

PPC

Materials

Company Update Report


Hold

PPC navigates challenging market amid subdued demand and limited infrastructure activity

Analyst recommendation

Counter	Share price	Intrinsic value	Difference
PPC-ZA	R5.11	R5.60	9.6%

As of 07 July 2025

Executive summary

In this report, we will look at the full year 2025 results:

- South Africa and Botswana:
 - The market continues to be imbalanced as supply is greater than demand. The company implements bi-annual price increases to offset volume declines.
 - In FY25, cement sales volumes in South Africa and Botswana fell by 2.3% year-on-year, amid heightened competition across the industrial, construction, and retail segments.
 - In FY25, impairments totalled R181 million, down from R267 million in FY24. Finance costs declined by 19.1% to R106 million, driven by reduced long-term borrowings in South Africa and lower interest rates.
- International (Zimbabwe)
 - PPC Zimbabwe cement volumes decreased by 5.5%, due to the construction and infrastructure sector in Zimbabwe remaining sluggish, with few new projects and consistently low demand for cement products.
 - As of 31 March 2025, PPC Zimbabwe remained debt-free, with unrestricted cash rising to R118 million from R40 million the previous year. Notably, 94% of this cash is held in hard currencies. The business also declared and paid US\$13 million in dividends, up from US\$11 million in FY24.
 - PPC Zimbabwe achieved a 26% increase in EBITDA and 7% rise in EBITDA margin. This was driven by tight cost control, increased use of blended cement, and improved pricing strategies.
 - Capital expenditure rose to R147 million in FY25 from R105 million in FY24, mainly due to increased maintenance at the Colleen Bawn plant.

Analyst thesis

- We maintain a hold recommendation, even though our intrinsic value has an upside of 10%, acknowledging some of the risks that comes with this upside and require more upside to balance the risk vs reward relationship:
- PPC has implemented price increases to offset ongoing volume declines. However, the ability to pass on higher prices is limited by strong competition and the prevalence of lower-cost alternatives, which continue to erode market share.
- Although lower interest rates, urbanisation, and increased infrastructure activity offer a supportive backdrop for cement demand, PPC's volumes are expected to remain under pressure due to intense competition and a lack of significant large-scale infrastructure projects.
- The "Awaken the Giant" turnaround plan is central to PPC's strategy, the success of this strategy is expected to underpin PPC's ability to navigate industry headwinds.
- The 30% cement surtax introduced by ZIMRA in 2025 helps shield PPC Zimbabwe from unfair import competition, however, it may also slow Zimbabwe's construction industry.



Table 1: Valuation

We have valued PPC Limited using an EV/EBIT multiple approach, incorporating bear, base, and bull case scenarios with probability weightings. This results in an intrinsic value of R5.60 per share and supports our Hold recommendation.

	Bear	Base	Bull
2026 EBIT (R'm)	915	915	915
Consensus EBIT	884	884	884
EV/EBIT Multiple assumptions (x)	6	9	11
Discounted Enterprise Value (R'm)	5 490	8 235	10 065
Net Debt/(Cash) (R'm)	(229)	(229)	(229)
Equity Value (R'm)	5 719	8 464	10 294
Shares in Issue	1 554	1 554	1 554
Intrinsic Value per case (R'm)	3.7	5.4	6.6
Upside/downside per case	-28%	6%	29%
Case Weight	10%	60%	30%
Intrinsic Value (R)		R 5.6	
Current share price		R 5.1	
Upside/(downside)		9.6%	

