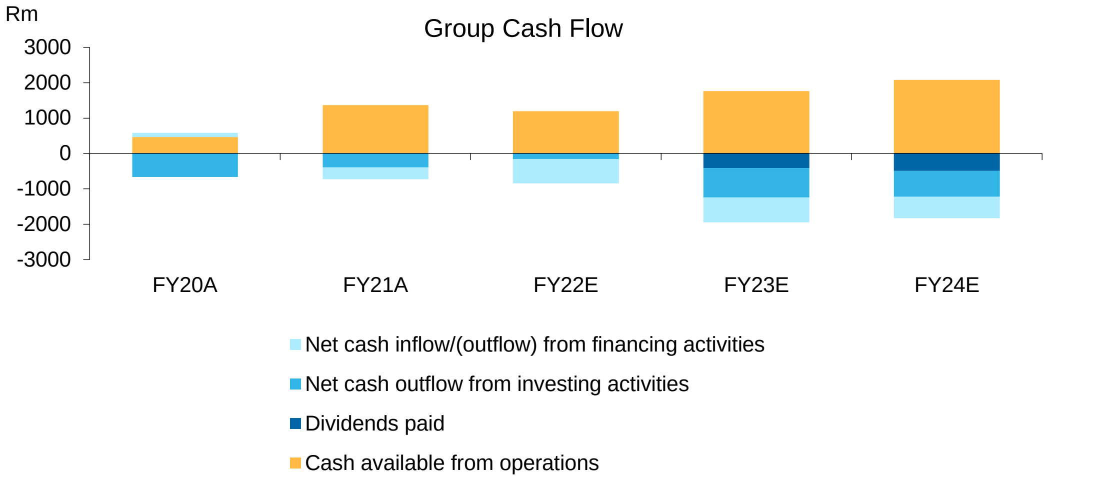
Source: Company data, Chronux Research estimates

- Debt covenants are no longer an issue and lenders have dropped the requirement for a possible capital raise.

Dividends

- Based on our cash flow forecasts, PPC should be able to resume paying dividend at a 3X cover in FY23 and still generate positive cash flow.

Figure 10 Group Cash Flow



Source: Company data, Chronux Research estimates

Capex

- Capex guidance was provided by PPC for maintenance and optimisation & expansion capex.

Figure 11 Capex

Maintenance Capex (Rm)	FY23	FY24	FY25
RSA & Botswana	300-350	300-350	300-350
Zimbabwe (US$)	6-9	5-7	3-5
Rwanda (US$)	5-7	3-5	2
Expansion Capex (Rm)	**FY23**	**FY24**	**FY25**
RSA & Botswana	150-180	150-180	0
Zimbabwe (US$)	2-5	0	9-13
Rwanda (US$)	0-3	0-3	4-8

Source: Company data, Chronux Research estimates

- South Africa – expansion capex is for the LC3 (calcined clay) project.
- Zimbabwe – maintenance capex is higher in the short-term due to the extended shutdown planned for Colleen Bawn providing the chance for a number of maintenance projects. Expansion capex is for the fly ash project and an LC3 project.
- Rwanda – maintenance capex is higher in the short-term for the cooler project with expansion capex for the raw mill project (addressing moisture in the raw material).

Notes from the Capital Market Day

SA and Botswana Cement

- Active capacity in South Africa is 16mtpa (total capacity 19mtpa). While South Africa does seem to be in perpetual overcapacity, a significant amount of capacity is not operational or mothballed.
- Demand is approx. 14mtpa at present. PPC expects a normalised annual cement demand growth of 2.5% - effectively 350kt per annum.
- PPC did make the statement that they do not see South Africa needing any new clinker capacity for the foreseeable future.
- Demand is being driven by the private sector, with very little contribution form public infrastructure spend.
- Capacity utilisation remains below 80%, with the global benchmark for efficient operation at 85%.
    - PPC, Sephaku, Mamba, AfriSam are running just below 80%
    - Lafarge is running around 55% (with two kilns operating)
- PPC remains the producer with the most spare capacity should and the ability to bring capacity on quickly should it be required. This was evident in the demand spike post-Covid lockdowns where PPC did win market share.
- Cement pricing is holding, and further price increase are planned for CY22 due to cost pressures linked to oil and coal. PPC may bring forward the second price increase to combat cost inflation. Competitors continue to be responsible in pricing, further evidence of the industry being forced to focus on margins over volumes (in no small part due to financial pressures at competitors).
- We estimate cost inflation to be approx. 10% due to spikes in oil and coal prices. PPC have considered surcharges but are wary of this approach and would rather recover costs through normal price increases. Coal purchases are on a contract basis and not at spot, but the pricing trend does follow coal export pricing and prices could increase substantially.
- Retail sales remain strong at 60-65% of sales. This does depress margins as bulk sales to the construction/industrial sector are at higher margins.

