



## PPC – 1H FY23 Results

Date: 29 November 2022

**Key message:** Weakening demand and market share wars have decimated margins. Planned price increases (12-15%) need to stick to recover cost increases.

- PPC released 1H FY23 results, with revenue up by 9% (excl. Zimbabwe). Excl. Zimbabwe, costs increased by 11%. Hyperinflation in Zimbabwe caused a negative R206m net monetary impact.
- Finance costs declined by 43% as de-gearing continues and interest rates fell after negotiating improved debt terms. HEPS fell to a loss of 3c (from 53c). Excl. Zimbabwe HEPS fell to 4c (from 10c).
- **Cement South Africa and Botswana:** Sales volumes down 2.6% and prices up 5%. We forecast revenue to increase 11% for FY23 with the EBITDA margin decreasing to 11% (from 15.2%) as severe cost inflation is unlikely to be recovered through pricing alone.
- Retail sales have weakened substantially, and we do not see a meaningful recovery in cement demand in the current economic environment. Price increases are the only lever for cement companies to recover margin lost to cost increases and volume declines.
- PPC is looking to increase cement prices by 12-15% in January 2023. This is the minimum required just to recover cost inflation – this will not take EBITDA margins back to 20% yet (a volume recovery would be required for that).
- **Zimbabwe:** Sales volumes down 13% due to the kiln shutdown. Volumes had recovered by 2Q. Prices increased by 12% over the period to recover input cost inflation. Management expects cash extraction of US\$8-10m/yr from Zimbabwe with 50-60% of revenue generated in US\$ being free funds for dividend payments.
- **Rwanda:** Sales volumes up 11% due to public infrastructure spend, general construction and exports to DRC. Plant performance has improved.
- Planned cement price increases will only take effect at the end of 2H and FY23 results will therefore remain subdued. A recovery into FY24 is forecast assuming the price increases stick.
- We have used FY24 as the base year for our valuation as FY23 will be impacted by severe cost inflation, weaker volumes and lower than expected price increases. We adjust our Target Price to R3.87 (from R4.90). Our FY23 valuation is R2.85 (from R3.60).

### Analyst

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Price (29/11/2022): R2.75

Target Price: R3.87

Market cap R4.35bn

Shares in issue 1536m

### Financial summary

ZARmn (year to March)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	8938	9882	10202	11267	12406
EBITDA	1598	1493	1515	1957	2461
Net income	983	-70	163	607	1019
Headline EPS (diluted)	-73	-13	8	39	66
PE Ratio	19.2	-75.4	37.9	7.3	4.3
Dividend	0	0	1	10	17
Dividend yield (%)	0.0%	0.0%	0.2%	3.4%	5.8%

Source: Factset, Company data, Chronux Research estimates

***Sponsored Research:** Chronux Research is compensated by certain corporates to produce objective and impartial research. A Recommendation is not provided. Earnings forecasts and a Target Price are the independent view of the analyst, based on his/her view of all factors that could influence earnings and peer comparisons. Management has no editorial input.*

Figure 1 Financial summary

Financial year to March	FY21A	FY22A	FY23E	FY24E	FY25E
ZAR/USD exchange rate	16.35	14.89	16.86	17.12	17.39
<b>Per share data</b>					
Earnings (diluted)	65	6	4	39	66
<b>Headline earnings (diluted)</b>	<b>(73)</b>	<b>(13)</b>	<b>8</b>	<b>39</b>	<b>66</b>
NAV	4.56	4.57	5.04	5.04	5.04
Dividend	0	0	1	10	17
<b>Valuation ratios</b>					
P/E ratio	19.2	(75.4)	37.9	7.3	4.3
EV/EBITDA	3.5	5.0	3.8	2.9	2.3
P/B	0.53	0.93	0.57	0.57	0.57
Dividend yield	0.0%	0.0%	0.2%	3.4%	5.8%
<b>Income Statement (ZARmn)</b>					
Sales	8,938	9,882	10,202	11,267	12,406
<i>Sales growth</i>		<b>10.6%</b>	<b>3.2%</b>	<b>10.4%</b>	<b>10.1%</b>
Cost of Goods Sold (COGS)	(6,877)	(8,352)	(8,623)	(9,522)	(10,485)
<b>Gross Income</b>	<b>2,061</b>	<b>1,530</b>	<b>1,580</b>	<b>1,744</b>	<b>1,921</b>
<i>Gross margin</i>	<b>23.1%</b>	<b>15.5%</b>	<b>15.5%</b>	<b>15.5%</b>	<b>15.5%</b>
SG&A Expense	1,007	1,057	65	(212)	(540)
Other Operating Income/Expense	977	(57)	(126)	0	0
<b>EBITDA</b>	<b>1,598</b>	<b>1,493</b>	<b>1,515</b>	<b>1,957</b>	<b>2,461</b>
<i>EBITDA margin</i>	<b>17.9%</b>	<b>15.1%</b>	<b>14.8%</b>	<b>17.4%</b>	<b>19.8%</b>
Depreciation & Amortisation	547	971	911	926	938
<b>EBIT (Operating Income)</b>	<b>2,031</b>	<b>416</b>	<b>488</b>	<b>1,031</b>	<b>1,523</b>
<i>EBIT margin</i>	<b>22.7%</b>	<b>4.2%</b>	<b>4.8%</b>	<b>9.1%</b>	<b>12.3%</b>
Nonoperating Income - Net	15	10	25	25	25
Net Interest Expense	(283)	(240)	(160)	(129)	(129)
Equity in Earnings of Affiliates	2	0	23	0	0
<b>PBT</b>	<b>1,765</b>	<b>186</b>	<b>376</b>	<b>927</b>	<b>1,419</b>
Income Taxes	742	207	161	266	343
<i>Tax rate</i>	<b>-42.0%</b>	<b>-111.3%</b>	<b>-42.9%</b>	<b>-28.7%</b>	<b>-24.2%</b>
Consolidated Net Income	1,023	(21)	215	661	1,075
Minority Interest	(40)	(49)	(51)	(54)	(57)
<b>Net Income</b>	<b>983</b>	<b>(70)</b>	<b>163</b>	<b>607</b>	<b>1,019</b>
<b>Cash flow statement (ZARmn)</b>					
Changes in working capital	(184)	(62)	(6)	(57)	(62)
<b>Cash from operating activities</b>	<b>1,364</b>	<b>1,045</b>	<b>1,213</b>	<b>1,530</b>	<b>1,951</b>
Capital expenditure	(357)	(526)	(560)	(500)	(500)
Other	(35)	454	0	0	0
<b>Investing cash flow</b>	<b>(392)</b>	<b>(72)</b>	<b>(560)</b>	<b>(500)</b>	<b>(500)</b>
Changes in borrowings	(288)	(982)	(110)	(44)	(43)
Dividend paid	0	0	(11)	(152)	(255)
Other	(49)	3	0	0	0
<b>Financing cash flow</b>	<b>(337)</b>	<b>(979)</b>	<b>(121)</b>	<b>(196)</b>	<b>(298)</b>
Change in cash	635	(6)	533	834	1,154
<b>Balance sheet (ZARmn)</b>					
<b>Total assets</b>	<b>15,807</b>	<b>14,867</b>	<b>11,762</b>	<b>12,519</b>	<b>13,613</b>
Cash and equivalents	457	577	1,297	2,131	3,284
Other current assets	2,219	2,134	2,273	2,429	2,596
Non-current assets	13,131	12,156	8,192	7,959	7,733
<b>Total liabilities</b>	<b>9,077</b>	<b>7,956</b>	<b>4,013</b>	<b>4,770</b>	<b>5,864</b>
Long-term liabilities	2,855	3,053	2,347	3,153	4,193
Current liabilities	6,222	4,903	1,665	1,617	1,672
<b>Total shareholders' funds</b>	<b>6,730</b>	<b>6,911</b>	<b>7,749</b>	<b>7,749</b>	<b>7,749</b>
Net debt/(cash) - excl ROU assets	2,171	1,009	179	(699)	(1,896)

