PPC Diaries

Notes from Management Meetings & Results

Notes from 1H FY27 Results – November 2026

Operational Performance

- Volumes vs margins:
  - Selling at a loss or low margins is unsustainable.
- Operational efficiency
  - Need to choose the right commercial channels.
  - Pricing is key.
  - Logistics is a large cost and efficiency/low cost is key.
  - An EBITDA margin of 22% is achievable in the current market conditions through the impact of RK3 and continued operational efficiency gains.
  - Operational focus:
    - Increase clinker production.
      - 10% increase YoY, target +16%.
    - Increase use of extenders.
      - Increased by 1-2%, target 4%.
    - Reduction is coal use.
      - Coal use increased by 5% due to reduced tyre availability and wet limestone
      - Target reduction 12%.
    - Reduction in cost of electricity.
      - Electricity increases 2% below tariff increase.
      - Target up to 40% reduction through wind and solar.
- Capacity Utilisation:
  - 84%
- Market utilisation:
  - 41% of current capacity is new (<20 years old).
  - 9% of capacity is mothballed.
  - PPC has mothballed 35% of capacity
  - After the construction of RK3 all of PPC active capacity will be new (<20 years old).
- Coal Use:
  - Increased through lower availability of alternative fuels in W. Cape.
  - High rainfall causing wet limestone.
  - PPC +10% (impact of solar plants for 4 months and efficiency).
  - A 6% clinker production increase is possible through improved efficiencies.

South Africa & Botswana Cement

- Cement market - down 5% in SA.
  - Consumer hurt by high fuel prices and rising interest rates.
  - Retail sector weakest.
  - Construction/bulk market - held flat.
  - PPC see it as cyclical.
  - Cement sales - 2H expected to be similar to 1H.
  - Gauteng and W Cape - drop in activity levels.
- Slurry
  - SK9 gearbox issue – was down for a month but SK8 utilised.
  - Minimal extra cost (R70m variable cost).
  - Plan to expand SK9 capacity (R35m).
- Inventory
  - Inland
    - SK9 breakdown caused higher cost inventory from SK8 (but SK8 still relatively efficient).
  - W Cape
    - With RK3 project RK1 is not running.
    - Running 2 kilns at De Hoek to build buffer stock.
      - insurance in case of kiln breakdown.
    - R60m stock increase.
  - PPC only holds 45 days stock so any inventory build will run down quickly.
- Alternative fuel
  - Tyres / Calcined clay – beneficial but lower value add than RK3.)
  - RK3 – will run 18% coal substitution from tyres.
- Botswana – weak demand but not fighting on price.
  - Other players have come in.
  - However, not material to PPC.
- Diesel surcharge
  - Partial cost recovery.
  - Competitors did not follow.
  - PPC will continue this practice as long as fuel prices remain elevated.
- Peers
  - Mamba kiln breakdown.
  - Afrimat - has really damaged market.
    - Turnaround has been more difficult than expected.
    - 2 buyers lined up.
    - Lafarge assets: poor footprint, old assets, no competitive advantage.
    - Has been in the market for clinker.
  - The sale of Afrimat Cement (Lafarge) and Afrisam could be very beneficial for the market.
    - Current owners are not behaving rationally.

        - They have been severely disruptive for the market.
        - There is a big opportunity should rational players buy these assets and try and run a profitable and sustainable business.
- Tariffs
    - Good talks with govt.
    - ITAC - consultation process over
        - Now review by ITAC.
        - Provisional tariff expected.
        - Cement imports only.
    - Also launched general safeguard application.
        - Cement & clinker imports.

Plant efficiency and costs

- Reduction of logistics costs has been a major driver of total cost reduction.
- There remains significant progress to be made in efficiencies.
- Global benchmark efficiencies:
    - Plants only running at this level to 20-30% of time.
    - There remains a 70% opportunity to improve efficiencies.
    - This can keep margins growing in a flat market.
- RK3
    - On time and on budget
    - Should be running in March 2027.

Zimbabwe

- New plant progress:
    - Prospecting mine & plant location.
    - Engaged Sinoma.
    - The cost savings could be bigger than those from RK3.
- Colleen Bawn - no stop 2H.
- Zimbabwe market - 3mtpa demand.
    - PPC 1.5mtpa.
- Govt encouraging investment.

Notes from the Investor Day – March 2026

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- Electricity:
  - Eskom +12%.
  - PPC +10% (impact of solar plants for 4 months and efficiency).
- Plant performance
  - A 6% clinker production increase is possible through improved efficiencies.
- Logistics:
  - Inbound transport costs have been reduced by 22%.
    - More road (move from rail).
    - Required investment at receiving plants.
    - Costs declined 36% in W. Cape through a re-tender.
      - Higher volumes of limestone transported from Riebeeck to De Hoek.
  - The Northern region:
    - 2.5mt of transport requirements will be re-tendered in F27.
  - Quarry contracts for Slurry & Colleen Bawn to be re-tendered.
  - Outbound logistics costs have reduced by 9%.

- Customer base
  - Sales to Buying Groups declined from approx. 40% to below 10%.
  - Sales to independent hardware stores increased from approx. 10% to +40%.
    - This is the same market that the Buying Groups were selling to, so PPC has in effect stopped selling to the middle-man.
- Zimbabwe
  - Currency: 90% US$ business.
  - Keep some Z$ to pay taxes & ZESA.
  - 55% market share.
  - Zimbabwe: 5% clinker reduction through extenders.
  - Only player with national footprint.
  - Operations: Assessing Colleen Bawn with Sinoma; currently above nameplate.
  - 8 cement players: 6 Chinese/local, PPC, and Khayah (Lafarge).
  - EBITDA margin:
    - 28% F26 (impacted by gearbox failure at Bulawayo).
    - Normalised 29%.
  - Dividends: $49m in last 2 years (vs $33m in previous 10 years).
  - Inbound Transport:
    - 29% of variable costs (Distance from Colleen Bawn to Bulawayo/Harare).
  - Power:
    - 25% of variable costs.
    - ZESA interruptions.
    - Solar at Colleen Bawn & Bulawayo
      - 50% saving vs tariff.
  - Purchased clinker.
    - Clinker factor down 10% (slag extender).
- RK3:
  - Fully hedged currency.
  - R3.1bn project cost – turnkey fixed cost EPC contract with Sonoma.
    - EPC cost R2.4bn
    - Non-EPC costs of approx. R600m.
  - 30% reduction in variable costs.
  - 25% reduction in fixed costs.
  - Reduced emissions.
  - Clinker production planned by 1Q 2027.
  - Cement production planned by 2Q 2027.

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