- Clinker reduction strategies include the use of calcine clay which could reduce clinker costs by 15-20% (less coal burned).
- PPC's Mega-Plant strategy (run the low-cost newer kilns at higher capacities and keep older kilns as standby capacity) continues to perform well as it does reduce the clinker factor.
- For example, Slurry 9 is 8-10% more cost efficient (variable cost) for clinker than Slurry 8. The cost of using the standby kilns is still competitive though as fixed costs are shared and this can serve growth in demand for a number of years.
- Dwaalboom's two kilns are relatively similar in cost. De Hoek's kilns are older, but the W Cape does have calcine clay which may be used at Riebeeck to extend the life of the older kilns there.
- EBITDA margins may come under some pressure in the short-term due to cost pressures (fuel, coal) and the emphasis will be on trying to reduce variable costs. Management believe that fixed costs have now been optimised.
- Packaging costs are being look at to find possible alternatives to expensive paper.
- **Carbon tax**: PPC has relief until 2024 with rebates applying to the full tariff. Work is ongoing to try and secure long-term rebates (it is difficult to decarbonise cement due to the production process).
- **Imports**: the ITAC ruling is still expected to favour local producers but continues to be delayed. In the interim the cement industry is looking at pushing for specific anti-dumping duties against Vietnam (similar to what was instituted against Pakistan).
- **Blenders**: the blender market has stabilised, but they have lost market share as OPC pricing to blenders has improved, making them less competitive. The larger blenders are being supported by the large integrated producers as a channel to market.

Zimbabwe

- The legacy debt has now been fully repaid.
- Sales are 55% in forex, which can be repatriated as dividends. US$10.6m in dividends have been repatriated over the past 18 months, with US$95m in total since 2010.
- Local costs are almost fully matched with local sales, and forex costs are covered by forex sales leaving extra forex for dividends.
- Demand is being driven by diaspora remittances back to Zimbabwe and large infrastructure projects.
- PPC's market share is above 50%, with the market currently at approx. 70% capacity utilisation. The market is tight with Lafarge having major issues with their plant and power disruptions an issue. There is a clinker deficit in the country and PPC is imprinting clinker from South Africa.
- Cement prices have increased.
- A 45-day shutdown is planned at Colleen Bawn and further clinker will be imported to cover for this downtime.
- A 20MW solar plant (with 20MW battery storage to help with power interruptions) is planned for Colleen Bawn and a 10MW plant for the grinding plant in Bulawayo.
- The clinker factor may be reduced by the use of fly ash from a new coal power station.

Rwanda

- Demand remains good in Rwanda despite the end of some large government projects (classroom project). There is a clinker shortage which is covered by imports. A new airport project should stimulate demand.
- Demand growth has been 6% and is expected to remain at this level.
- Open borders have meant that cement imports have increased, with Kenya being a new supplier into Rwanda.
- Cement pricing has remained flat.
- Exports into DRC are growing and are at 10-15ktpm. Burundi remains a closed market.
- Production levels remain below nameplate capacity as the plant works through some issues. The cooler was suboptimal and a limestone drying project is being implemented. PPC believe that the plant should be at 100% of nameplate capacity by 2024 (currently 72%).

Ethiopia

- The plant needs US$50m but PPC will not be contributing anything for the time being. Dealing with the equity partners remains challenging. It seems that PPC will not commit any funding to the project (as they are fully justified in doing as the project is ring-fenced through the project finance structure).

Decarbonisation

- PPC is looking to reduce the clinker factor to reduce carbon output. This is achieved by through the substitution of clinker with other materials and thermal substitution of coal.
- A 20% reduction in the clinker factor is planned by 2025, which should reduce the CO2 output by 10% from 756kg/t to 680kg/t. The capital cost to achieve this is planned at R664m.
- Car tyres are being used for thermal substitution at De Hoek (5-7% substitution). PPC plans to get to 20% thermal substitution through burning shredded tyres (whole tyres are being used at present). Challenges are the supply of tyres, which in theory are collected and disposed through a charge levied on the sale of new tyres. PPC do not anticipate having to pay for the tyres or for the logistics cost to get to the plants – burning tyres in a cement kiln is actually a value-add service which has value in other parts of the world.
- Renewable energy projects will be used to replace coal derived electricity.
- These projects all have positive NPV’s and do not add to costs.