Source: PSG Wealth research as of 09 July 2025

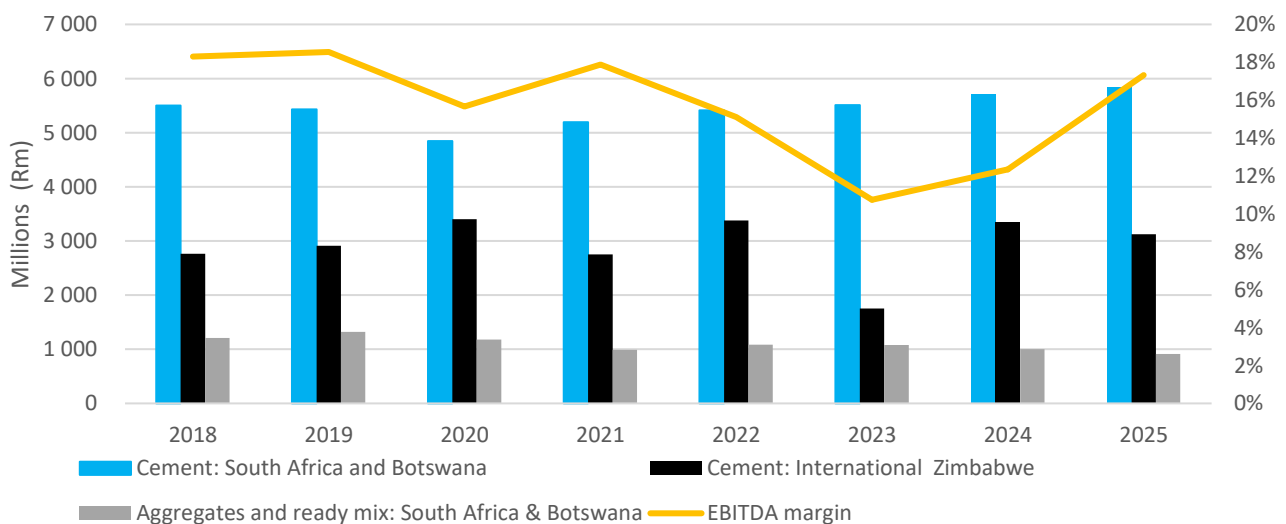
Table 2: FY25 Annual Results

Metric (Million)	FY24	FY25	Y/y % change
EBITDA cement SA & Botswana	684	837	22.4%
EBITDA materials SA & Botswana	43	24*	-44.2%
EBITDA PPC Zimbabwe \$ million	35.9	46.6	29.8%
Gross debt SA & Botswana	779	502	-35.7%

* Soft demand, high costs, and competition, worsened by limited new infrastructure and private projects.

Source: PSG Wealth Research

Graph 1: Revenue and EBITDA margin



Source: PSG Wealth research



Table 3: Qualitative summary

Factor review	Rating	Description
Growth		Revenue 2-year CAGR is expected at 11.4%, with growth anticipated from increase in prices, although volume pressures remain a concern amid the continued influx of low-cost cement imports into the market.
Valuation		Upside to intrinsic value 9.6%. Further upside if the South African government imposes tariffs on cement imports.
Dividend yield		The dividend yield for PPC Limited is 3.4%.
Issuance		PPC Limited raised a total of R86 million through equity issuance over the past 5 financial years.
Catalyst	<ul style="list-style-type: none"> • Government intervention in South Africa to support the industry through introduction of import tariffs to create a level playing field for domestic producers. • Strong balance sheet after several years of de-gearing; looking to initiate shareholder returns. • Awakened turnaround plan focussing on improving profitability and efficiencies. 	
Quality of earnings		Earnings distorted by the Covid period. Zimbabwe using dollar standard helps with volatility. History of impairments.
Moat		PPC is a quality cement producer, however, the growing influx of low-cost imported cement is eroding its pricing power and exerting downward pressure on sales volumes.
Management and governance		PPC Limited's management team is relatively new. However, CEO Matias Cardarelli brings extensive cement industry experience, having led the transformation of Natal Portland Cement and successfully restored profitability at Cimentos de Mozambique.
Balance sheet		Strong balance sheet with Net debt to EBITDA sitting at -0.15x.
Risks	<ul style="list-style-type: none"> • Multi-currency trading environment extended from 2025 to 2030. • Downtime from plant optimization (affects production volumes). • Importing and dumping from international market and continued lack of intervention from government especially from South Africa. • Risk of impairments of PPC Cement Plants. 	
Regulation		Zimbabwe Revenue Authority (ZIMRA) began enforcing a 30% surtax on imported cement, introduced through Statutory Instrument 50A of 2025.
ESG		Although in an industry with a large negative carbon emission impact and potential for injuries, PPC is pursuing an ongoing decarbonisation program.
Momentum price		Price momentum is positive.
Momentum earnings		In the last three months, earnings revision has been revised upwards by 20.7%.
Piotroski score		Achieved an average score of eight.