Source: Factset, Company data, Chronux Research estimates

## Valuation

**Figure 2 Sum-of-the-Parts Valuation (FY24 Base)**

Rm	Methodology/Comment	FY24E EBITDA (Rm)	Multiple applied (x)	Value (\$m)	Value (Rm)
Cement - Southern Africa	EV/EBITDA	990	4.0		3961
Aggregates&Readymix	EV/EBITDA	<u>90</u>	<u>4.0</u>		<u>359</u>
		<b>1080</b>	<b>4.0</b>		<b>4320</b>
Cement - Zimbabwe	Dividend discount on US\$8m/yr @8%				1500
Rwanda - Cimerwa	NPV of project finance SPV @10% nominal (US\$M)			52	777
<b>Enterprise value</b>					<b>6596</b>
(Net debt)/cash - excluding project finance debt and Zimbabwe cash					(691)
<b>Equity value</b>					<b>5905</b>
<b>Shares in issue (m)</b>					<b>1536</b>
<b>Valuation (R/share)</b>					<b>3.87</b>

Source: Company data, Chronux Research estimates

- We consider a 4-5 times EBITDA multiple suitable for a manufacturing business.
- With hyperinflation impacting the Zimbabwean operations, we have changed to a dividend discount model to value the business. With US\$8-10m being extracted from Zimbabwe per year as a dividend (50-60% of revenue is in US\$ - these are free funds that can be used to pay dividends). We use an 8% discount rate on the current dividend to get a value of R1.5bn for Zimbabwe.
- Sensitivity to volumes and prices increases is high and with large planned price increases the forecast risk for PPC remains high (return to decent margins if the price increases stick, stay at low margins if the current market share war continues).
- We have used FY24 as the base year for our valuation as FY23 will be impacted by severe cost inflation, weaker volumes and lower than expected price increases. We adjust our Target Price to R3.87 (from R4.90). Our FY23 valuation is R2.85 (from R3.60).

**Figure 3 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	632	4.0		2530
Aggregates&Readymix	EV/EBITDA	<u>58</u>	<u>4.0</u>		<u>233</u>
		<b>691</b>	<b>4.0</b>		<b>2762</b>
Cement - Zimbabwe	Dividend discount on US\$8m/yr @8%				1500
Rwanda - Cimerwa	NPV of project finance SPV @10% nominal (US\$M)			52	<u>777</u>
<b>Enterprise value</b>					<b>5039</b>
(Net debt)/cash - excluding project finance debt and Zimbabwe cash					(691)
<b>Equity value</b>					<b>4348</b>
<b>Shares in issue (m)</b>					<b>1536</b>
<b>Valuation (R/share)</b>					<b>2.85</b>

Source: Company data, Chronux Research estimates

- 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 4 PE Valuation**

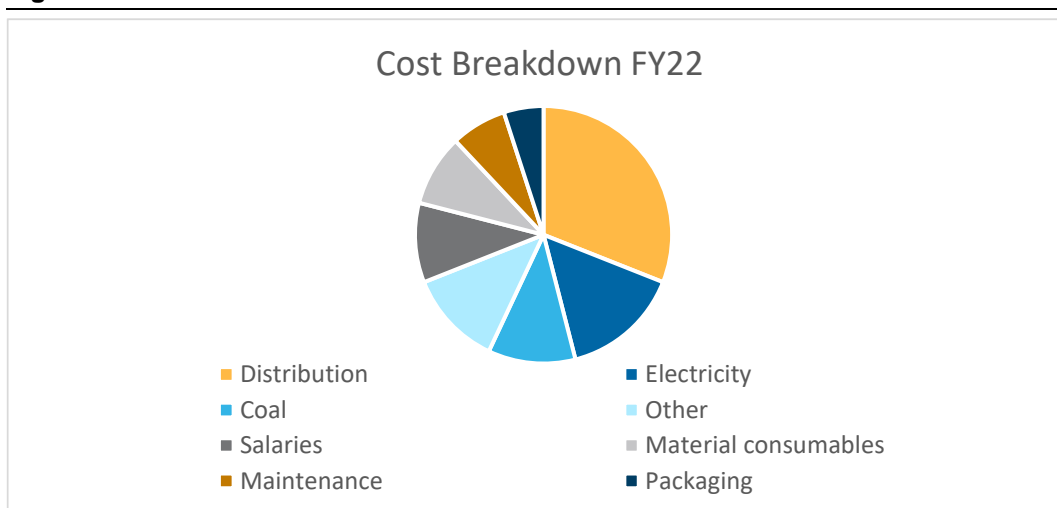
	<u>FY22A</u>	<u>FY23E</u>	<u>FY24E</u>	<u>FY25E</u>
<b>Diluted HEPS</b>	-13	8	39	66
<b>PPC PE</b>	-22.8	37.9	7.3	4.3
<b>TP exit PE</b>	-30.8	51.2	9.8	5.8

*Source: Company data, Chronux Research estimates*

**Costs**

- PPC faces significant cost inflation due to energy costs – fuel and coal.
- A cost breakdown is shown in the following chart.