Financial

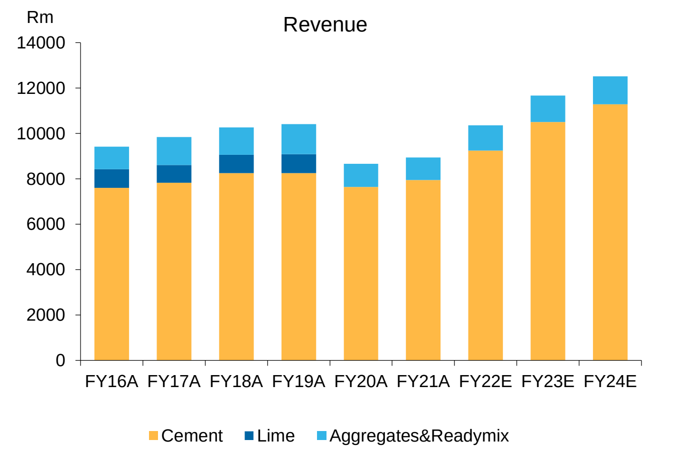
- Gross debt to EBITDA is below 1.3 times for the group. (1.3 times in SA and Rwanda, zero in Zimbabwe after the debt has been paid off).
- PPC can start to consider a dividend, and this is likely in FY23. The Zimbabwe balance sheet can be geared up with demand for debt from Zimbabwean institutions. Rwanda has deferred tax to pay, and dividends are therefore not likely yet.

Strategy

- The possible new kiln at Riebeeck has been delayed indefinitely with the calcined clay project (better suited in older kilns) planned as an alternative. This will reduce limestone consumption from De Hoek.
- South Africa has enough clinker capacity for the foreseeable future and PPC will focus on cost reduction, clinker factor reduction, decarbonisation and optimisation.
- Africa does need more capacity, but PPC will not commit capital to growth due to the risk involved.
- Capital allocation will therefore mainly be to South Africa (with some work required in Zimbabwe and Rwanda in the short-term).
- PPC has kept up with maintenance and we do not foresee any increase in maintenance costs to maintain or increase capacity factors. This is different to many of the peers who may need to spend significant capex to increase production from their plants.
- CEO Roland Van Wijnen has a 4-year contract to October 2023. At present there is no clear view on whether he will be offered an extension or would want an extension. His presence as a career cement person has been very valuable to PPC (there was little cement experience in the previous CEO’s for a long time) and PPC is in a better financial and market position from when he arrived.