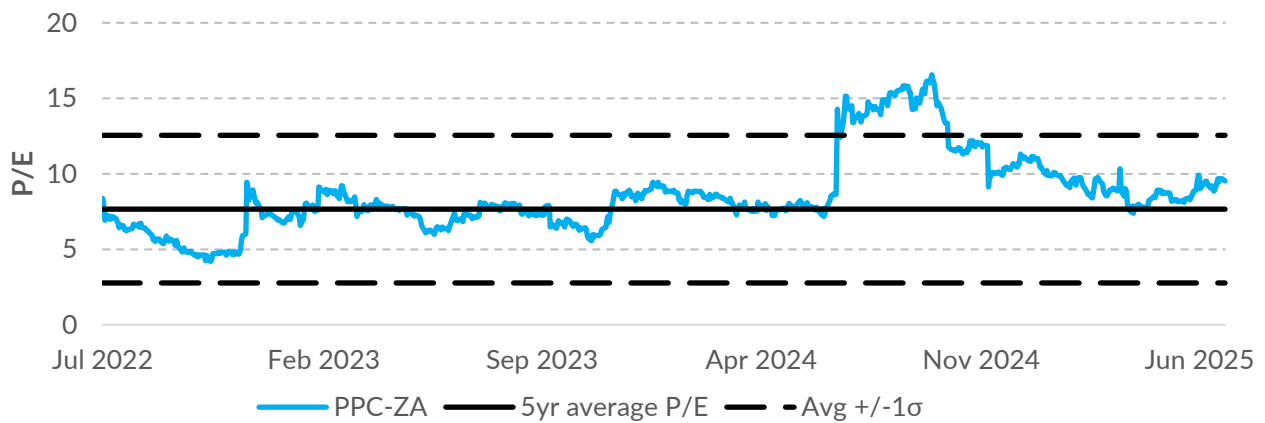
Source: PSG Wealth Research



Table 4: Company data

52-week high	R5.76
52-week low	R3.28
Market value (bn)	R8.1
Price momentum	Positive
3m earnings revision	20.7%
Fiscal year end	2026/03/31

Graph 2: Price to Earnings



Source: FactSet

Table 5: Performance versus benchmark

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
PPC Limited	0.8%	0.4%	6.6%	0.8%	60.8%	108.3%	107.6%	464.6%	-51.8%
JSE Capped SWIX	14.0%	0.0%	6.7%	14.0%	19.9%	27.1%	38.8%	77.5%	48.8%

Source: FactSet

Table 6: Key competitors

Company	Code	Price (Rand)	Market Cap (Rbn)	Sales FY (Rbn)	EBIT FY (Rbn)	Net Income FY (Rbn)	EV/ EBIT	P/E	Price % (3mo)	Price % (1YR)
PPC Limited	PPC-ZA	5.2	8.1	9.9	1.0	0.5	9.1x	8.9x	6.6%	60.8%
Raubex Group Limited	RBX-ZA	44.8	8.1	21.1	1.5	1.1	4.3x	5.4x	-1.8%	5.9%

