

PPC looks to seal big Africa deals

By [Nick Hedley](#)

25 Feb 2014

PPC's chief executive, Ketso Gordhan says the group is looking at concluding one or two big deals in Africa in a bid to double earnings by 2018.



Algeria represents some real opportunities for South African companies claims PPC's Ketso Gordhan. Image: [Investor Reports](#)

The cement manufacturer reported normalised earnings before interest, taxes, depreciation and amortisation of R2.5bn for the year to September. But Gordhan said "we'd love to have it at about the R5bn mark" by 2018.

This has been part of management's internal five-year plan since the start of Gordhan's tenure in January last year.

Another objective is to see group sales rise from current levels of about 22% to more than 40% from the rest of Africa by 2017. Successful completion of four projects will help the group reach that goal.

The projects include a joint-venture for a 2m-tons-a-year plant in Algeria, announced earlier this month. PPC is also building cement plants in Ethiopia, Rwanda and the Democratic Republic of Congo.

Gordhan said the more ambitious plan to double group earnings and capacity meant PPC was looking to do at least one if not two more deals in Africa. Target markets included the likes of Ghana and Kenya.

Algeria's possibilities

"A deal must be more attractive than investing that money in South Africa," Gordhan said. "I think we may do one

acquisition and one new greenfields project," he added.

PPC is facing increasing competition in the South African market, which is prompting its growth into the rest of Africa where margins are higher.

Sephaku Cement, an associate of JSE-listed Sephaku Holdings and a 64%-held unit of Nigeria's Dangote Cement, joins the South African market this year.

Gordhan said this would delay any new expansion plans in South Africa for PPC but the company would upgrade its Port Elizabeth plant and one of its inland plants to gear up for the expected increase in public and private sector investments in the next two years.

He says that Africa's growth is a huge opportunity for PPC, because the subcontinent requires 40m tons of new capacity.

Gordhan said Algeria is currently a highly attractive investment destination for South African companies looking for opportunities further afield than sub-Saharan Africa. "We plan to lead several business delegations to Algeria over the next year," he added.

"I think it's an attractive place for South African companies who want to explore outside of the sub-Saharan environment," he said.

But Gordhan said South African companies looking to expand into Algeria would have to deal with different conditions from those that they might be used to. "It's a very different economy," he said.

"It's got much more state control, state involvement and state regulation. But it's a huge opportunity because it's a country that is rich in oil and gas, but has very limited industrial infrastructure. You have got to get your head around the fact that you can't own more than 49% of the business in that country," he added.

He said Algeria was growing at a faster pace than South Africa, and that PPC is conducting feasibility studies to build a new R3.9bn plant there.

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