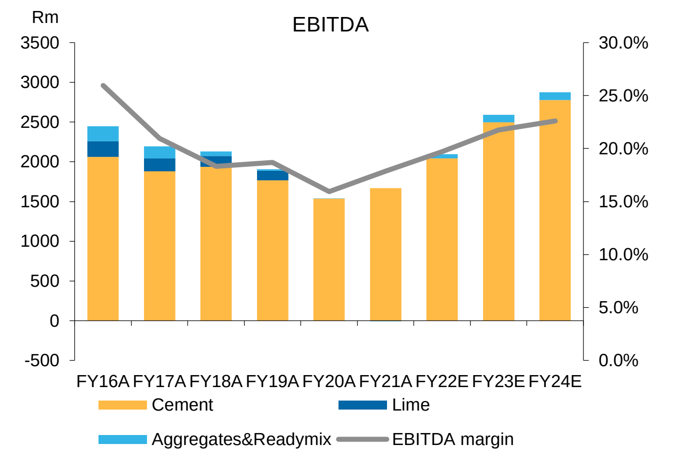
Divisional Forecast

Figure 12 PPC Revenue



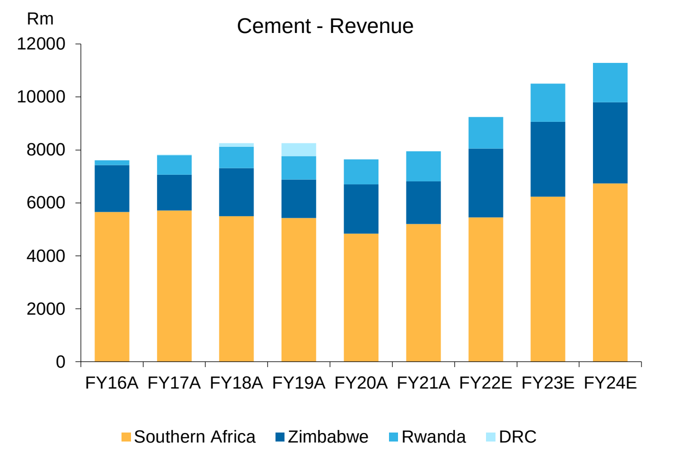
Source: Chronux Research

Figure 13 PPC EBITDA



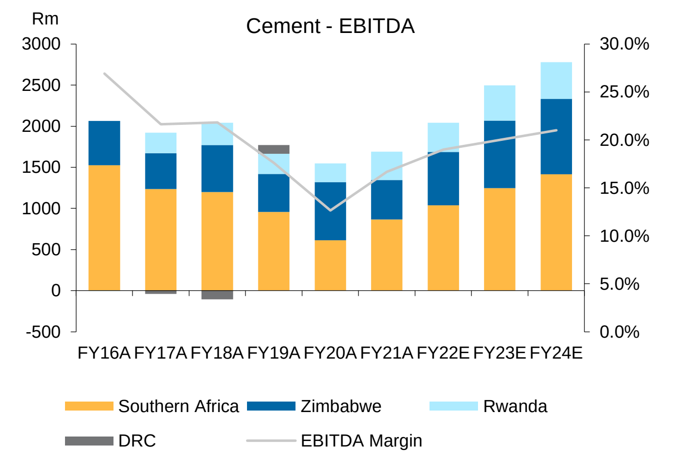
Source: Chronux Research

Figure 14 Cement Revenue



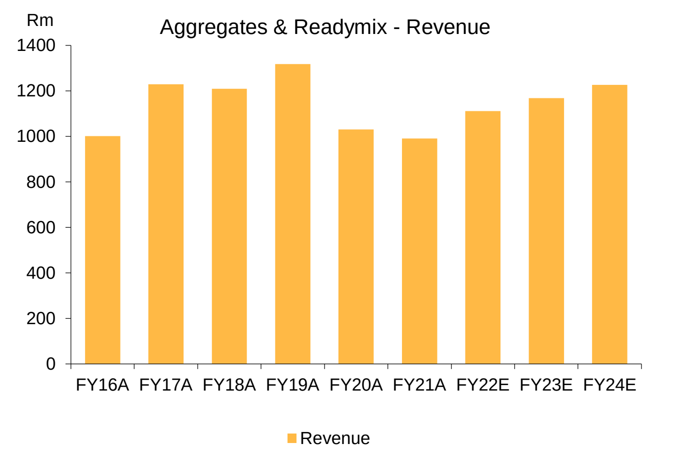
Source: Chronux Research

Figure 15 Cement EBITDA



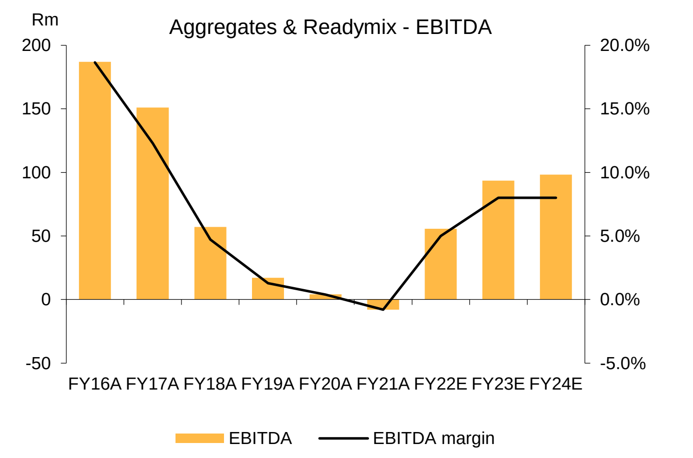
Source: Chronux Research

Figure 16 Aggregates & Readymix Revenue



Source: Chronux Research

Figure 17 Aggregates & Readymix EBITDA



Source: Chronux Research

Figure 18 Divisional Forecasts

ZARm	**FY16A**	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**FY22E**	**FY23E**	**FY24E**
PPC									
Revenue	9187	9845	10271	10409	8671	8938	10355	11672	12516
EBITDA	2385	2065	1881	1946	1381	1598	2041	2541	2831
EBITDA margin	*26.0%*	*21.0%*	*18.3%*	*18.7%*	*15.9%*	*17.9%*	*19.7%*	*21.8%*	*22.6%*
Cement									
Revenue	**7605**	**7830**	**8261**	**8257**	**7640**	**7947**	**9243**	**10504**	**11289**
Southern Africa	*5659*	*5712*	*5499*	*5431*	*4843*	*5196*	*5456*	*6233*	*6735*
Zimbabwe	*1773*	*1352*	*1813*	*1447*	*1861*	*1623*	*2595*	*2833*	*3064*
Rwanda	*173*	*733*	*804*	*885*	*936*	*1128*	*1192*	*1438*	*1489*
DRC	*0*	*24*	*144*	*494*	*0*	*0*	*0*	*0*	*0*
Other	*3*	*6*	*-1*	*0*	*0*	*0*	*0*	*0*	*0*
EBITDA	**2064**	**1880**	**1937**	**1767**	**1536**	**1669**	**2042**	**2498**	**2779**
Southern Africa	*1524*	*1235*	*1200*	*957*	*613*	*866*	*1037*	*1247*	*1414*
Zimbabwe	*540*	*438*	*573*	*461*	*707*	*481*	*649*	*822*	*919*
Rwanda	*0*	*250*	*270*	*246*	*226*	*342*	*357*	*430*	*445*
DRC	*0*	*-39*	*-105*	*108*	*0*	*0*	*0*	*0*	*0*
Other	*0*	*-4*	*-1*	*-5*	*-7*	*-20*	*0*	*0*	*0*
EBITDA Margin	**26.9%**	**21.6%**	**21.8%**	**17.6%**	**12.7%**	**16.7%**	**19.0%**	**20.0%**	**21.0%**
South Africa	*26.9%*	*21.6%*	*21.8%*	*17.6%*	*12.7%*	*16.7%*	*19.0%*	*20.0%*	*21.0%*
Zimbabwe	*30.5%*	*32.4%*	*31.6%*	*31.9%*	*38.0%*	*29.6%*	*25.0%*	*29.0%*	*30.0%*
Rwanda	*-0.3%*	*34.1%*	*33.6%*	*27.8%*	*24.1%*	*30.3%*	*29.9%*	*29.9%*	*29.9%*
DRC		*-162.5%*	*-72.9%*	*21.9%*					
Lime									
Revenue	817	786	801	834	0	0	0	0	0
EBITDA	196	165	135	123	0	0	0	0	0
EBITDA Margin	*24.0%*	*21.0%*	*16.9%*	*14.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Aggregates&Readymix									
Revenue	1002	1229	1209	1318	1031	991	1112	1168	1227
EBITDA	187	151	57	17	4	-8	56	93	98
EBITDA Margin	*18.7%*	*12.3%*	*4.7%*	*1.3%*	*0.4%*	*-0.8%*	*5.0%*	*8.0%*	*8.0%*

Source: Company data, Chronux Research estimates

Figure 19 Divisional Forecasts – Cement South Africa