**Figure 5 Cost Breakdown**



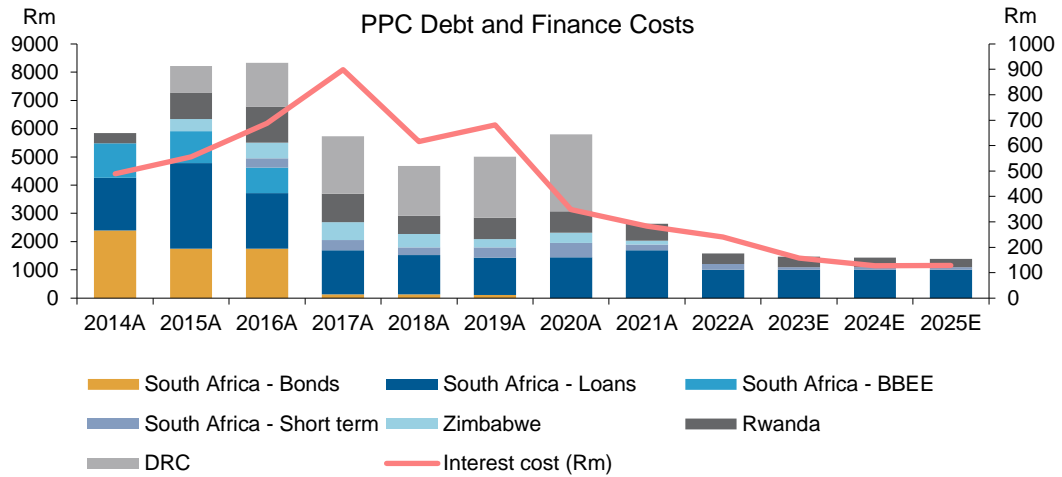
*Source: Company data, Chronux Research estimates*

- Cost of sales increased in South Africa by 12%, driven by coal, distribution and electricity cost increases. PPC did well to contain cost increases.
- Our forecasts of cost increases into FY23 show an 14% increase in costs, driven by Distribution (+15%) and Coal (+30%).

## 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.

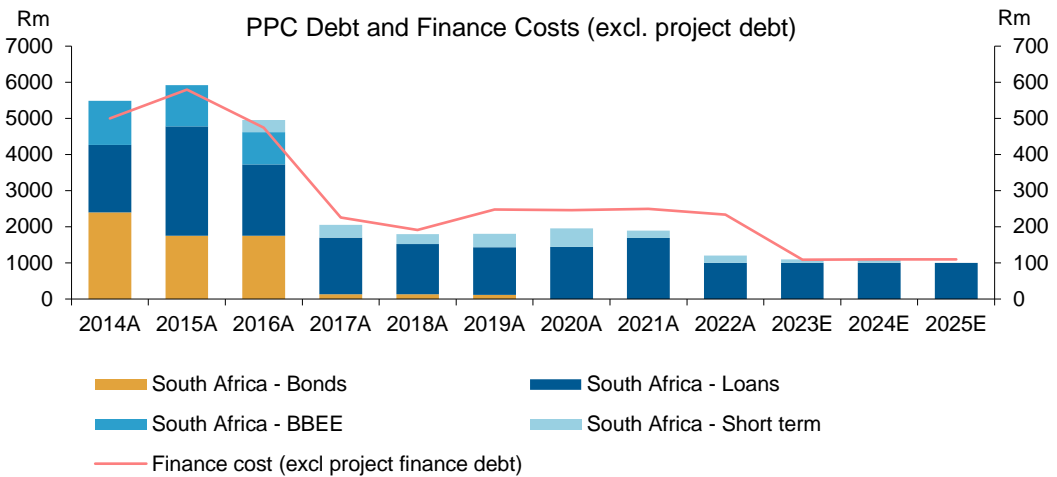
**Figure 6 Debt and Interest Cost**



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.

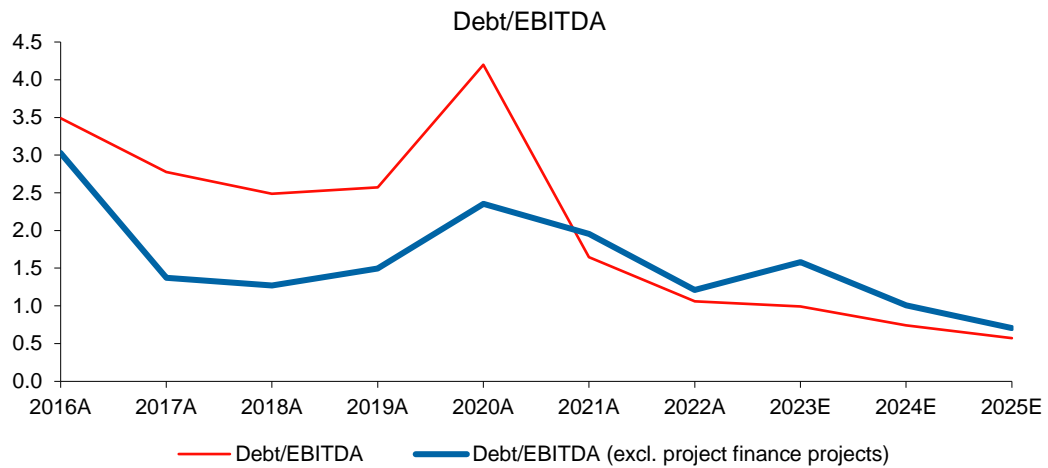
**Figure 7 Debt and Interest Cost (excl. project debt)**



Source: Company data, Chronux Research estimates

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

**Figure 8 Gross Debt: EBITDA**



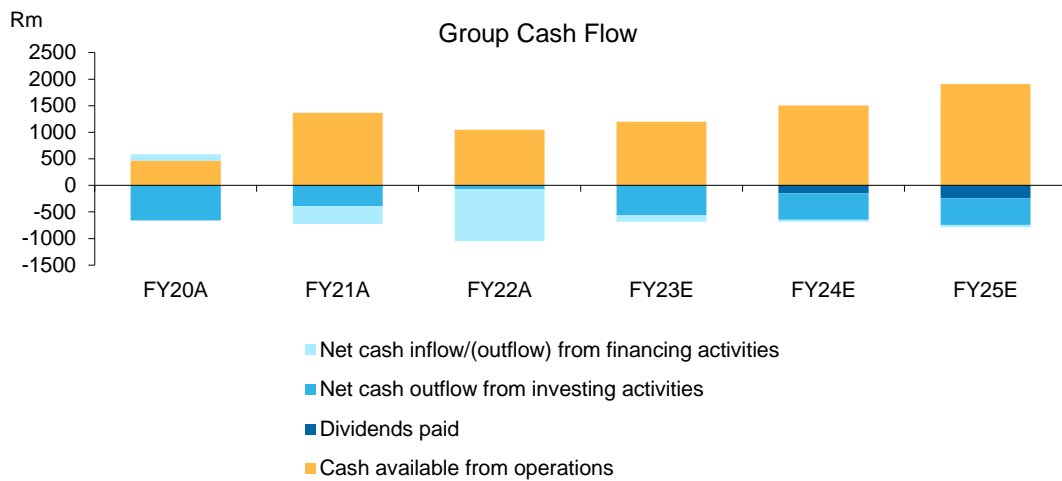
Source: Company data, Chronux Research estimates

- Debt covenants are no longer an issue and lenders have dropped the requirement for a possible capital raise. PPC is able to consider a dividend when the net debt/EBITDA ratio (South African operations) is below 1.3 times. This appears likely by FY24.