Source: FactSet



Table 7: Income statement

Income statement (ZAR bn)	2018	2019	2020	2021	2022	2023	2024	2025
Sales	10.2	10.4	8.6	8.9	9.8	8.3	10.0	9.8
Y/Y growth (%)	6.3	2.0	-17.3	3.5	10.1	-15.3	20.5	-2.0
Gross income	2.2	1.8	1.7	1.9	1.2	1	1.5	1.9
Y/Y growth (%)	4.8	-18.2	-5.6	11.8	-36.8	-16.7	*50.0	26.7
EBITDA	1.8	1.9	1.5	1.6	1.3	0.9	1.2	1.5
Y/Y growth (%)	0.0	5.6	-21.1	6.7	-18.8	-30.8	33.3	25.0
EBIT	0.9	0.9	0.7	1.0	0.5	0.1	0.6	0.9
Y/Y growth (%)	-10.0	0.0	-22.2	42.9	-50.0	-80.0	*500.0	50.0
Net income	0.1	0.2	-0.6	0.9	-0.1	-0.3	0.1	0.4
Y/Y growth (%)	55.6	42.9	NM	NM	NM	328.6	NM	400.0
EPS (Rand)	0.1	0.2	-1.2	0.1	-0.2	-0.2	0.1	0.3
Y/Y growth (%)	25.0	60.0	NM	NM	NM	6.7	NM	128.6

Balance sheet and cash flow (ZAR bn)	2018	2019	2020	2021	2022	2023	2024	2025
Capex	0.9	0.8	0.6	0.4	0.6	0.4	0.4	0.4
Cash from Operations	1.4	1.3	0.5	1.4	1.0	0.8	0.8	1.4
Free Cash Flow	0.5	0.4	0.0	1.0	0.5	0.5	0.4	**1.0
Y/Y growth (%)	-142.2	-21.4	-102.2	NM	-50.7	-3.9	-15.4	159.3
Cash and ST Investments	0.8	0.4	0.4	0.4	0.5	0.4	0.8	0.8
Total assets	16.2	17.6	17.0	15.8	15.3	10.4	9.5	9.00
ST debt	0.6	0.9	5.1	1.7	0.5	0.4	0.6	0.0
LT debt	4.1	4.1	0.9	1.0	1.2	0.9	0.3	0.6

Ratios	2018	2019	2020	2021	2022	2023	2024	2025
Gross margin (%)	21.6	17.3	19.8	21.3	12.2	12.0	15.0	19.4
EBIT margin (%)	8.8	8.7	8.1	11.2	5.1	1.2	6.0	9.2
Net income margin (%)	1.4	1.9	-7.2	10.1	-0.7	-3.6	0.8	4.1
Current ratio	1.3	1	0.5	0.9	1.5	1.6	1.6	1.8
Total debt to equity	60.4	56.2	76.2	39.1	22.4	22.0	15.6	11.2
Total debt to assets	28.9	28.4	34.7	17.0	10.7	12.0	9.8	7.1
ROA (%)	0.8	1.3	-3.75	6.0	-0.5	-2.5	0.9	5.0
ROE (%)	1.9	2.8	-7.8	13.4	-1.0	-5.0	1.5	7.9

*Driven by recovery in Zimbabwe and price increases.

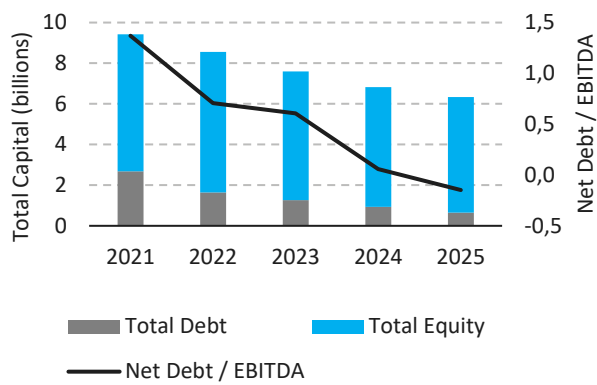
** PPC's cash flow increased as a result of the effective execution of the "Awaken the Giant" turnaround strategy, which delivered operational improvements and enhanced financial discipline.