Southern Africa Cement				**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Revenue	**5659**	**5712**	**5499**	**5431**	**4843**	**5196**	**5456**	**6233**	**6735**
Cost of sales	4521	4851	4672	4867	4628	4609	4704	5276	5617
Cost increase		*7%*	*-4%*	*4%*	*-5%*	*0%*	*2%*	*12%*	*6%*
Operating Profit before IFRS	**1138**	**861**	**827**	**564**	**215**	**587**	**752**	**956**	**1118**
BEE IFRS 2 charges	1	16	0	0	0	0	0	0	0
Operating Profit	**1137**	**845**	**827**	**564**	**215**	**587**	**752**	**956**	**1118**
FVA	10	-5	-19	10	-19	4	26	0	0
Impairments				-76	-1819	1450			
Finance costs	25	214	265	222	235	234	108	68	24
Investment income	8	11	42	61	78	158	79	81	84
Profit before equity accounted earnings	**1130**	**637**	**585**	**337**	**-1780**	**1965**	**749**	**969**	**1178**
Earnings from equity accounted investments	0	0	0	0	0	0	0	0	0
Impairments and profit on sale of non-core assets	0	0	11	-82	0	0	0	0	0
Profit before taxation	**1130**	**637**	**596**	**255**	**-1780**	**1965**	**749**	**969**	**1178**
Taxation	318	192	202	-130	-454	570	283	367	445
Tax rate	*28%*	*30%*	*34%*	*-51%*	*26%*	*29%*	*38%*	*38%*	*38%*
Profit	**812**	**445**	**394**	**385**	**-1326**	**1395**	**466**	**603**	**733**
Depreciation and amortisation	386	374	373	393	398	279	285	290	296
EBITDA	**1524**	**1235**	**1200**	**957**	**613**	**866**	**1037**	**1247**	**1414**
EBITDA margin	26.9%	21.6%	21.8%	17.6%	12.7%	16.7%	19.0%	20.0%	21.0%

Source: Company data, Chronux Research estimates

Figure 20 Divisional Forecasts – Cement International

International Cement	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Revenue				**2911**	**2797**	**2751**	**3788**	**4272**	**4553**
Cost of sales				2580	2135	2113	2955	3196	3368
Cost increase					*-17%*	*-1%*	*40%*	*8%*	*5%*
Operating Profit before IFRS				**331**	**662**	**638**	**833**	**1076**	**1186**
BEE IFRS 2 charges				2	1	0	0	0	0
Operating Profit				**329**	**661**	**638**	**833**	**1076**	**1186**
FVA				-43	580	-204	456	0	0
Impairments				0	0	2			
Finance costs				447	149	122	65	49	12
Finance costs check									
Investment income				64	3	5	6	6	6
Profit before equity accounted earnings				**-97**	**1095**	**319**	**1230**	**1033**	**1179**
Earnings from equity accounted investments				-60	0	0	0	0	0
Profit before taxation				**-157**	**1095**	**319**	**1230**	**1033**	**1179**
Taxation				5	252	199	283	238	271
Tax rate				*24%*	*23%*	*62%*	*23%*	*23%*	*23%*
Profit				**-162**	**843**	**120**	**947**	**795**	**908**
Depreciation and amortisation				479	261	165	172	175	178
EBITDA				**810**	**923**	**803**	**1006**	**1252**	**1365**
EBITDA margin				27.8%	33.0%	29.2%	26.5%	29.3%	30.0%