**Dividends**

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

**Figure 9 Group Cash Flow**



Source: Company data, Chronux Research estimates

## Capex

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

**Figure 10 Capex**

<b><u>Maintenance Capex (Rm)</u></b>	<b><u>FY23</u></b>	<b><u>FY24</u></b>	<b><u>FY25</u></b>
RSA & Botswana	300-350	300-350	300-350
Zimbabwe (US\$)	6-9	5-7	3-5
Rwanda (US\$)	5-7	3-5	2
<b><u>Expansion Capex (Rm)</u></b>	<b><u>FY23</u></b>	<b><u>FY24</u></b>	<b><u>FY25</u></b>
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 Results

### SA and Botswana Cement

- Retail demand has weakened considerably, with construction demand flat but industrial demand up.
- Management believes that a price increase of at least 15% is required to get margins to acceptable levels.
  - AfriSam have announced a 20% increase in Jan.
  - PPC is looking at a 12-15% increase (the price premium for PPC cement is too high hence the lower price increase).
  - Other competitors are likely to be between 15-20%.
  - PPC initiated price increases of 7% in June 2022 that were not followed by peers.
- PPC kiln operation:
  - Inland: DK2 and SK9 (leaving 2 kilns on standby).
  - Coastal: DH6, R1 (leaving DH5 as intermittent supply).
  - The cost to bring the idled kilns back into operation is minimal and PPC can double output if required. The extra maintenance cost for the idled kilns would be R75-100m.
  - PPC's OEE is currently relatively high at 75-80%.
- PPC is no longer selling clinker to Lafarge. Lafarge is operating 1 kiln and coming off a low base. AfriSam is running 1 kiln at Dudfield. Mamba is operating well.
- PPC has been shipping some clinker to Zimbabwe (although not as much as 2H FY22) and to NPC.
- Cost mitigation was strong, with indexed prices up significantly more than actual cost increases.
- Coal contracts are yet to be renewed and with global coal prices falling the risk of a substantial increase in coal costs is moderating. The use of fine coal and tyres can mitigate some coal volumes.
- Sanral road projects and other infrastructure works should have a positive impact on cement sales from mid-CY23.
- Rail problems are impacting PPC, with plans being made for a permanent switch to road for various logistics routes.
- ITAC application
  - Importers are challenging the application.
  - There have been delays in submitting information from the cement producers.
- Imports
  - Cape Town imports have been flat (a June ship is stuck in the harbour waiting for higher prices).
  - KZN imports are down.
  - Cement imports from China are unlikely as they have dropped substantially.
  - However, imports from the Chinese plant in Mozambique is impacting KZN and Mpumalanga.

### Zimbabwe

- The kiln shutdown impacted volumes more than expected, with clinker shortages from SA due to logistical problems and underestimating demand. The shutdown should improve the thermal efficiency by 5-8%.
- Imports from Zambia have helped cover the shortfall.
- Dividends of US\$10m are expected in FY23 after the repayment of the legacy debt.
- EBITDA should grow into 2H.

### Rwanda

- The USD debt has been fully repaid. Local debt has been refinanced.
- A dividend can be paid – this needs AGM approval (due in March 2023). A bi-annual dividend is expected.
- EBITDA should be flat in 2H due to a 15-day maintenance shutdown.



**Materials**

- Readymix
  - The business is not profitable and seen as a channel to market.
  - Competitors are dropping out, including Lafarge and AfriSam.
- Aggregates
  - PPC has 2 quarries.
  - Load shedding has impacted operations this year.
  - The business is under pressure to return to profitability.
- Ash
  - Lower sales than 1H FY21 as more slag is entering the market.

**Financial**

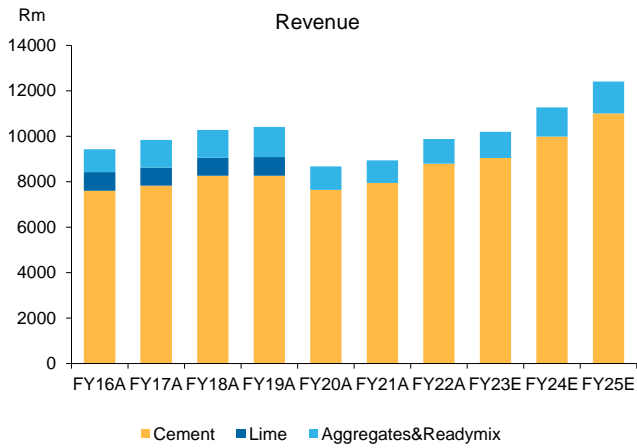
- There was a final US\$1.25m cost to exit DRC.
- A dividend will be considered in FY23, with Gross Debt: EBITDA targets the key metric to watch. PPC is comfortable to keep R1bn in debt. Share buybacks are another option.
- PPC's BEE credentials have dropped, resulting in a challenge to get new mining rights issued (existing rights are held under the once empowered, always empowered basis). New BEE shareholders will be required for new mining rights applications.
- An ESOP for 10% of the shares is being considered, along with partnering with companies to do the mining activities.

**Strategy**

- PPC management continues to take an aggressive stance in the market, with clear signals of a significant price increase planned in January 2023. However, after competitors did not follow PPC's price increase in June 2022 management is watching competitor price announcements closely.
- It does appear that the cement industry is now attempting to recover high cost inflation through significant price increases – it is now a survival requirement as at current profit margins maintenance capex is not affordable.
- PPC remains better off financially compared to peers and can survive the current weak market conditions. Lafarge remains most at risk but consolidation continues to be wishful thinking rather than a rational expectation.