NM = Not meaningful

Source: FactSet

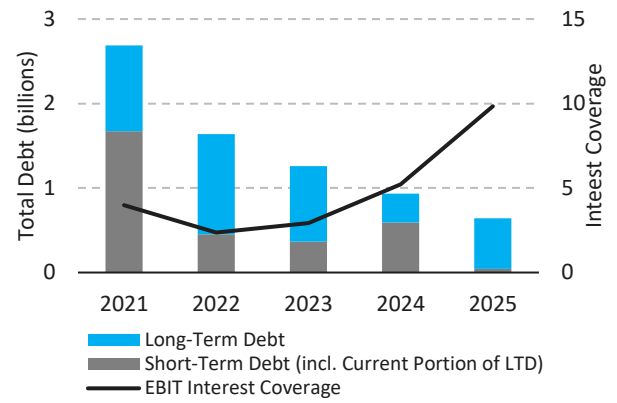


Graph 3: Capital structure and net debt/EBITDA



Source: FactSet

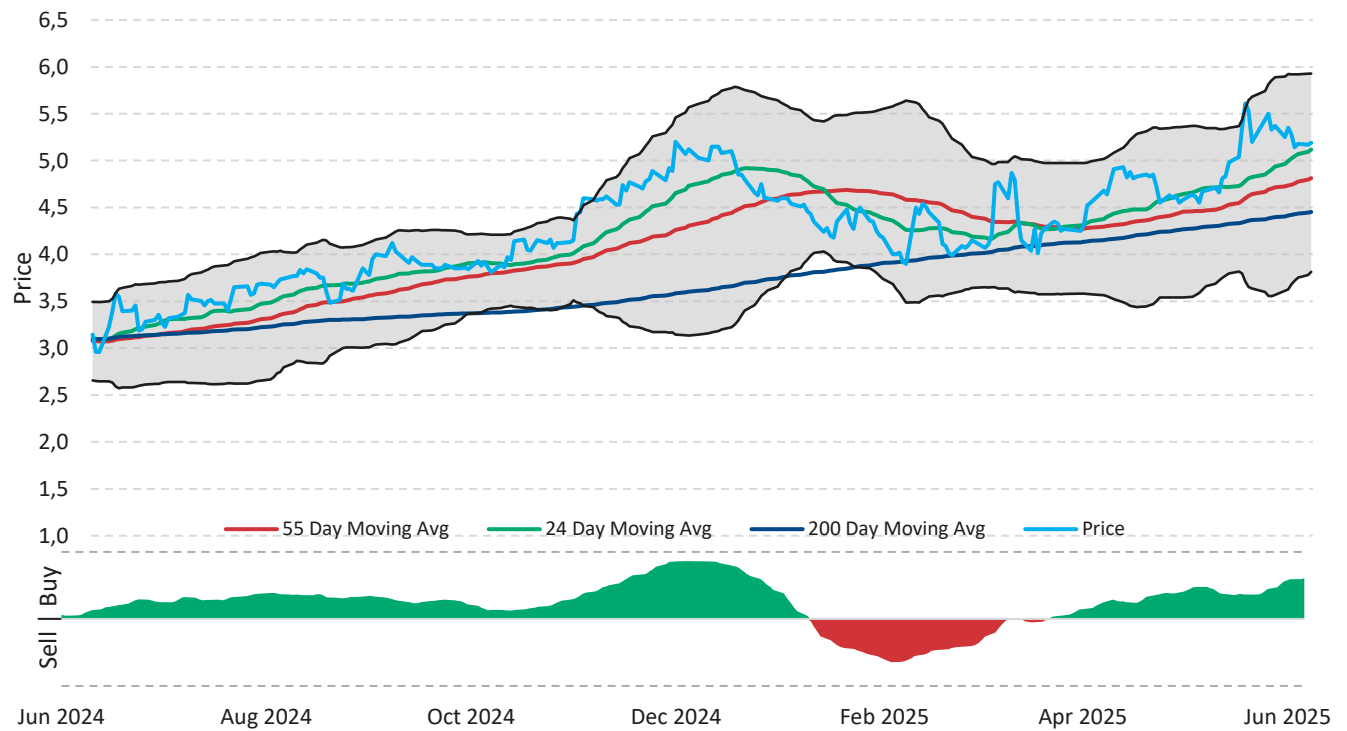
Graph 4: Total debt and interest coverage



Source: FactSet

Graph 5: Price momentum

Last: 5.19 | Bollinger Bands: (50,3) [Upper/Lower]: 5.93/3.81



Source: FactSet



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