Source: Company data, Chronux Research estimates

Figure 21 Divisional Forecasts – Aggregates & Readymix

Aggregates, Readymix & Ash	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Revenue				**1318**	**1031**	**991**	**1112**	**1168**	**1227**
Cost of sales				1381	1108	1075	1132	1151	1205
Cost increase					*-20%*	*-3%*	*5%*	*2%*	*5%*
Operating Profit before IFRS				**-63**	**-77**	**-84**	**-20**	**17**	**22**
BEE IFRS 2 charges				0	0	0	0	0	0
Operating Profit				**-63**	**-77**	**-84**	**-20**	**17**	**22**
FVA				3	-127	-135	0	0	0
Finance costs				27	6	26	21	17	13
Investment income				17	8	13	32	32	32
Profit before equity accounted earnings				**-70**	**-202**	**-232**	**-9**	**33**	**41**
Earnings from equity accounted investments				0	0	0	0	0	0
Impairments and profit on sale of non-core assets				0	0	0	0	0	0
Profit before taxation				**-70**	**-202**	**-232**	**-9**	**33**	**41**
Taxation				-9	-8	-24	-1	3	4
Tax rate				*28%*	*4%*	*10%*	*10%*	*10%*	*10%*
Profit				**-61**	**-194**	**-208**	**-8**	**29**	**37**
Depreciation and amortisation				80	81	76	76	76	76
EBITDA	**187**	**151**	**57**	**17**	**4**	**-8**	**56**	**93**	**98**
EBITDA margin				1.3%	0.4%	-0.8%	5.0%	8.0%	8.0%

Source: Company data, Chronux Research estimates

Figure 22 Income Statement - Forecast

PPC Ltd.	09/2011	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Sales	**6826**	**7346**	**8316**	**9039**	**9002**	**9641**	**10271**	**10409**	**10241**	**8938**	**10355**	**11672**	**12516**
Cost of Goods Sold (COGS) incl. D&A	4519	4832	5575	6266	6596	7498	9315	8520	8365	6970	7410	8352	8956
Gross Income	**2307**	**2514**	**2741**	**2773**	**2406**	**2143**	**956**	**1889**	**1876**	**1968**	**2946**	**3320**	**3560**
SG&A Expense	567	645	749	1052	914	1097	-	981	0	887	1464	1348	1306
Other Operating Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT (Operating Income)	**1740**	**1869**	**1992**	**1721**	**1492**	**1046**	**956**	**908**	**733**	**1081**	**1482**	**1972**	**2254**
Nonoperating Income - Net	39	24	20	6	120	-144	-119	46	788	-577	500	63	66
Interest Expense	362	374	383	458	596	695	593	614	632	271	199	139	55
Unusual Expense - Net	47	123	211	88	2	28	-58	123	3181	-1530	3	0	0
Income Taxes	520	557	507	356	312	153	205	6	97	742	565	607	721
Equity in Earnings of Affiliates	15	7	20	24	0	1	-60	-67	1	2	0	0	0
Consolidated Net Income	**865**	**846**	**931**	**849**	**702**	**27**	**37**	**144**	**-2388**	**1023**	**1215**	**1289**	**1544**
Minority Interest	80	78	0	9	-36	-66	-112	-91	-516	40	50	53	55
Net Income	**785**	**768**	**931**	**840**	**738**	**93**	**149**	**235**	**-1872**	**983**	**1165**	**1237**	**1489**
Discontinued Operations	0	0	0	0	0	0	0	0	0	-794	0	0	0
Net Income available to Common	785	768	931	840	738	93	149	235	-1872	189	1165	1237	1489
Per Share													
EPS (recurring)	1.13	1.18	1.35	1.13	0.92	0.10	0.07	0.21	0.24	-0.58	0.93	0.82	0.99
EPS (diluted)	1.09	1.06	1.16	1.05	0.92	0.08	0.10	0.15	-1.24	0.12	0.93	0.82	0.99
Earnings Persistence	91.40	90.34	82.74	72.25	72.78	85.33	86.67	85.25	84.86	78.38			
Dividends per Share	0.86	0.97	1.04	0.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.33
EBITDA													
EBITDA	2176	2330	2514	2336	2278	1878	1832	1926	1750	1628	2041	2541	2831

All figures in millions of South African Rand except per share items.