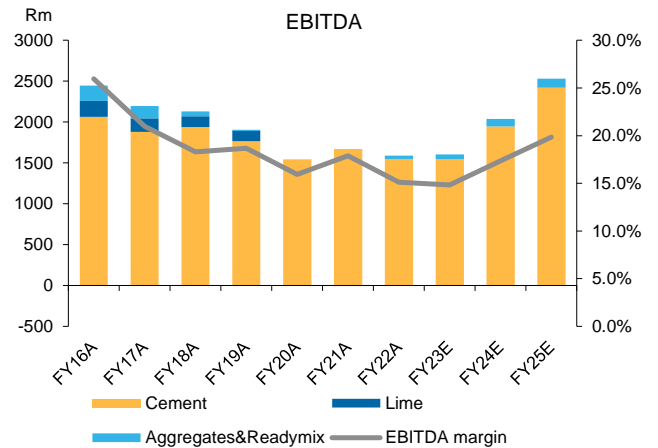
## Divisional Forecast

**Figure 11 PPC Revenue**



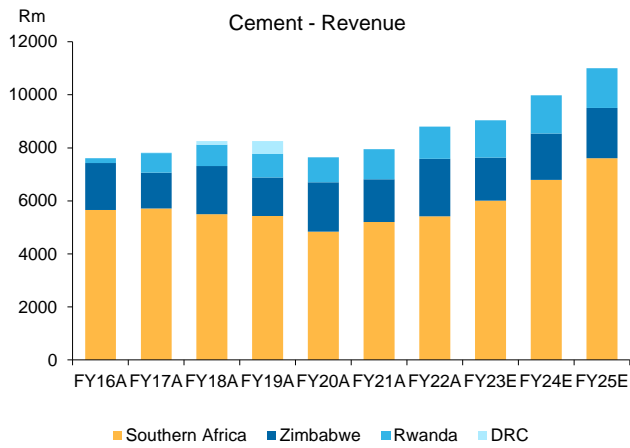
Source: Chronux Research

**Figure 12 PPC EBITDA**



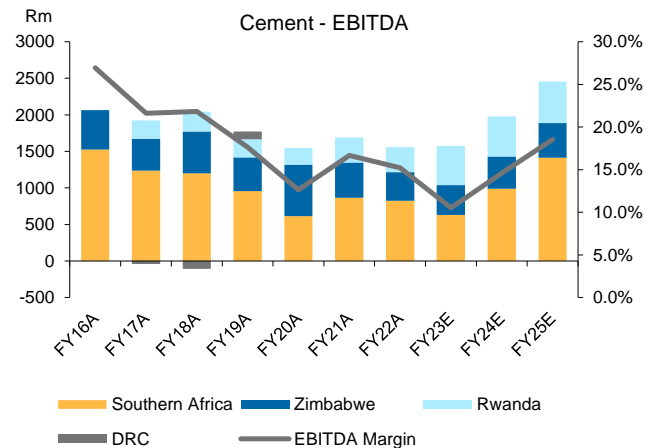
Source: Chronux Research

**Figure 13 Cement Revenue**



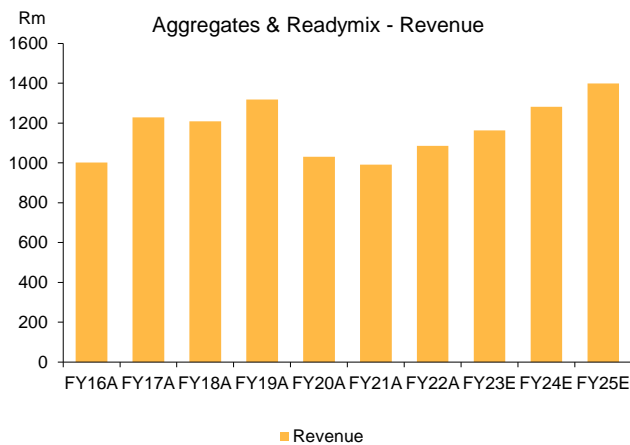
Source: Chronux Research

**Figure 14 Cement EBITDA**



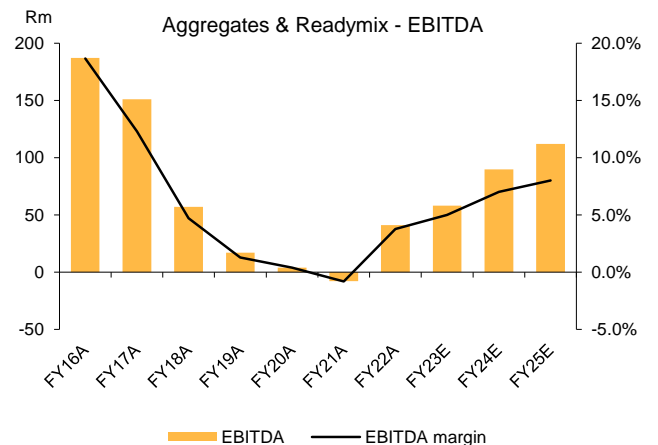
Source: Chronux Research

**Figure 15 Aggregates & Readymix Revenue**



Source: Chronux Research

**Figure 16 Aggregates & Readymix EBITDA**



Source: Chronux Research

Figure 17 Divisional Forecasts

ZARm	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
<b>PPC</b>										
Revenue	9187	9845	10271	10409	8671	8938	9882	10202	11267	12406
EBITDA	2385	2065	1881	1946	1381	1598	1493	1515	1957	2461
EBITDA margin	26.0%	21.0%	18.3%	18.7%	15.9%	17.9%	15.1%	14.8%	17.4%	19.8%
<b>Cement</b>										
Revenue	7605	7830	8261	8257	7640	7947	8796	9039	9985	11007
Southern Africa	5659	5712	5499	5431	4843	5196	5415	6008	6786	7614
Zimbabwe	1773	1352	1813	1447	1861	1623	2172	1621	1753	1896
Rwanda	173	733	804	885	936	1128	1209	1410	1446	1497
DRC	0	24	144	494	0	0	0	0	0	0
Other	3	6	-1	0	0	0	0	0	0	0
EBITDA	2064	1880	1937	1767	1536	1669	1550	1545	1946	2420
Southern Africa	1524	1235	1200	957	613	866	825	632	990	1412
Zimbabwe	540	438	573	461	707	481	393	405	438	474
Rwanda	0	250	270	246	226	342	341	537	551	570
DRC	0	-39	-105	108	0	0	0	0	0	0
Other	0	-4	-1	-5	-7	-20	-9	-30	-33	-36
EBITDA Margin	26.9%	21.6%	21.8%	17.6%	12.7%	16.7%	15.2%	10.5%	14.6%	18.5%
South Africa	26.9%	21.6%	21.8%	17.6%	12.7%	16.7%	15.2%	10.5%	14.6%	18.5%
Zimbabwe	30.5%	32.4%	31.6%	31.9%	38.0%	29.6%	18.1%	25.0%	25.0%	25.0%
Rwanda	-0.3%	34.1%	33.6%	27.8%	24.1%	30.3%	28.2%	38.1%	38.1%	38.1%
DRC		-162.5%	-72.9%	21.9%						
<b>Lime</b>										
Revenue	817	786	801	834	0	0	0	0	0	0
EBITDA	196	165	135	123	0	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%	0.0%
<b>Aggregates&amp;Readymix</b>										
Revenue	1002	1229	1209	1318	1031	991	1086	1163	1282	1399
EBITDA	187	151	57	17	4	-8	41	58	90	112
EBITDA Margin	18.7%	12.3%	4.7%	1.3%	0.4%	-0.8%	3.8%	5.0%	7.0%	8.0%

Source: Company data, Chronux Research estimates

Figure 18 Divisional Forecasts – Cement South Africa

	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
<b>Southern Africa Cement</b>										
Revenue	5659	5712	5499	5431	4843	5196	5415	6008	6786	7614
Cost of sales	4521	4851	4672	4867	4628	4609	4997	5798	6226	6641
Cost increase		7%	-4%	4%	-5%	0%	8%	16%	7%	7%
Operating Profit before IFRS	1138	861	827	564	215	587	418	210	560	973
BEE IFRS 2 charges	1	16	0	0	0	0	0	0	0	0
Operating Profit	1137	845	827	564	215	587	418	210	560	973
FVA	10	-5	-19	10	-19	4	20	1	0	0
Impairments				-76	-1819	1450	-94			
Finance costs	25	214	265	222	235	234	297	81	88	92
Investment income	8	11	42	61	78	158	356	25	25	25
Profit before equity accounted earnings	1130	637	585	337	-1780	1965	403	156	497	906
Earnings from equity accounted investments	0	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	0
Profit before taxation	1130	637	596	255	-1780	1965	403	156	497	906
Taxation	318	192	202	-130	-454	570	121	22	70	127
Tax rate	28%	30%	34%	-51%	26%	29%	30%	14%	14%	14%
Profit	812	445	394	385	-1326	1395	282	134	428	779
Depreciation and amortisation	386	374	373	393	398	279	407	422	430	439
EBITDA	1524	1235	1200	957	613	866	825	632	990	1412
EBITDA margin	26.9%	21.6%	21.8%	17.6%	12.7%	16.7%	15.2%	10.5%	14.6%	18.5%
<b>Southern Africa Cement &amp; Materials</b>										
Debt	4619	1696	1523	1430	1442	1691	999	999	999	999
1yr Rolling Debt/EBITDA	2.4	1.1	1.1	1.3	2.3	2.0	1.2	1.4	0.9	0.7
Interest cover				3.8	2.6	3.3	2.2	6.3	9.8	13.9
Maintenance capex	-177	-298	-321	-377	-441	-277	-550	-560	-500	-500
Free cash flow - SA Cement	1347	937	879	580	172	589	275	72	490	912
Free cash flow - Group	2208	1767	1560	1569	940	1321	943	955	1457	1961

Source: Company data, Chronux Research estimates

Figure 19 Divisional Forecasts – Cement International

<u>International Cement</u>	<u>2016A</u>	<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022A</u>	<u>2023E</u>	<u>2024E</u>	<u>2025E</u>
<b>Revenue</b>				<b>2911</b>	<b>2797</b>	<b>2751</b>	<b>3381</b>	<b>3031</b>	<b>3199</b>	<b>3393</b>
Cost of sales				2580	2135	2113	3283	2545	2671	2817
Cost increase					-17%	-1%	55%	-22%	5%	5%
<b>Operating Profit before IFRS</b>				<b>331</b>	<b>662</b>	<b>638</b>	<b>98</b>	<b>486</b>	<b>528</b>	<b>576</b>
BEE IFRS 2 charges				2	1	0	0	0	0	0
<b>Operating Profit</b>				<b>329</b>	<b>661</b>	<b>638</b>	<b>98</b>	<b>486</b>	<b>528</b>	<b>576</b>
FVA				-43	580	-204	-78	-143	0	0
Impairments				0	0	2	-3			
Finance costs				447	149	122	85	46	14	14
<i>Finance costs check</i>										
Investment income				64	3	5	5	4	4	4
<b>Profit before equity accounted earnings</b>				<b>-97</b>	<b>1095</b>	<b>319</b>	<b>-63</b>	<b>301</b>	<b>518</b>	<b>566</b>
Earnings from equity accounted investments				-60	0	0	0	0	0	0
<b>Profit before taxation</b>				<b>-157</b>	<b>1095</b>	<b>319</b>	<b>-63</b>	<b>301</b>	<b>518</b>	<b>566</b>
Taxation				5	252	199	68	75	130	142
Tax rate				24%	23%	62%	-108%	25%	25%	25%
<b>Profit</b>				<b>-162</b>	<b>843</b>	<b>120</b>	<b>-131</b>	<b>226</b>	<b>389</b>	<b>425</b>
Depreciation and amortisation				479	261	165	627	422	429	432
<b>EBITDA</b>				<b>810</b>	<b>923</b>	<b>803</b>	<b>725</b>	<b>912</b>	<b>956</b>	<b>1008</b>
EBITDA margin				27.8%	33.0%	29.2%	21.4%	30.1%	29.9%	29.7%
<b>Debt</b>				<b>3201</b>	<b>3845</b>	<b>733</b>	<b>377</b>	<b>377</b>	<b>333</b>	<b>290</b>
1yr Rolling Debt/EBITDA				4.0	4.2	0.9	0.5	0.4	0.3	0.3
<b>Interest cover</b>				<b>1.8</b>	<b>6.2</b>	<b>6.6</b>	<b>8.5</b>	<b>19.9</b>	<b>69.8</b>	<b>71.8</b>

Source: Company data, Chronux Research estimates

Figure 20 Divisional Forecasts – Aggregates &amp; Readymix

<u>Aggregates, Readymix &amp; Ash</u>	<u>2016A</u>	<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022A</u>	<u>2023E</u>	<u>2024E</u>	<u>2025E</u>
<b>Revenue</b>				<b>1318</b>	<b>1031</b>	<b>991</b>	<b>1086</b>	<b>1163</b>	<b>1282</b>	<b>1399</b>
Cost of sales				1381	1108	1075	1093	1147	1234	1329
Cost increase					-20%	-3%	2%	5%	8%	8%
<b>Operating Profit before IFRS</b>				<b>-63</b>	<b>-77</b>	<b>-84</b>	<b>-7</b>	<b>16</b>	<b>48</b>	<b>70</b>
BEE IFRS 2 charges				0	0	0	0	0	0	0
<b>Operating Profit</b>				<b>-63</b>	<b>-77</b>	<b>-84</b>	<b>-7</b>	<b>16</b>	<b>48</b>	<b>70</b>
FVA				3	-127	-135	61	-1	0	0
Finance costs				27	6	26	93	28	22	18
Investment income				17	8	13	39	0	0	0
<b>Profit before equity accounted earnings</b>				<b>-70</b>	<b>-202</b>	<b>-232</b>	<b>0</b>	<b>-13</b>	<b>25</b>	<b>52</b>
Earnings from equity accounted investments				0	0	0	0	0	0	0
Impairments and profit on sale of non-core assets				0	0	0	0	0	0	0
<b>Profit before taxation</b>				<b>-70</b>	<b>-202</b>	<b>-232</b>	<b>0</b>	<b>-13</b>	<b>25</b>	<b>52</b>
Taxation				-9	-8	-24	11	0	7	15
Tax rate				28%	4%	10%	#DIV/0!	28%	28%	28%
<b>Profit</b>				<b>-61</b>	<b>-194</b>	<b>-208</b>	<b>-11</b>	<b>-13</b>	<b>18</b>	<b>37</b>
Depreciation and amortisation				80	81	76	48	42	42	42
<b>EBITDA</b>	<b>187</b>	<b>151</b>	<b>57</b>	<b>17</b>	<b>4</b>	<b>-8</b>	<b>41</b>	<b>58</b>	<b>90</b>	<b>112</b>
EBITDA margin				1.3%	0.4%	-0.8%	3.8%	5.0%	7.0%	8.0%
<b>Interest cover</b>				<b>0.6</b>	<b>0.7</b>	<b>-0.3</b>	<b>0.4</b>	<b>2.1</b>	<b>4.0</b>	<b>6.3</b>