PPC Ltd.	09/2011	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Rental Expense	9	11	12	-	13	27	37	39	12	8			
Stock Option Comp Exp (Net of Tax)	3	30	17	31	13	148	35	32	12	0			
Foreign Currency Translation Gains/Losses	10	-3	18	-	-	-	-100	32	190	-376			
Tax Rate	38.0	39.9	35.8	30.1	30.8	85.5	67.9	2.8	-	42.1	28.1	32.0	31.8
Headline EPS	1.10	1.08	1.19	1.19	0.35	0.07	0.15	0.20	0.27	-0.15	0.80	0.82	0.99
Headline EPS (diluted)	1.09	1.06	1.17	1.17	0.35	0.07	0.16	0.20	0.27	-0.15	0.80	0.82	0.99

PPC Ltd.	09/2011	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Price / Sales	1.6	1.9	1.9	1.7	0.7	0.8	1.2	0.7	0.3	0.4	0.6	0.5	0.5
Price / Earnings	14.1	18.0	17.0	18.5	8.7	81.4	78.5	30.2	-1.4	19.2	4.9	4.8	4.0
Price / Book Value	12.8	12.9	10.1	8.7	2.1	1.2	1.5	0.8	0.3	0.5	0.7	0.7	0.7
Price / Tangible Book Value	14.2	14.6	12.8	18.2	3.2	1.4	1.7	0.8	0.4	0.5	0.8	0.7	0.7
Price / Cash Flow	7.8	8.5	7.6	9.2	19.5	8.8	8.4	5.7	5.5	2.7			
Price / Free Cash Flow	11.8	13.4	14.0	-	-	-	23.6	14.9	-	3.7			
Dividend Yield (%)	5.6	5.0	5.2	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.9	8.3
Enterprise Value / EBIT	8.9	9.9	10.0	12.7	10.5	14.3	16.6	12.9	10.7	5.3	3.9	2.9	2.5
Enterprise Value / EBITDA	7.1	8.0	7.9	9.4	6.9	7.9	8.6	6.1	4.5	3.5	2.8	2.3	2.0
Enterprise Value / Sales	2.3	2.5	2.4	2.4	1.7	1.5	1.5	1.1	0.8	0.6	0.6	0.5	0.5
EBIT / Interest Expense (Int. Coverage)	4.8	4.9	5.1	3.5	1.8	1.1	1.6	1.5	1.2	4.0	7.5	14.2	41.3

Source: Factset, Company data, Chronux Research estimates

Figure 23 Balance Sheet and Cash Flow - Forecast

	09/2011	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Assets													
Cash & Short-Term Investments	224	248	492	563	460	990	836	452	398	457	1214	1030	1277
Short-Term Receivables	863	765	874	1091	1092	1547	1129	1194	1082	942	1150	1297	1391
Inventories	709	841	923	894	1121	1163	1182	1276	1596	1111	1214	1263	1314
Other Current Assets	38	55	176	89	95	105	115	149	313	166	0	0	0
Total Current Assets	**1834**	**1909**	**2465**	**2637**	**2768**	**3805**	**3262**	**3071**	**3389**	**2676**	**3578**	**3590**	**3982**
Net Property, Plant & Equipment	4287	4483	5522	7223	11716	12569	11393	12587	12389	9645	9825	9520	9225
Total Investments and Advances	191	373	556	432	329	357	322	872	371	246	323	328	334
Long-Term Note Receivable	13	0	0	3	319	210	59	91	105	0	0	0	0
Intangible Assets	94	139	333	949	1021	914	787	794	506	232	207	214	221
Deferred Tax Assets	-	3	-	9	52	142	245	220	26	24	20	20	20
Other Assets	0	0	0	322	184	38	138	193	307	2984	0	0	0
Total Assets	**6419**	**6907**	**8876**	**11575**	**16389**	**18035**	**16206**	**17828**	**17093**	**15807**	**13954**	**13672**	**13782**
Liabilities & Shareholders' Equity													
ST Debt & Curr. Portion LT Debt	811	869	584	351	4557	2183	603	938	5074	1673	100	0	0
Accounts Payable	476	445	535	664	994	944	991	1368	1103	707	1208	1256	1307
Income Tax Payable	51	72	42	142	18	152	71	3	65	30	250	250	250
Other Current Liabilities	289	337	673	814	528	745	744	551	691	513	0	0	0
Total Current Liabilities	**1627**	**1723**	**1834**	**1971**	**6097**	**4024**	**2409**	**2860**	**6933**	**2923**	**1558**	**1507**	**1558**
Long-Term Debt	2699	2716	3462	5740	4614	3558	4079	4066	856	1015	1842	1240	630
Provision for Risks & Charges	297	320	348	374	408	545	526	427	450	219	252	278	306
Deferred Tax Liabilities	740	859	1063	1030	1178	1073	1042	844	1255	1621	1911	1989	2069
Other Liabilities	101	113	27	42	529	450	262	291	46	3299	373	230	293
Total Liabilities	**5464**	**5731**	**6734**	**9157**	**12826**	**9650**	**8318**	**8488**	**9540**	**9077**	**5937**	**5243**	**4856**
Common Equity	955	1176	1560	1815	3028	8051	7768	9225	7780	6883	8279	8691	9188
Total Shareholders' Equity	955	1176	1560	1815	3028	8051	7768	9225	7780	6883	8279	8691	9188
Accumulated Minority Interest	0	0	582	603	535	334	120	115	-227	-153	-143	-143	-143
Total Equity	955	1176	2142	2418	3563	8385	7888	9340	7553	6730	8136	8548	9045
Total Liabilities & Shareholders' Equ	**6419**	**6907**	**8876**	**11575**	**16389**	**18035**	**16206**	**17828**	**17093**	**15807**	**14073**	**13791**	**13901**
Per Share													
Book Value per Share	1.21	1.49	1.99	2.27	3.81	5.33	5.13	6.13	5.16	4.56	5.40	5.67	6.00
Tangible Book Value per Share	1.09	1.32	1.56	1.08	2.53	4.73	4.61	5.60	4.83	4.41	5.26	5.53	5.85