Source: Company data, Chronux Research estimates

**Figure 21 Income Statement - Forecast**

PPC Limited	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024	03/2025
<b>Sales</b>	<b>7346</b>	<b>8316</b>	<b>9039</b>	<b>9002</b>	<b>9641</b>	<b>10271</b>	<b>10409</b>	<b>10241</b>	<b>8938</b>	<b>9882</b>	<b>10202</b>	<b>11267</b>	<b>12406</b>
Cost of Goods Sold (COGS) incl. D&A	4832	5575	6266	6596	7498	9315	8520	8365	6970	8352	8623	9522	10485
<b>Gross Income</b>	<b>2514</b>	<b>2741</b>	<b>2773</b>	<b>2406</b>	<b>2143</b>	<b>956</b>	<b>1889</b>	<b>1876</b>	<b>1968</b>	<b>1530</b>	<b>1580</b>	<b>1744</b>	<b>1921</b>
SG&A Expense	645	749	1052	914	1097	-	981	1143	0	1008	976	714	398
Other Operating Expense	0	0	0	0	0	0	0	0	0	0	0	0	3
<b>EBIT (Operating Income)</b>	<b>1869</b>	<b>1992</b>	<b>1721</b>	<b>1492</b>	<b>1046</b>	<b>956</b>	<b>908</b>	<b>733</b>	<b>1081</b>	<b>522</b>	<b>604</b>	<b>1031</b>	<b>1520</b>
Nonoperating Income - Net	24	20	6	120	-144	-119	46	788	-577	-96	-99	25	25
Interest Expense	374	383	458	596	695	593	614	632	271	240	160	129	129
Unusual Expense - Net	123	211	88	2	28	-58	123	3181	-1530	0	0	0	0
Income Taxes	557	507	356	312	153	205	6	97	742	207	161	266	343
Equity in Earnings of Affiliates	7	20	24	0	1	-60	-67	1	2	0	23	0	0
<b>Consolidated Net Income</b>	<b>846</b>	<b>931</b>	<b>849</b>	<b>702</b>	<b>27</b>	<b>37</b>	<b>144</b>	<b>-2388</b>	<b>1023</b>	<b>-21</b>	<b>207</b>	<b>661</b>	<b>1072</b>
Minority Interest	78	0	9	-36	-66	-112	-91	-516	40	50	51	54	57
<b>Net Income</b>	<b>768</b>	<b>931</b>	<b>840</b>	<b>738</b>	<b>93</b>	<b>149</b>	<b>235</b>	<b>-1872</b>	<b>983</b>	<b>-71</b>	<b>155</b>	<b>607</b>	<b>1016</b>
Discontinued Operations	0	0	0	0	0	0	0	0	-794	-16	0	0	3
Net Income available to Common	768	931	840	738	93	149	235	-1872	189	-87	155	607	1013
<b>Per Share</b>													
EPS (recurring)	1.18	1.35	1.13	0.92	0.10	0.07	0.21	0.24	-0.58	-0.06	0.04	0.39	0.66
EPS (diluted)	1.06	1.16	1.05	0.92	0.08	0.10	0.15	-1.24	0.12	-0.06	0.04	0.39	0.66
Earnings Persistence	90.34	82.74	72.25	72.78	85.33	86.67	85.25	84.86	78.38	82.71			
Dividends per Share	0.97	1.04	0.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.10	0.17
<b>EBITDA</b>													
EBITDA	2330	2514	2336	2278	1878	1832	1926	1750	1628	1493	1515	1957	2461

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

PPC Limited	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024	03/2025
Rental Expense	11	12	-	13	27	37	39	12	8	-			
Stock Option Comp Exp (Net of Tax)	30	17	31	13	148	35	32	12	0	-			
Foreign Currency Translation Gains/Losses	-3	18	-	-	-	-100	32	190	-376	2			
Tax Rate	39.9	35.8	30.1	30.8	85.5	67.9	2.8	-	42.1	111.3	42.9	28.7	24.2
Headline EPS	1.08	1.19	1.19	0.35	0.07	0.15	0.20	0.27	-0.15	-0.13	0.08	0.39	0.66
Headline EPS (diluted)	1.06	1.17	1.17	0.35	0.07	0.16	0.20	0.27	-0.15	-0.13	0.08	0.39	0.66

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

PPC Limited	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024	03/2025
Price / Sales	1.9	1.9	1.7	0.7	0.8	1.2	0.7	0.3	0.4	0.7	0.4	0.4	0.4
Price / Earnings	18.0	17.0	18.5	8.7	81.4	78.5	30.2	-1.4	19.2	-75.4	37.9	7.3	4.3
Price / Book Value	12.9	10.1	8.7	2.1	1.2	1.5	0.8	0.3	0.5	0.9	0.6	0.6	0.6
Price / Tangible Book Value	14.6	12.8	18.2	3.2	1.4	1.7	0.8	0.4	0.5	1.0	0.6	0.6	0.6
Price / Cash Flow	8.5	7.6	9.2	19.5	8.8	8.4	5.7	5.5	2.7	6.3			
Price / Free Cash Flow	13.4	14.0	-	-	-	23.6	14.9	-	3.7	13.3			
Dividend Yield (%)	5.0	5.2	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	3.4	5.8
Enterprise Value / EBIT	9.9	10.0	12.7	10.5	14.3	16.6	12.9	10.7	5.3	14.3	9.5	5.5	3.8
Enterprise Value / EBITDA	8.0	7.9	9.4	6.9	7.9	8.6	6.1	4.5	3.5	5.0	3.8	2.9	2.3
Enterprise Value / Sales	2.5	2.4	2.4	1.7	1.5	1.5	1.1	0.8	0.6	0.8	0.6	0.5	0.5
EBIT / Interest Expense (Int. Coverage)	4.9	5.1	3.5	1.8	1.1	1.6	1.5	1.2	4.0	2.2	3.8	8.0	11.8

Source: Factset, Company data, Chronux Research estimates

Figure 22 Balance Sheet and Cash Flow - Forecast

	09/2012	09/2013	09/2014	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024	03/2025
<b>Assets</b>													
Cash & Short-Term Investments	248	492	563	460	990	836	452	398	457	577	1297	2131	3284
Short-Term Receivables	765	874	1091	1092	1547	1129	1194	1082	942	1049	1039	1147	1263
Inventories	841	923	894	1121	1163	1182	1276	1596	1111	1085	1191	1239	1290
Other Current Assets	55	176	89	95	105	115	149	313	166	-	0	0	3
<b>Total Current Assets</b>	<b>1909</b>	<b>2465</b>	<b>2637</b>	<b>2768</b>	<b>3805</b>	<b>3262</b>	<b>3071</b>	<b>3389</b>	<b>2676</b>	<b>2711</b>	<b>3526</b>	<b>4517</b>	<b>5840</b>
Net Property, Plant & Equipment	4483	5522	7223	11716	12569	11393	12587	12389	9645	9324	7726	7487	7255
Total Investments and Advances	373	556	432	329	357	322	872	371	246	166	214	215	217
Long-Term Note Receivable	0	0	3	319	210	59	91	105	0	-	0	0	3
Intangible Assets	139	333	949	1021	914	787	794	506	232	150	156	161	165
Deferred Tax Assets	3	-	9	52	142	245	220	26	24	26	22	22	22
Other Assets	0	0	322	184	38	138	193	307	2984	2490	0	0	3
<b>Total Assets</b>	<b>6907</b>	<b>8876</b>	<b>11575</b>	<b>16389</b>	<b>18035</b>	<b>16206</b>	<b>17828</b>	<b>17093</b>	<b>15807</b>	<b>14867</b>	<b>11645</b>	<b>12402</b>	<b>13505</b>
<b>Liabilities &amp; Shareholders' Equity</b>													
ST Debt & Curr. Portion LT Debt	869	584	351	4557	2183	603	938	5074	1673	452	100	0	0
Accounts Payable	445	535	664	994	944	991	1368	1103	707	1256	1278	1330	1383
Income Tax Payable	72	42	142	18	152	71	3	65	30	61	250	250	250
Other Current Liabilities	337	673	814	528	745	744	551	691	513	12	0	0	3
<b>Total Current Liabilities</b>	<b>1723</b>	<b>1834</b>	<b>1971</b>	<b>6097</b>	<b>4024</b>	<b>2409</b>	<b>2860</b>	<b>6933</b>	<b>2923</b>	<b>1781</b>	<b>1628</b>	<b>1580</b>	<b>1637</b>
Long-Term Debt	2716	3462	5740	4614	3558	4079	4066	856	1015	1188	1376	1432	1389
Provision for Risks & Charges	320	348	374	408	545	526	427	450	219	211	219	242	267
Deferred Tax Liabilities	859	1063	1030	1178	1073	1042	844	1255	1621	1654	1561	1624	1689
Other Liabilities	113	27	42	529	450	262	291	46	3299	3122	-853	-189	804
<b>Total Liabilities</b>	<b>5731</b>	<b>6734</b>	<b>9157</b>	<b>12826</b>	<b>9650</b>	<b>8318</b>	<b>8488</b>	<b>9540</b>	<b>9077</b>	<b>7956</b>	<b>3932</b>	<b>4689</b>	<b>5785</b>
Common Equity	1176	1560	1815	3028	8051	7768	9225	7780	6883	7032	7032	7032	7032
Total Shareholders' Equity	1176	1560	1815	3028	8051	7768	9225	7780	6883	7032	7032	7032	7032
Accumulated Minority Interest	0	582	603	535	334	120	115	-227	-153	-121	717	717	717
Total Equity	1176	2142	2418	3563	8385	7888	9340	7553	6730	6911	7749	7749	7749
<b>Total Liabilities &amp; Shareholders' Equ</b>	<b>6907</b>	<b>8876</b>	<b>11575</b>	<b>16389</b>	<b>18035</b>	<b>16206</b>	<b>17828</b>	<b>17093</b>	<b>15807</b>	<b>14867</b>	<b>11681</b>	<b>12438</b>	<b>13534</b>
<b>Per Share</b>													
Book Value per Share	1.49	1.99	2.27	3.81	5.33	5.13	6.13	5.16	4.56	4.57	5.04	5.04	5.04
Tangible Book Value per Share	1.32	1.56	1.08	2.53	4.73	4.61	5.60	4.83	4.41	4.47	4.94	4.94	4.94
<b>Operating Activities</b>													
Net Income / Starting Line	1396	1419	-	507	180	242	150	-2291	1765	-	308	661	1075
Depreciation, Depletion & Amortization	461	522	-	393	832	876	1019	1016	547	-	911	926	938
Other Funds	-173	-227	-	-242	903	-99	25	2186	-764	1045	0	0	3
<b>Funds from Operations</b>	<b>1684</b>	<b>1714</b>	<b>1600</b>	<b>658</b>	<b>1083</b>	<b>1019</b>	<b>1194</b>	<b>911</b>	<b>1548</b>	<b>1045</b>	<b>1219</b>	<b>1587</b>	<b>2017</b>
Changes in Working Capital	-33	399	111	-324	-230	411	63	-448	-184	-	-6	-57	-62
<b>Net Operating Cash Flow</b>	<b>1651</b>	<b>2113</b>	<b>1711</b>	<b>334</b>	<b>853</b>	<b>1430</b>	<b>1257</b>	<b>463</b>	<b>1364</b>	<b>1045</b>	<b>1213</b>	<b>1530</b>	<b>1954</b>
<b>Investing Activities</b>													
Capital Expenditures	-640	-970	-2182	-1188	-2077	-927	-797	-670	-383	-571	-560	-500	-500
Net Assets from Acquisitions	-42	-140	-662	0	0	-	0	0	0	-	9	12	15
Sale of Fixed Assets & Businesses	2	15	0	4	4	29	9	8	10	27	0	0	0
Purchase/Sale of Investments	-177	-124	-3	78	-18	-42	-324	0	0	-	0	0	0
Other Funds	-81	0	7	-177	0	28	12	0	-19	472	0	0	0
<b>Net Investing Cash Flow</b>	<b>-938</b>	<b>-1219</b>	<b>-2840</b>	<b>-1283</b>	<b>-2091</b>	<b>-912</b>	<b>-1100</b>	<b>-662</b>	<b>-392</b>	<b>-72</b>	<b>-551</b>	<b>-488</b>	<b>-485</b>
<b>Financing Activities</b>													
Cash Dividends Paid	-706	-770	-880	-185	-8	0	-4	0	0	0	-11	-152	-255
Change in Capital Stock	0	0	-53	0	4689	20	-41	0	0	60	0	0	0
Issuance/Reduction of Debt, Net	15	150	1951	849	-2984	-597	-310	152	-288	-970	-110	-44	-43
Other Funds	2	-56	0	0	137	0	0	0	-10	-39	0	0	3
<b>Net Financing Cash Flow</b>	<b>-689</b>	<b>-676</b>	<b>1018</b>	<b>664</b>	<b>1834</b>	<b>-577</b>	<b>-355</b>	<b>119</b>	<b>-337</b>	<b>-979</b>	<b>-121</b>	<b>-196</b>	<b>-295</b>
Exchange Rate Effect	-	20	33	27	-70	-95	-186	26	-163	-100	0	0	0
Net Change in Cash	24	238	-78	-258	526	-154	-384	-54	472	-106	542	846	1175
<b>Free Cash Flow</b>													
Free Cash Flow per Share	1.44	1.44	-0.59	-1.05	-1.05	0.33	0.32	-0.12	0.66	0.32	0.59	0.62	0.91
Free Cash Flow Yield (%)	7.5	7.2	-3.0	-12.9	-16.1	4.2	6.7	-7.3	27.4	7.5	20.5	21.5	31.8

Source: Factset, Company data, Chronux Research estimates

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