	09/2011	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Operating Activities													
Net Income / Starting Line	1374	1396	1419	-	507	180	242	150	-2291	1765	779	1289	1544
Depreciation, Depletion & Amortization	436	461	522	-	393	832	876	1019	1016	547	559	569	577
Other Funds	-350	-173	-227	-	-242	903	-99	25	2186	-764	0	0	0
Funds from Operations	**1460**	**1684**	**1714**	**1600**	**658**	**1083**	**1019**	**1194**	**911**	**1548**	**1338**	**1858**	**2122**
Changes in Working Capital	-25	-33	399	111	-324	-230	411	63	-448	-184	-147	-98	-43
Net Operating Cash Flow	**1435**	**1651**	**2113**	**1711**	**334**	**853**	**1430**	**1257**	**463**	**1364**	**1191**	**1760**	**2079**
Investing Activities													
Capital Expenditures	-517	-640	-970	-2182	-1188	-2077	-927	-797	-670	-383	-662	-830	-725
Net Assets from Acquisitions	0	-42	-140	-662	0	0	-	0	0	0	6	9	12
Sale of Fixed Assets & Businesses	4	2	15	0	4	4	29	9	8	10	500	0	0
Purchase/Sale of Investments	-2	-177	-124	-3	78	-18	-42	-324	0	0	0	0	0
Other Funds	11	-81	0	7	-177	0	28	12	0	-19	0	0	0
Net Investing Cash Flow	**-504**	**-938**	**-1219**	**-2840**	**-1283**	**-2091**	**-912**	**-1100**	**-662**	**-392**	**-156**	**-821**	**-713**
Financing Activities													
Cash Dividends Paid	-876	-706	-770	-880	-185	-8	0	-4	0	0	0	-412	-496
Change in Capital Stock	0	0	0	-53	0	4689	20	-41	0	0	0	0	0
Issuance/Reduction of Debt, Net	-84	15	150	1951	849	-2984	-597	-310	152	-288	-686	-702	-610
Other Funds	13	2	-56	0	0	137	0	0	0	-10	0	0	0
Net Financing Cash Flow	**-947**	**-689**	**-676**	**1018**	**664**	**1834**	**-577**	**-355**	**119**	**-337**	**-686**	**-1114**	**-1106**
Exchange Rate Effect	-	-	20	33	27	-70	-95	-186	26	-163	0	0	0
Net Change in Cash	-16	24	238	-78	-258	526	-154	-384	-54	472	350	-175	260
Free Cash Flow	**952**	**1042**	**1149**	**-471**	**-842**	**-1205**	**509**	**484**	**-187**	**997**	**1098**	**1376**	**1883**
Free Cash Flow per Share	1.32	1.44	1.44	-0.59	-1.05	-1.05	0.33	0.32	-0.12	0.66	0.73	0.91	1.25
Free Cash Flow Yield (%)	8.5	7.5	7.2	-3.0	-12.9	-16.1	4.2	6.7	-7.3	27.4	18.3	23.0	31.5

Source: Factset, Company data, Chronux Research estimates

Disclaimer: